

TOWN OF WADESBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2018

JBW

J. B. WATSON & Co., P.L.L.C.

Certified Public Accountants

TOWN OF WADESBORO, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2018

Town Council Members

Bill Thacker, Mayor

Fred Davis, Mayor Pro Tem

John Ballard

Jeremy Burr

James David Lee

Bobby Usrey

Administrative and Financial Staff

David Edwards, Town Manager/Finance Officer

Cindi Pope, Town Clerk

Bebe Gaddy, Tax Collector

TOWN OF WADESBORO, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2018

	<u>Exhibit</u>	<u>Page</u>
<u>FINANCIAL SECTION</u>		
INDEPENDENT AUDITORS' REPORT		
MANAGEMENT'S DISCUSSION AND ANALYSIS		i
BASIC FINANCIAL STATEMENTS:		
Government-Wide Financial Statements:		
Statement of Net Position	1	1
Statement of Activities	2	2
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3-1	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	3-2	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4-1	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4-2	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Annual Budget and Actual - General Fund	5	7
Statement of Fund Net Position - Proprietary Funds	6	8
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	7	9
Statement of Cash Flows - Proprietary Funds	8	10
Notes to the Financial Statements		12

TOWN OF WADESBORO, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2018

	<u>Exhibit</u>	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION:		
Local Governmental Employees' Retirement System:		
Schedule of the Proportionate Share of the Net Pension Liability (Asset)		47
Schedule of Contributions		48
Firefighters' and Rescue Squad Workers' Pension Fund:		
Schedule of the Proportionate Share of the Net Pension Liability		49
Law Enforcement Officers' Special Separation Allowance:		
Schedule of Changes in Total Pension Liability		50
Schedule of Total Pension Liability as a Percentage of Covered Payroll		51
Other Postemployment Benefits:		
Schedule of Changes in the Total OPEB Liability and Related Ratios		52
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-1	53
Combining Balance Sheet - Non-major Governmental Funds	B-1	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds	B-2	58
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Wadesboro Park Project Fund	B-3	59
Downtown Revitalization Project Fund	B-4	60
Fire Station Project Fund	B-5	61
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	C-1	62

TOWN OF WADESBORO, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2018

	<u>Exhibit</u>	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Capacity Building Grant Fund	C-2	65
Wadesboro Water Plant Disinfection By-Products Project Fund	C-3	66
White Store Road Water Project Fund	C-4	67
Uptown Wadesboro Water/Lennox Drive Sewer Project Fund	C-5	68
Anson Greenhouse, LLC Project Fund	C-6	69
Water Interconnection Project Fund	C-7	70
Sewer Rehabilitation Project Fund	C-8	71
 <u>OTHER SCHEDULES</u>		
Schedule of Ad Valorem Taxes Receivable	D-1	72
Analysis of Current Tax Levy - Town-wide Levy	D-2	73
 <u>COMPLIANCE SECTION</u>		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		74
Schedule of Expenditures of Federal and State Awards		76

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina, as of and for the year ended June 30, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. The financial statements of Town of Wadesboro ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, effective July 1, 2017, the Town implemented Government Accounting Standards Board No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of the Net Pension Liability, the Law Enforcement Officers' Special Separation Allowance's Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Other Postemployment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

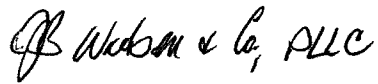
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Town of Wadesboro, North Carolina. The combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and State awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of Town of Wadesboro, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Wadesboro, North Carolina's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "B. Wilson & Co., PLLC". The signature is written in a cursive, flowing style.

Wadesboro, North Carolina
November 29, 2018

Management's Discussion and Analysis

As management of Town of Wadesboro, we offer readers of Wadesboro's financial statements this narrative overview and analysis of the financial activities of Town of Wadesboro for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

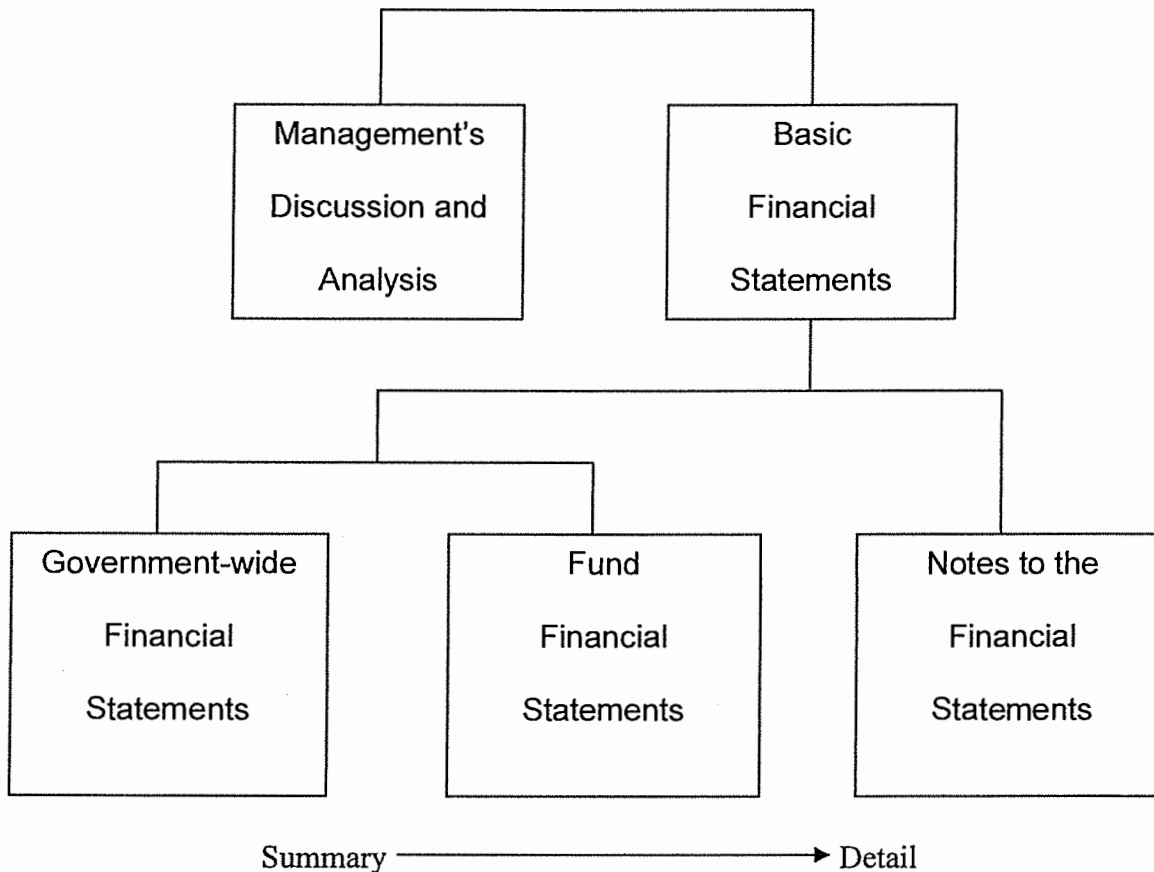
- The assets and deferred outflows of resources of Town of Wadesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,725,400 (*net position*).
- The government's total net position increased by \$883,164 (excluding the restatement of beginning net position due to the change in accounting for other postemployment benefits) primarily due to an increase in taxes and licenses, higher than budgeted revenues, and lower than budgeted expenditures.
- As of the close of the current fiscal year, Town of Wadesboro's governmental funds reported combined ending fund balances of \$3,396,885, a decrease of \$221,011 in comparison with the prior year.
- The decrease in fund balance was primarily due to completion of the construction of a new fire station.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,959,895 or 49% of total General Fund expenditures for the fiscal year.
- Town of Wadesboro's installment purchases payable decreased by \$229,794 during the current fiscal year. The key factor in this decrease is continued debt service payments on existing obligations.
- The requirement to present the Town's liability regarding Other Postemployment Benefits (health insurance for retirees) is also shown as an obligation of \$6,036,730 along with net pension obligations of \$990,801.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Wadesboro'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 Town of Wadesboro.

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 3-1 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. Following the notes is **required supplementary information**. This section contains funding information about the Town's pension plans. Also 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows 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 three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town. The final category is the component unit. Although legally separate from the Town, the Wadesboro ABC Board is important to the Town because the Town exercises control over the Board by appointing two of its three members and because the Board is required to distribute its profits to the Town.

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give

Management's Discussion and Analysis
Town of Wadesboro

the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Town of Wadesboro 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 – Town of Wadesboro has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Wadesboro uses enterprise funds to account for its water and sewer activity and any related capital project funds. 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 begin on page 12 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Town of Wadesboro's progress in funding its obligation to provide pension benefits and postemployment benefits to employees. Required supplementary information can be found beginning on page 47 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.

Management's Discussion and Analysis
Town of Wadesboro

Government-Wide Financial Analysis

*TOWN OF WADESBORO
NET POSITION
FIGURE 2*

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 3,974,563	\$ 4,351,140	\$ 3,466,730	\$ 3,044,724	\$ 7,441,293	\$ 7,395,864
Capital assets, net	<u>4,709,291</u>	<u>3,888,199</u>	<u>11,254,981</u>	<u>11,285,520</u>	<u>15,964,272</u>	<u>15,173,719</u>
Total Assets	<u>8,683,854</u>	<u>8,239,339</u>	<u>14,721,711</u>	<u>14,330,244</u>	<u>23,405,565</u>	<u>22,569,583</u>
Deferred outflows of resources	<u>516,312</u>	<u>554,988</u>	<u>72,562</u>	<u>111,512</u>	<u>588,874</u>	<u>666,500</u>
Liabilities						
Current and other liabilities	104,030	315,176	464,258	286,696	568,288	601,872
Long-term liabilities:						
Due within one year	123,905	108,333	101,076	127,406	224,981	235,739
Due after one year	<u>7,316,552</u>	<u>3,851,697</u>	<u>1,498,127</u>	<u>918,803</u>	<u>8,814,679</u>	<u>4,770,500</u>
Total Liabilities	<u>7,544,487</u>	<u>4,275,206</u>	<u>2,063,461</u>	<u>1,332,905</u>	<u>9,607,948</u>	<u>5,608,111</u>
Deferred inflows of resources	<u>542,385</u>	<u>73,875</u>	<u>118,706</u>	<u>26,693</u>	<u>661,091</u>	<u>100,568</u>
Net Position						
Net investment in capital assets	3,243,209	2,412,499	10,876,248	10,686,611	14,119,457	13,099,110
Restricted	1,025,205	1,678,288	-	-	1,025,205	1,678,288
Unrestricted	<u>(3,155,120)</u>	<u>354,459</u>	<u>1,735,858</u>	<u>2,395,547</u>	<u>(1,419,262)</u>	<u>2,750,006</u>
Total Net Position	<u>\$ 1,113,294</u>	<u>\$ 4,445,246</u>	<u>\$ 12,612,106</u>	<u>\$ 13,082,158</u>	<u>\$ 13,725,400</u>	<u>\$ 17,527,404</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Wadesboro exceeded liabilities and deferred inflows by \$13,725,400 as of June 30, 2018. The Town's net position decreased by \$3,802,004 for the fiscal year ended June 30, 2018 largely due to the change in accounting for other postemployment benefits. However, the largest portion (103%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Town of Wadesboro uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Wadesboro'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 Town of Wadesboro's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$1,419,262) (-10%) is unrestricted.

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

- The overall decrease in unrestricted net position was due to the implementation of GASB 75 requiring new accounting and reporting of retiree insurance. A restatement to record the effects of the new accounting and reporting of postemployment benefits decreased beginning net position by \$4,685,168.

Management's Discussion and Analysis
Town of Wadesboro

- Ad valorem taxes and sales taxes exceeded budget forecasts.
- Water and sewer rates were increased.
- The Town received a State grant for sewer rehabilitation.
- Expenditure controls including delaying needed capital expenditures also helped reduce expenditures.

TOWN OF WADESBORO
CHANGES IN NET POSITION
FIGURE 3

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	\$ 375,273	\$ 379,415	\$ 2,750,376	\$ 2,746,978	\$ 3,125,649	\$ 3,126,393
Operating grants and contributions	288,449	284,904	-	-	288,449	284,904
Capital grants and contributions	45,306	157,407	79,831	-	125,137	157,407
General Revenues:						
Property taxes	1,879,684	1,861,648	-	-	1,879,684	1,861,648
Other taxes and licenses	1,824,515	1,757,042	-	-	1,824,515	1,757,042
Grants and contributions not restricted	38,000	31,400	-	-	38,000	31,400
Investment earnings, unrestricted	39,164	11,295	117	35	39,281	11,330
Miscellaneous, unrestricted	57,964	25,868	226	152	58,190	26,020
Total Revenues	<u>4,548,355</u>	<u>4,508,979</u>	<u>2,830,550</u>	<u>2,747,165</u>	<u>7,378,905</u>	<u>7,256,144</u>
Expenses						
Program Expenses:						
General government	223,737	1,110,376	-	-	223,737	1,110,376
Public safety	2,908,175	2,272,996	-	-	2,908,175	2,272,996
Transportation	508,367	609,519	-	-	508,367	609,519
Economic and physical development	2,224	8,302	-	-	2,224	8,302
Environmental protection	371,800	390,962	-	-	371,800	390,962
Culture and recreation	27,212	30,322	-	-	27,212	30,322
Interest on long-term debt	33,854	11,237	-	-	33,854	11,237
Water and sewer	-	-	2,420,372	2,465,984	2,420,372	2,465,984
Total Expenses	<u>4,075,369</u>	<u>4,433,714</u>	<u>2,420,372</u>	<u>2,465,984</u>	<u>6,495,741</u>	<u>6,899,698</u>
Change in net position before transfers	472,986	75,265	410,178	281,181	883,164	356,446
Transfers	-	5,000	-	(5,000)	-	-
Change in net position	<u>472,986</u>	<u>80,265</u>	<u>410,178</u>	<u>276,181</u>	<u>883,164</u>	<u>356,446</u>
Net Position, July 1	4,445,246	4,625,031	13,082,158	12,805,977	17,527,404	17,431,008
Restatement	(3,804,938)	(260,050)	(880,230)	-	(4,685,168)	(260,050)
Net Position, July 1, as restated	<u>640,308</u>	<u>4,364,981</u>	<u>12,201,928</u>	<u>12,805,977</u>	<u>12,842,236</u>	<u>17,170,958</u>
Net Position, June 30	<u>\$ 1,113,294</u>	<u>\$ 4,445,246</u>	<u>\$ 12,612,106</u>	<u>\$ 13,082,158</u>	<u>\$ 13,725,400</u>	<u>\$ 17,527,404</u>

Governmental activities: Governmental activities increased the Town's net position by \$472,986. Key elements of this increase include higher than anticipated revenues for ad valorem and sales taxes and lower than anticipated expenditures for reasons including personnel turnover and frugal spending oversight.

Business-type activities: Business-type activities increased Town of Wadesboro's net position by \$410,178. The major reasons for the increase in water-sewer net position were water and sewer rate increases, lower than anticipated expenditures, and system improvement expenditure delays.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of Town of Wadesboro. At the end of the current fiscal year, available fund balance of the General Fund was \$2,803,350 while total fund balance was \$3,297,949. The Town currently has available fund balance of 70.4 percent of total General Fund expenditures, while total fund balance represents 82.8 percent of General Fund expenditures.

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

Most of the budget amendments during the year were minor, except for amendments for loan proceeds and the purchase of garbage equipment.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the consolidated Water and Sewer Fund at the end of the fiscal year amounted to \$1,735,858. The total increase in net position for the fund was \$410,178. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets: Town of Wadesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$15,964,272 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- The Town completed construction of a new fire station.
- The Town purchased a 2018 Freightliner and knuckleboom loader for the sanitation department.
- The Town purchased 2 new police vehicles and body camera equipment.
- The Town purchased a new truck for the water department.
- The Town completed the Highway 52 South water interconnection project.

Management's Discussion and Analysis
Town of Wadesboro

- Wayfinding signage was purchased with State grant funds.
- Design was begun sewer rehabilitation with State grant funds.

TOWN OF WADESBORO
CAPITAL ASSETS (net of depreciation)
FIGURE 4

Description	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land and construction in progress	\$ 630,182	\$ 1,072,217	\$ 314,957	\$ 253,126	\$ 945,139	\$ 1,325,343
Deposits	-	-	-	-	-	-
Buildings	1,527,287	383,841	-	-	1,527,287	383,841
Land improvements	858,930	879,512	-	-	858,930	879,512
Infrastructure	270,118	276,575	-	-	270,118	276,575
Equipment	571,997	489,897	-	-	571,997	489,897
Vehicles and motorized equipment	850,777	786,157	319,750	330,267	1,170,527	1,116,424
Plant and distribution systems	-	-	10,620,274	10,702,127	10,620,274	10,702,127
	<u>\$ 4,709,291</u>	<u>\$ 3,888,199</u>	<u>\$ 11,254,981</u>	<u>\$ 11,285,520</u>	<u>\$ 15,964,272</u>	<u>\$ 15,173,719</u>

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

Long-term Debt: As of June 30, 2018, Town of Wadesboro had no bonded debt.

TOWN OF WADESBORO
Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
	(as restated)		(as restated)		(as restated)	
Installment purchases payable	\$ 1,466,082	\$ 1,475,700	\$ 378,733	\$ 598,909	\$ 1,844,815	\$ 2,074,609
Compensated absences	132,436	128,596	34,878	32,594	167,314	161,190
Net pension liability (LERS)	439,230	619,863	97,001	133,354	536,231	753,217
Total pension liability (LEO)	454,570	469,787	-	-	454,570	469,787
Total OPEB liability	<u>4,948,139</u>	<u>5,227,118</u>	<u>1,088,591</u>	<u>1,161,582</u>	<u>6,036,730</u>	<u>6,388,700</u>
Total	<u>\$ 7,440,457</u>	<u>\$ 7,921,064</u>	<u>\$ 1,599,203</u>	<u>\$ 1,926,439</u>	<u>\$ 9,039,660</u>	<u>\$ 9,847,503</u>

Town of Wadesboro's Outstanding Debt

Town of Wadesboro's total debt decreased by \$807,843 (8%) during the past fiscal year using the restated beginning balance for the total OPEB liability. The key factors in this decrease are continued debt service payments on existing obligations.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Wadesboro is \$26,801,725. The Town has no bonds authorized but un-issued at June 30, 2018.

Additional information regarding Town of Wadesboro's long-term debt can be found in Note 3 beginning on page 41 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The unemployment rate decreased county-wide from 5.5% in June of 2017 to 4.9% in June of 2018.
- Design and construction of the new Wadesboro Industrial Park has the potential to improve economic development in the area significantly. Several other ED projects around the county are in process and could also positively impact growth.
- Interest in commercial and residential properties is increasing, and sales appear to be increasing, too.
- Ad valorem tax revenues showed a slight decrease (.6%).
- Sales tax and excise tax revenues showed an increase of 6.3%.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Current revenues from ad valorem taxes and sales taxes are ahead of last fiscal year's pace year-to-date due to improved collection and distribution by the County as well as continued improvement in the overall economy statewide. The Town is continuing to pursue a partnership with the Anson Economic Development Partnership to bring an industrial park online that has the potential for significant positive economic momentum for the Town.

Budgeted expenditures in the General Fund are expected to remain relatively flat in comparison to the prior fiscal year due to the purchase of several needed capital assets: a mini-excavator and dump truck for the street and water departments, IT improvements town-wide including consulting services and a server replacement, and new turnout gear for the Fire department. The Town will continue in the future to replace worn equipment with grants, reserves, and short term borrowing at favorable interest rates. The Town balanced the budget with a large amount of fund balance but anticipates using less than budgeted based on prior history. The Town's remaining fund balance is healthy.

Business-type Activities: Water and sewer revenues are budgeted to remain flat due to both rates remaining flat year over year and no significant changes forecast for this fiscal year in usage. Water revenues are slightly behind last year's pace year-to-date; the cause of this is undetermined at the time of this report. As discussed above, the Town is pursuing a major economic development project that has the potential to dramatically increase the Town's utility revenues by bringing in one or more industrial water and sewer users.

Expenditures are expected to remain relatively flat year over year. The Town has contracted with LKC Engineering to design and manage several large water and sewer projects that will be funded through the USDA and the NC Department of Commerce through a series of grants and low-interest loans. The Town has been purchasing water

Management's Discussion and Analysis
Town of Wadesboro

from Anson County full-time since August 2014 and has negotiated a water purchase contract with the County.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to David Edwards, Town Manager; PO Box 697; Wadesboro, NC 28170; 704-694-5171.

BASIC FINANCIAL STATEMENTS

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2018

Exhibit 1

	Primary Government			Town of Wadesboro ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 2,617,307	\$ 2,503,870	\$ 5,121,177	\$ 336,093
Receivables:				
Taxes receivable	381,890	-	381,890	-
Accounts receivable (net)	101,458	301,339	402,797	-
Accrued interest receivable	91,782	-	91,782	-
Due from other governments	389,767	8,721	398,488	-
Inventories	20,829	143,761	164,590	96,774
Prepaid items	8,087	-	8,087	-
Note receivable	11,123	-	11,123	-
Restricted assets:				
Cash and cash equivalents	352,320	480,408	832,728	-
Due from other governments	-	27,332	27,332	-
Note receivable	-	1,299	1,299	-
Capital assets:				
Land and other nondepreciable assets	630,182	314,957	945,139	80,000
Other capital assets (net)	4,079,109	10,940,024	15,019,133	27,663
TOTAL ASSETS	8,683,854	14,721,711	23,405,565	540,530
DEFERRED OUTFLOWS OF RESOURCES	516,312	72,562	588,874	20,452
LIABILITIES				
Accounts payable and accrued liabilities	92,969	15,433	108,402	59,352
Accrued interest payable	11,061	4,343	15,404	-
Due to other governments	-	107,927	107,927	-
Liabilities payable from restricted assets:	-	336,555	336,555	-
Long-term liabilities:				
Due within one year	123,905	101,076	224,981	-
Due in more than one year	7,316,552	1,498,127	8,814,679	17,874
TOTAL LIABILITIES	7,544,487	2,063,461	9,607,948	77,226
DEFERRED INFLOWS OF RESOURCES	542,385	118,706	661,091	506
NET POSITION				
Net investment in capital assets	3,243,209	10,876,248	14,119,457	107,663
Restricted for:				
Stabilization by State statute	465,683	-	465,683	-
Streets - Powell Bill	352,320	-	352,320	-
Law enforcement	27,512	-	27,512	-
Other purposes	179,690	-	179,690	-
Working capital	-	-	-	43,212
Unrestricted	(3,155,120)	1,735,858	(1,419,262)	332,375
TOTAL NET POSITION	\$ 1,113,294	\$ 12,612,106	\$ 13,725,400	\$ 483,250

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

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Town of Wadesboro ABC Board
Governmental activities:								
General government	\$ 223,737	\$ 100	\$ -	\$ -	\$ (223,637)	\$ -	\$ (223,637)	\$ -
Public safety	2,908,175	8,716	114,543	45,306	(2,739,610)	-	(2,739,610)	-
Transportation	508,367	-	173,906	-	(334,461)	-	(334,461)	-
Economic and physical development	2,224	-	-	-	(2,224)	-	(2,224)	-
Environmental protection	371,800	366,457	-	-	(5,343)	-	(5,343)	-
Culture and recreation	27,212	-	-	-	(27,212)	-	(27,212)	-
Interest on long-term debt	33,854	-	-	-	(33,854)	-	(33,854)	-
Total governmental activities	4,075,369	375,273	288,449	45,306	(3,366,341)	-	(3,366,341)	-
Business-type activities:								
Water and sewer	2,420,372	2,750,376	-	79,831	-	409,835	409,835	-
Component unit:								
ABC Board	1,111,174	1,123,527	-	-	-	-	-	12,353
	<u>\$ 7,606,915</u>	<u>\$ 4,249,176</u>	<u>\$ 288,449</u>	<u>\$ 125,137</u>	<u>(3,366,341)</u>	<u>409,835</u>	<u>(2,956,506)</u>	<u>12,353</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					1,879,684	-	1,879,684	-
Other taxes and licenses					1,824,515	-	1,824,515	-
Grants and contributions not restricted to specific programs					38,000	-	38,000	-
Investment earnings, unrestricted					39,164	117	39,281	877
Miscellaneous, unrestricted					57,964	226	58,190	-
Total general revenues excluding transfers					3,839,327	343	3,839,670	877
Transfers					-	-	-	-
Total general revenues and transfers					3,839,327	343	3,839,670	877
Change in net position					472,986	410,178	883,164	13,230
Net position, beginning, as previously reported					4,445,246	13,082,158	17,527,404	470,020
Restatement					(3,804,938)	(880,230)	(4,685,168)	-
Net position, beginning, as restated					640,308	12,201,928	12,842,236	470,020
Net position, ending					<u>\$ 1,113,294</u>	<u>\$ 12,612,106</u>	<u>\$ 13,725,400</u>	<u>\$ 483,250</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

Exhibit 3-1

	General Fund	Fire Station Project Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,543,999	\$ 13,449	\$ 59,859	\$ 2,617,307
Restricted cash and cash equivalents	352,320	-	-	352,320
Taxes receivable	381,890	-	-	381,890
Accounts receivable	91,458	10,000	-	101,458
Accrued interest receivable	86	-	-	86
Due from other governments	374,139	13,993	1,635	389,767
Inventories	20,829	-	-	20,829
Prepaid items	8,087	-	-	8,087
TOTAL ASSETS	\$ 3,772,808	\$ 37,442	\$ 61,494	\$ 3,871,744
LIABILITIES				
Accounts payable and accrued liabilities	\$ 92,969	\$ -	\$ -	\$ 92,969
Due to other governments	-	-	-	-
TOTAL LIABILITIES	92,969	-	-	92,969
DEFERRED INFLOWS OF RESOURCES	381,890	-	-	381,890
FUND BALANCES				
Nonspendable:				
Inventories	20,829	-	-	20,829
Prepaid items	8,087	-	-	8,087
Restricted:				
Stabilization by State statute	465,683	-	-	465,683
Streets - Powell Bill	352,320	-	-	352,320
Law enforcement	27,512	-	-	27,512
Rehabilitation	80,754	-	-	80,754
Capital outlay	-	37,442	61,494	98,936
Assigned:				
Fire department	58,693	-	-	58,693
Subsequent year's expenditures	324,176	-	-	324,176
Unassigned	1,959,895	-	-	1,959,895
TOTAL FUND BALANCES	3,297,949	37,442	61,494	3,396,885
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,772,808	\$ 37,442	\$ 61,494	\$ 3,871,744

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

TOWN OF WADESBORO, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
June 30, 2018

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1) **\$ 3,396,885**

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

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds. 4,709,291

Deferred outflows of resources related to pensions are not
reported in the funds. 369,256

Deferred outflows of resources related to OPEB are not
reported in the funds. 147,056

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are not reported as inflows of resources
in the funds.

Accrued interest receivable from taxes 91,696

Incentive grant note receivable 11,123

Earned revenues considered deferred inflows of resources in fund
statements. 381,890

Deferred inflows of resources related to pensions are not reported
in the funds. (104,791)

Deferred inflows of resources related to OPEB are not reported in
the funds. (426,471)

Deferred inflows of resources related to an incentive grant note receivable
are not reported in the funds. (11,123)

Some liabilities used in governmental activities are not financial uses
and, therefore, are not reported in the funds.

Installment purchases payable (1,466,082)

Accrued interest payable (11,061)

Compensated absences (132,436)

Net pension liability (LGERS) (439,230)

Total pension liability (LEO) (454,570)

Total OPEB liability (4,948,139)

Net position of governmental activities (Exhibit 1) **\$ 1,113,294**

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

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit 4-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General Fund	Fire Station Project Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES:				
Ad valorem taxes	\$1,821,120	\$ -	\$ -	\$1,821,120
Other taxes and licenses	257,934	-	-	257,934
Unrestricted intergovernmental	1,600,925	-	-	1,600,925
Restricted intergovernmental	300,464	-	-	300,464
Permits and fees	7,015	-	-	7,015
Sales and services	368,689	-	-	368,689
Investment earnings	37,051	2,113	-	39,164
Miscellaneous	30,009	24,000	-	54,009
TOTAL REVENUES	<u>4,423,207</u>	<u>26,113</u>	<u>-</u>	<u>4,449,320</u>
EXPENDITURES:				
Current:				
General government	731,040	-	-	731,040
Public safety	2,174,079	-	-	2,174,079
Transportation	427,706	-	-	427,706
Environmental protection	487,358	-	-	487,358
Culture and recreation	16,765	-	-	16,765
Debt service:				
Principal retirement	112,084	-	-	112,084
Interest and fees	33,094	-	-	33,094
Capital outlay	-	795,817	23,553	819,370
TOTAL EXPENDITURES	<u>3,982,126</u>	<u>795,817</u>	<u>23,553</u>	<u>4,801,496</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>441,081</u>	<u>(769,704)</u>	<u>(23,553)</u>	<u>(352,176)</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	102,466	-	-	102,466
Transfers from (to) other funds	(4,600)	4,600	-	-
Sale of capital assets	28,699	-	-	28,699
TOTAL OTHER FINANCING SOURCES (USES)	<u>126,565</u>	<u>4,600</u>	<u>-</u>	<u>131,165</u>
NET CHANGE IN FUND BALANCES	<u>567,646</u>	<u>(765,104)</u>	<u>(23,553)</u>	<u>(221,011)</u>
FUND BALANCES, beginning	<u>2,730,303</u>	<u>802,546</u>	<u>85,047</u>	<u>3,617,896</u>
FUND BALANCES, ending	<u>\$3,297,949</u>	<u>\$ 37,442</u>	<u>\$ 61,494</u>	<u>\$3,396,885</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1)	\$ (221,011)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures (including capitalized labor)	1,054,585
Net book value of disposed capital assets not recorded in the fund statements	(1,398)
Depreciation expense for governmental funds	(251,395)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	134,396
Benefit payments paid and administrative expenses for the LEOSA are not included on the statement of activities.	16,086
OPEB benefit payments and administrative expenses incurred in the current fiscal year are not included on the statement of activities.	144,684
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in accrued interest receivable on taxes	14,117
Change in unavailable revenues	46,671
Donated assets	19,300
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	(102,466)
Principal payments on long-term debt	112,084
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.	
Amortization of note receivable	(2,224)
Change in accrued interest payable	(760)
Change in compensated absences	(3,840)
Pension expense (LGERS)	(139,352)
Pension expense (LEO)	(45,275)
OPEB plan expense	(301,216)
Total change in net position of governmental activities (Exhibit 2)	\$ 472,986

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

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ANNUAL BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 1,793,000	\$ 1,793,000	\$ 1,821,120	\$ 28,120
Other taxes and licenses	220,000	220,000	257,934	37,934
Unrestricted intergovernmental	1,493,220	1,493,220	1,600,925	107,705
Restricted intergovernmental	346,834	346,834	300,464	(46,370)
Permits and fees	2,500	2,500	7,015	4,515
Sales and services	371,000	371,000	368,689	(2,311)
Investment earnings	50	50	37,051	37,001
Miscellaneous	17,775	28,089	30,009	1,920
TOTAL REVENUES	<u>4,244,379</u>	<u>4,254,693</u>	<u>4,423,207</u>	<u>168,514</u>
EXPENDITURES:				
Current:				
General government	822,451	833,422	731,040	102,382
Public safety	2,418,752	2,485,815	2,174,079	311,736
Transportation	764,110	764,110	427,706	336,404
Environmental protection	392,830	525,264	487,358	37,906
Culture and recreation	26,591	26,591	16,765	9,826
Debt service:				
Principal retirement	112,090	112,090	112,084	6
Interest and fees	33,105	33,105	33,094	11
Contingency	50,000	42,700	-	42,700
TOTAL EXPENDITURES	<u>4,619,929</u>	<u>4,823,097</u>	<u>3,982,126</u>	<u>840,971</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(375,550)</u>	<u>(568,404)</u>	<u>441,081</u>	<u>1,009,485</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	102,434	102,466	32
Transfers to other funds	-	(4,600)	(4,600)	-
Sale of capital assets	500	24,500	28,699	4,199
TOTAL OTHER FINANCING SOURCES (USES)	<u>500</u>	<u>122,334</u>	<u>126,565</u>	<u>4,231</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(375,050)</u>	<u>(446,070)</u>	<u>567,646</u>	<u>1,013,716</u>
APPROPRIATED FUND BALANCE	<u>375,050</u>	<u>446,070</u>	<u>-</u>	<u>(446,070)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>567,646</u>	<u>\$ 567,646</u>
FUND BALANCE, beginning			<u>2,730,303</u>	
FUND BALANCE, ending			<u>\$ 3,297,949</u>	

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

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2018

Exhibit 6

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,503,870
Accounts receivable (net)	301,339
Due from other governments	8,721
Inventories	143,761
Restricted assets:	
Cash and cash equivalents	480,408
Due from other governments	27,332
TOTAL CURRENT ASSETS	<u>3,465,431</u>

NONCURRENT ASSETS

Restricted note receivable	1,299
Capital assets:	
Land and other nondepreciable assets	314,957
Other capital assets (net)	10,940,024
TOTAL NONCURRENT ASSETS	<u>11,256,280</u>
TOTAL ASSETS	<u>14,721,711</u>

DEFERRED OUTFLOWS OF RESOURCES

72,562

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	15,433
Accrued interest payable	4,343
Due to other governments	107,927
Liabilities payable from restricted assets:	
Accounts payable	199,534
Customer deposits	137,021
Installment purchases payable, current portion	101,076
TOTAL CURRENT LIABILITIES	<u>565,334</u>

NONCURRENT LIABILITIES

Accrued vacation pay	34,878
Installment purchases payable, net of current portion	277,657
Net pension liability	97,001
Total OPEB liability	1,088,591
TOTAL NONCURRENT LIABILITIES	<u>1,498,127</u>

TOTAL LIABILITIES 2,063,461

DEFERRED INFLOWS OF RESOURCES

118,706

NET POSITION

Net investment in capital assets	10,876,248
Unrestricted	1,735,858
TOTAL NET POSITION	<u>\$ 12,612,106</u>

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

Exhibit 7

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

OPERATING REVENUES

Water sales	\$ 1,163,844
Sewer charges	1,507,938
Other operating revenues	<u>78,594</u>

TOTAL OPERATING REVENUES 2,750,376

OPERATING EXPENSES

Water department	1,129,918
Sewer department	915,696
Depreciation	<u>364,121</u>

TOTAL OPERATING EXPENSES 2,409,735

OPERATING INCOME 340,641

NONOPERATING REVENUES (EXPENSES)

Investment earnings	117
Interest and fees	(10,702)
Disposal of capital assets	65
Other revenues	<u>226</u>

TOTAL NONOPERATING REVENUES (EXPENSES) (10,294)

INCOME BEFORE CONTRIBUTIONS AND TRANSFERS 330,347

CAPITAL CONTRIBUTIONS 79,831

TRANSFERS -

CHANGE IN NET POSITION 410,178

NET POSITION, beginning, as previously reported 13,082,158

Restatement (880,230)

NET POSITION, beginning, as restated 12,201,928

NET POSITION, ending \$ 12,612,106

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

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 8
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,724,141
Cash paid for goods and services	(1,644,827)
Cash paid to or on behalf of employees for services	(392,540)
Customer deposits received	38,901
Customer deposits returned	(32,356)
Other operating revenues	<u>78,594</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

771,913

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers from (to) other funds	-
Other nonoperating revenues	<u>226</u>

**NET CASH PROVIDED BY
NONCAPITAL FINANCING ACTIVITIES**

226

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES**

Acquisition and construction of capital assets	(136,380)
Proceeds from sale of capital assets	65
Capital contributions - State grant	54,831
Principal paid on debt	(220,176)
Interest paid on debt	(12,912)
Collection on restricted note receivable	<u>31,589</u>

**NET CASH USED BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

(282,983)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>117</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS

489,273

CASH AND CASH EQUIVALENTS, beginning

2,495,005

CASH AND CASH EQUIVALENTS, ending

\$ 2,984,278

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE BALANCE SHEET**

Cash and cash equivalents in current assets	\$ 2,503,870
Cash and cash equivalents in restricted assets	<u>480,408</u>

\$ 2,984,278

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 8
Page 2 of 2

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 340,641
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	364,121
(Increase) decrease in:	
Accounts receivable	51,641
Due from other governments	(228)
Inventories	11,597
Deferred outflows of resources - pensions	39,472
Deferred outflows of resources - OPEB	(522)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(29,861)
Due to other governments	3,554
Customer deposits	6,545
Compensated absences payable	2,284
Net pension liability	(36,353)
OPEB liability	(72,991)
Deferred inflows of resources - utility payments	718
Deferred inflows of resources - pensions	(2,529)
Deferred inflows of resources - OPEB	<u>93,824</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 771,913</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

Town of Wadesboro ABC Board - Two of the members of the ABC Board's governing board are appointed by the Town with one other member being appointed by the County. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town and County, 50 percent to each. The ABC Board, which has a June 30 year-end, is presented as a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Wadesboro ABC Board; 326 East Caswell Street; Wadesboro, NC 28170.

B. BASIS OF PRESENTATION

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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 nonoperating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

Fire Station Project Fund. This fund accounts for loan proceeds and the construction of a new fire station.

The Town reports the following non-major governmental funds:

Wadesboro Park Project Fund. This fund accounts for grant funds that are restricted for park improvements.

Downtown Revitalization Project Fund. This fund accounts for grant funds restricted for downtown revitalization.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The Capacity Building Grant Fund, the Wadesboro Water Plant Disinfection By-Products Project Fund, the White Store Road Water Project Fund, the Uptown Wadesboro Water/Lennox Drive Sewer Project Fund, the Anson Greenhouse, LLC Project Fund, the Water Interconnection Project Fund, and the Sewer Rehabilitation Project Fund are consolidated with the Water and Sewer Fund for financial reporting purposes.

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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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

Proprietary funds distinguish operating revenues and expenses from 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 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 WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for Town of Wadesboro because the tax is levied by Anson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the 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 is 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 Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Funds and the Capital Projects Funds. The enterprise fund projects are consolidated with the Water and Sewer Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a department without limitations and without a report being required. He or she may also transfer appropriations between functional areas within a fund with an official report on such transfer at the next regular meeting of the Council. During the year, several amendments to the original budget were necessary. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY

DEPOSITS AND INVESTMENTS

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to 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 NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

CASH AND CASH EQUIVALENTS

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

RESTRICTED ASSETS

The unexpended grant monies in the enterprise capital projects funds, as well as a note receivable from another grant project, are classified as restricted assets within the Enterprise Fund because their use is completely restricted to the purpose for which the grant monies were originally received. Customer deposits held by the Town are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

AD VALOREM TAXES RECEIVABLE

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2017.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the receivables written off in prior years as well as the receivables at year-end deemed to be uncollectible.

INVENTORIES AND PREPAID ITEMS

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's inventories consist of expendable materials and supplies held for consumption. The cost of these inventories is expensed when consumed rather than when purchased.

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

CAPITAL ASSETS

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: moveable capital assets, \$1,500; real estate, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 16, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and have not been capitalized. 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 WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Capital assets of the Town are depreciated on a straight-line basis over the following useful lives:

Plant and distribution systems	10 - 50 years
Buildings	40 - 60 years
Land improvements	7 - 50 years
Infrastructure	50 years
Equipment	5 - 15 years
Vehicles and equipment	3 - 30 years

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

Building	20 years
Equipment	7 - 10 years
Land improvements	15 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion – contributions made to the OPEB and pension plans in the current fiscal year and OPEB and pension related deferrals. In addition to liabilities, the statement of net 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 five items that meet the criterion for this category – prepaid taxes (when applicable) and utility payments; property taxes receivable; unavailable grant revenues (when applicable); unearned revenues on a promissory note receivable; and OPEB and pension related deferrals.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary fund financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The ABC Board employees may not accumulate any vacation. Up to two weeks of vacation per year can be taken by each employee. Any unused vacation does not carry over to the next year.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Employees of the ABC Board may accumulate up to 25 days of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has 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 in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

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.

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

Prepaid items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

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

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

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

Restricted for law enforcement – portion of fund balance restricted by revenue source for law enforcement. This amount represents unexpended controlled substance tax from the State; unexpended federal, State, and local law enforcement grants; and unexpended federal drug forfeiture assets.

Restricted for rehabilitation – portion of fund balance restricted by revenue source for rehabilitation to benefit low-to-moderate income persons. This amount represents collection of a restricted note receivable from a previous grant project.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Restricted for capital outlay – portion of fund balance restricted by revenue source for park improvements, downtown revitalization, and construction of a new fire station.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’s governing board (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town does not have any committed fund balance this fiscal year.

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

Fire department – portion of fund balance that has been appropriated by the Board for the fire department.

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 board approves this appropriation.

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

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Town has not adopted a minimum fund balance policy, but follows the State Treasurer’s guidance.

DEFINED BENEFIT COST-SHARING PLANS

The Town participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State – the Local Governmental Employees’ Retirement System (LERS), the Law Enforcement Officers’ Special Separation Allowance (LEOSSA), and the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF) (collectively, the “state-administered defined benefit pension plans”) – and one other postemployment benefit plan (OPEB) – the Health Care Plan (the HC Plan).

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Town of Wadesboro’s employer contributions are recognized when due and Town of Wadesboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HC Plan and additions to/deductions from the HC Plan's fiduciary net position have been determined on the same basis as they are reported by the HC Plan. For this purpose, the HC Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Investments for all plans are reported at fair value.

NOTE 2 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

DEPOSITS

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents 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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. 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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2018, the Town's deposits had a carrying amount of \$2,735,331 and a bank balance of \$2,743,887. The carrying amount of deposits for the ABC Board was \$334,593 and the bank balance was \$428,645. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2018, the Town's and ABC Board's bank balances exceeded federally insured limits by \$1,997,619 and \$178,645, respectively. All deposits of the Town and the ABC Board are insured or collateralized under the Pooling Method. At June 30, 2018, the Town's and the ABC Board's petty cash totaled \$500 and \$1,500, respectively.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

INVESTMENTS

At June 30, 2018, the Town's investments consisted of \$3,218,074 in the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no formal policy regarding credit risk of its investments.

RECEIVABLES - ALLOWANCES FOR DOUBTFUL ACCOUNTS

The receivables shown in Exhibit 1 are net of the following allowances for doubtful accounts:

General Fund	\$ -
Enterprise Fund	<u>132,000</u>
	<u>\$ 132,000</u>

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TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

CAPITAL ASSETS

Primary Government:

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 630,182	\$ -	\$ -	\$ 630,182
Construction in progress	442,035	812,061	1,254,096	-
Total capital assets not being depreciated	<u>1,072,217</u>	<u>812,061</u>	<u>1,254,096</u>	<u>630,182</u>
Capital assets being depreciated:				
Buildings	611,445	1,164,844	-	1,776,289
Land improvements	952,319	-	-	952,319
Infrastructure	322,832	-	-	322,832
Equipment	1,288,117	160,594	6,344	1,442,367
Vehicles and motorized equipment	2,443,505	190,482	284,467	2,349,520
Total capital assets being depreciated	<u>5,618,218</u>	<u>1,515,920</u>	<u>290,811</u>	<u>6,843,327</u>
Less accumulated depreciation for:				
Buildings	227,604	21,398	-	249,002
Land improvements	72,807	20,582	-	93,389
Infrastructure	46,257	6,457	-	52,714
Equipment	798,220	78,494	6,344	870,370
Vehicles and motorized equipment	1,657,348	124,464	283,069	1,498,743
Total accumulated depreciation	<u>2,802,236</u>	<u>251,395</u>	<u>289,413</u>	<u>2,764,218</u>
Total capital assets being depreciated, net	<u>2,815,982</u>			<u>4,079,109</u>
Governmental activities capital assets, net	<u>\$ 3,888,199</u>			<u>\$ 4,709,291</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 11,330
Public safety	127,257
Transportation	38,953
Environmental protection	63,408
Culture and recreation	10,447
	<u>\$ 251,395</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Business-type activities:</i>				
<i>Water and Sewer Fund:</i>				
Capital assets not being depreciated:				
Land	\$ 23,052	\$ -	\$ -	\$ 23,052
Construction in progress	<u>230,074</u>	<u>283,164</u>	<u>221,333</u>	<u>291,905</u>
Total capital assets not being depreciated	<u>253,126</u>	<u>283,164</u>	<u>221,333</u>	<u>314,957</u>
Capital assets being depreciated:				
Plant and distribution systems	20,490,260	221,333	-	20,711,593
Vehicles and equipment	<u>1,290,895</u>	<u>50,418</u>	<u>-</u>	<u>1,341,313</u>
Total capital assets being depreciated	<u>21,781,155</u>	<u>271,751</u>	<u>-</u>	<u>22,052,906</u>
Less accumulated depreciation for:				
Plant and distribution systems	9,788,133	303,186	-	10,091,319
Vehicles and equipment	<u>960,628</u>	<u>60,935</u>	<u>-</u>	<u>1,021,563</u>
Total accumulated depreciation	<u>10,748,761</u>	<u>364,121</u>	<u>-</u>	<u>11,112,882</u>
Total capital assets being depreciated, net	<u>11,032,394</u>			<u>10,940,024</u>
Business-type activities capital assets, net	<u>\$ 11,285,520</u>			<u>\$ 11,254,981</u>

Depreciation expense for the year ended June 30, 2018, was \$364,121.

Construction commitments

The Town had various active construction projects at June 30, 2018. The projects are to be funded largely by State grants and loan proceeds. The Town's commitments with contractors, engineers, and administrators at June 30, 2018, were as follows:

Anson Greenhouse, LLC project	\$ 309,500
USDA Water and Sewer Improvements project	390,000
Sewer rehabilitation project	<u>103,000</u>
	<u>\$ 802,500</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets being depreciated:				
Land improvements	14,060	-	-	14,060
Building	281,025	-	-	281,025
Equipment	143,375	199	-	143,574
Total capital assets being depreciated	438,460	199	-	438,659
Less accumulated depreciation for:				
Land improvements	13,591	469	-	14,060
Building	255,691	1,607	-	257,298
Equipment	137,412	2,226	-	139,638
Total accumulated depreciation	406,694	4,302	-	410,996
Total capital assets being depreciated, net	31,766			27,663
ABC capital assets, net	<u>\$ 111,766</u>			<u>\$ 107,663</u>

Depreciation expense for the year ended June 30, 2018, was \$4,302.

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TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

B. LIABILITIES

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

1. Local Governmental Employees' Retirement System

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

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

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Wadesboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Wadesboro's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.58% for general employees and firefighters, actuarially determined as an amount that when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Town of Wadesboro were \$161,851 for the year ended June 30, 2018.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the Town reported a liability of \$536,231 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.03510%, which was a decrease of 0.00039% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$167,397. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,892	\$ 15,179
Changes of assumptions	76,581	-
Net difference between projected and actual earnings on pension plan investments	130,197	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	41,985
Town's contributions subsequent to the measurement date	161,851	-
Total	<u>\$ 399,521</u>	<u>\$ 57,164</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

\$161,851 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2019	\$ 12,562
2020	141,084
2021	69,240
2022	(42,380)
2023	-
Thereafter	-
	<u>\$ 180,506</u>

Actuarial Assumptions: The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,609,777	\$ 536,231	\$ (359,841)

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Law Enforcement Officers Special Separation Allowance

Plan Description: Town of Wadesboro administers a public employee retirement system (the Separation Allowance), a single-employer, defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>21</u>
Total	<u><u>22</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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

Actuarial Assumptions: The entry age normal actuarial cost method was used in the December 31, 2016, valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions: The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$15,709 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the Town reported a total pension liability of \$454,570. The total pension liability was measured as of December 31, 2017, based on a December 31, 2016, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$29,189.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 58,958
Changes of assumptions and other inputs	25,689	8,766
Town benefit payments and plan administrative expenses incurred subsequent to the measurement date	<u>16,086</u>	<u>-</u>
Total	<u>\$ 41,775</u>	<u>\$ 67,724</u>

\$15,709 paid as benefits came due and \$377 of administrative expenses incurred subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (8,513)
2020	(8,513)
2021	(8,513)
2022	(8,513)
2023	(6,639)
Thereafter	<u>(1,344)</u>
	<u>\$ (42,035)</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate: The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.16 percent) or one percentage point higher (4.16 percent) than the current rate:

	1% Decrease <u>(2.16%)</u>	Discount Rate <u>(3.16%)</u>	1% Increase <u>(4.16%)</u>
Total pension liability	\$ 497,464	\$ 454,570	\$ 415,943

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance:

Balance at December 31, 2016	\$ 469,787
Service cost	22,315
Interest on the total pension liability	17,831
Change of benefit terms	-
Differences between expected and actuarial experience in the measurement of the total pension liability	(70,274)
Changes of assumptions or other inputs	30,620
Benefit payments	(15,709)
Other changes	-
Balance at December 31, 2017	<u>\$ 454,570</u>

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

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study for the five year period ended December 31, 2014.

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TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 167,397	\$ 29,189	\$ 196,586
Pension liability	536,231	454,570	990,801
Proportionate share of the net pension liability (asset)	0.03510%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	30,892	-	30,892
Changes of assumptions	76,581	25,689	102,270
Net difference between projected and actual earnings on plan investments	130,197	-	130,197
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative expenses incurred subsequent to the measurement date	<u>161,851</u>	<u>16,086</u>	<u>177,937</u>
	<u>399,521</u>	<u>41,775</u>	<u>441,296</u>
Deferred inflows of resources:			
Differences between expected and actual experience	15,179	58,958	74,137
Changes of assumptions	-	8,766	8,766
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>41,985</u>	<u>-</u>	<u>41,985</u>
	<u>57,164</u>	<u>67,724</u>	<u>124,888</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

4. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees

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 includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State 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. The law enforcement officers may make voluntary contributions to the plan.

The Town has elected to make the Supplemental Retirement Income Plan available to general employees. The Town contributes four percent of each general participant's salary, and the employees may make voluntary contributions. All amounts contributed are immediately vested in the name of each participant.

The Town made contributions of \$91,165 for the reporting year. No amounts were forfeited.

5. Deferred Compensation Plan

Plan Description: The Town contributes to the North Carolina Public Employee Deferred Compensation Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and Board of Trustees. The North Carolina Public Employee Deferred Compensation Plan is included in the Comprehensive Annual Financial report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 457 plan that includes the Deferred Compensation Plan. 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: The Plan permits each participating employee to defer a portion of his or her salary until future years by having the funds invested in various instruments that make up the North Carolina Public Employee Deferred Compensation Trust Fund. The fund is held in trust by the 457 Plan for the exclusive benefit of participating employees and their beneficiaries. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board. The Town made contributions of \$-0- for the reporting year.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description: The State of North Carolina contributes, on behalf of Town of Wadesboro, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing, multiple-employer, defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' 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 Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided: FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad member. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions: Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ended June 30, 2017, the State contributed \$17,602,000 to the plan. Town of Wadesboro's proportionate share of the State's contribution is \$7,465.

Refunds of Contributions: Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$20,573. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017, utilizing update procedures incorporating the actuarial

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2017, and at June 30, 2016, was 0%.

For the year ended June 30, 2018, the Town recognized pension expense of \$4,502 and revenue of \$4,502 for support provided by the State. At June 30, 2018, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions: The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate or return	7.20 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section 1. of this note.

Discount Rate: The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

7. Other Postemployment Benefits – Health Care Benefits

Plan Description: Under the terms of a Town resolution, the Town administers a single-employer, defined benefit Health Care Plan (the HC Plan). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided: The HC Plan provides postemployment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 20 years of continuous service with the Town or 30 years of service with the System with the last 10 of those 30 years of continuous service with the Town. The

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

retiree is responsible for paying the portion of the premium cost that is in excess of what the Town pays for active employees. Health care and prescription drug coverage are provided by the Town. Dependent coverage may be paid by the retired employee and ceases at the death of the retired employee. The Town may amend the benefit provisions. A separate report was not issued for the HC Plan.

Membership of the HC Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General <u>Employees</u>	Law Enforcement <u>Employees</u>
Inactive members receiving benefits	15	6
Inactive members entitled to but not yet receiving benefits	-	-
Active members	<u>33</u>	<u>21</u>
Total	<u>48</u>	<u>27</u>

Total OPEB Liability: The Town's total OPEB liability of \$6,036,730 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Pre-Medicare – 7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023 Medicare – 5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

The discount rate is based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

Changes in the Total OPEB Liability:

Balance at July 1, 2016	<u>\$ 6,388,700</u>
Changes for the year:	
Service cost	203,600
Interest	190,146
Change of benefit terms	-
Differences between expected and actuarial experience	3,364
Changes of assumptions or other inputs	(604,896)
Benefit payments	<u>(144,184)</u>
Net changes	<u>(351,970)</u>
Balance at June 30, 2017	<u>\$ 6,036,730</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent) or one percentage point higher (4.56 percent) than the current discount rate:

	1% Decrease <u>(2.56%)</u>	Discount Rate <u>(3.56%)</u>	1% Increase <u>(4.56%)</u>
Total OPEB liability	\$7,205,393	\$6,036,730	\$ 5,129,645

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% <u>Decrease</u>	Current Rate	1% <u>Increase</u>
Total OPEB liability	\$ 5,064,818	\$ 6,036,730	\$ 7,311,822

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the Town recognized OPEB expense of \$309,615. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,894	\$ -
Changes of assumptions or other inputs	-	520,295
Benefit payments and administrative expenses incurred subsequent to the measurement date	144,684	-
Total	<u>\$ 147,578</u>	<u>\$ 520,295</u>

\$144,684 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Year Ending <u>June 30,</u>	
2019	\$ (84,131)
2020	(84,131)
2021	(84,131)
2022	(84,131)
2023	(84,131)
Thereafter	<u>(96,746)</u>
	<u>\$ (517,401)</u>

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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan made by the Town and the ABC Board cannot be separated between the postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2018, the Town made contributions to the State for death benefits of \$2,178. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.08% and 0.14% of covered payroll, respectively. For the year ended June 30, 2018, the ABC Board made contributions to the State for death benefits of \$131, which represented 0.11% of covered payroll.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

Contributions to pension plan in current fiscal year (LGERS)	\$	161,851
Benefit payments and administrative expenses paid subsequent to the measurement date (LEOSSA)		16,086
Benefit payments and administrative expenses for OPEB incurred subsequent to the measurement date		144,684
Differences between expected and actual experience		33,786
Changes of assumptions		102,270
Net difference between projected and actual earnings on plan investments		130,197
Changes in proportion and differences between employer contributions and proportionate share of contributions		-
	\$	<u>588,874</u>

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

	General Fund Balance Sheet	Statement of Net Position
Taxes receivable	\$ 381,890	\$ -
Prepaid taxes	-	-
Prepaid utility payments	-	4,785
Promissory note receivable	-	11,123
Differences between expected and actual experience	-	74,137
Changes of assumptions	-	529,061
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	41,985
	<u>\$ 381,890</u>	<u>\$ 661,091</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

COMMITMENTS

On July 20, 2010, the Town entered into a water tank management agreement. The agreement is for 12 months with automatic additional periods of 12 months. The annual payments the first 4 years were \$24,688 per year. The payment the fifth year was \$16,157. Additional payments would have been due should the Town have canceled the agreement in the first four years. All subsequent year payments are to be the previous year plus a 1% change in the consumer price index. The Town paid and expensed \$16,580 in the year ended June 30, 2018.

The Town also entered into contracts during the year for personnel services and for resurfacing of roads. The remaining balance on these contracts as of June 30, 2018, totaled approximately \$230,000.

In May 2017 the Town entered into an interlocal agreement with Anson County to provide animal control services within the Town limits. The agreement is through July 1, 2019, and will automatically renew for four additional two year periods. The Town is to pay Anson County an annual rate of \$1 per capita population as determined by the North Carolina Office of Budget and Management.

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 coverage in any of the past three fiscal years.

The Town does not currently participate in the National Flood Insurance Plan (NFIP). The Town does carry limited commercial flood insurance for property located in Flood Zones designated as B, C, or X.

In accordance with G.S. 159-29, the 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 bond. The finance officer and tax collector are individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

The ABC Board 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 ABC Board carries commercial insurance for all risks of loss. The ABC Board also has liquor legal liability coverage. 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. 18B-700(i), each board member and the employees designated as general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

CLAIMS AND JUDGMENTS

The Town is and may be subject to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate impact of any of these legal matters will not materially affect the Town's financial position.

LONG - TERM OBLIGATIONS

1. Installment Purchases Payable

Installment purchases payable consisted of the following at June 30, 2018:

On September 18, 2008, the Town entered into an installment purchase contract with PNC Bank to finance the purchase of equipment for the water plant. The financing contract requires 120 monthly installments of \$2,984.88, including interest at 3.63%, beginning October 18, 2008. The contract is serviced by the Water and Sewer Fund.

\$ 8,477

On December 13, 2010, the Town entered into an installment purchase contract with Uwharrie Bank to finance the purchase of a leaf truck. The financing contract requires 10 annual installments of \$12,834.92, including interest at 1.5%, beginning July 10, 2011. The contract is serviced by the General Fund.

37,366

On December 17, 2012, the Town entered into an installment purchase contract with Branch Banking and Trust Company to finance the construction of uptown water lines. The financing contract requires 10 annual installments of \$92,598.40 plus interest at 2.19%, beginning December 13, 2013. The contract is serviced by the Water and Sewer Fund.

370,256

On April 26, 2016, the Town entered into a revolving loan agreement with USDA (passed through PDEMC) to finance the purchase of garbage equipment. The financing contract requires 96 monthly installments of \$3,750 at 0% interest beginning November 1, 2016. The contract is serviced by the General Fund.

281,250

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

On March 14, 2017, the Town entered into an installment purchase contract with Uwharrie Bank to finance the construction of a new fire station. The financing contract requires 20 annual installments of \$55,000 plus interest at 2.9%, beginning March 14, 2018. The contract is serviced by the General Fund.

1,045,000

On December 29, 2017, the Town entered into an installment purchase contract with Uwharrie Bank to finance the purchase of garbage equipment. The financing contract requires 7 annual installments of \$14,464 including interest at 2.75%. The contract is serviced by the General Fund.

102,466

TOTAL INSTALLMENT PURCHASES PAYABLE

\$ 1,844,815

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TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

The future minimum payments of the installment purchases as of June 30, 2018, are as follows:

Year ending <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 123,905	\$ 34,120	\$ 101,076	\$ 8,586
2020	124,384	32,103	92,598	6,081
2021	124,904	29,886	92,598	4,053
2022	112,605	27,732	92,461	2,025
2023	112,957	25,764	-	-
2024-2028	372,327	99,449	-	-
2029-2033	275,000	56,627	-	-
2034-2037	220,000	16,180	-	-
	<u>\$ 1,466,082</u>	<u>\$ 321,861</u>	<u>\$ 378,733</u>	<u>\$ 20,745</u>

2. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2018:

	<u>Balance 6/30/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2018</u>	<u>Due Within One Year</u>
Governmental activities:					
Installment purchases payable	\$ 1,475,700	\$ 102,466	\$ 112,084	\$ 1,466,082	\$ 123,905
Compensated absences	128,596	3,840	-	132,436	-
Net pension liability (LGERS)	619,863	-	180,633	439,230	-
Total pension liability (LEO)	469,787	-	15,217	454,570	-
Total OPEB liability	<u>5,227,118</u>	<u>-</u>	<u>278,979</u>	<u>4,948,139</u>	<u>-</u>
	<u>\$ 7,921,064</u>	<u>\$ 106,306</u>	<u>\$ 586,913</u>	<u>\$ 7,440,457</u>	<u>\$ 123,905</u>
Business-type activities:					
Installment purchases payable	\$ 598,909	\$ -	\$ 220,176	\$ 378,733	\$ 101,076
Compensated absences	32,594	2,284	-	34,878	-
Net pension liability (LGERS)	133,354	-	36,353	97,001	-
Total OPEB liability	<u>1,161,582</u>	<u>-</u>	<u>72,991</u>	<u>1,088,591</u>	<u>-</u>
	<u>\$ 1,926,439</u>	<u>\$ 2,284</u>	<u>\$ 329,520</u>	<u>\$ 1,599,203</u>	<u>\$ 101,076</u>

The June 30, 2017, total OPEB liability balances have been restated to adjust the beginning liability balances for the implementation of GASB Statement No. 75.

Compensated absences typically have been liquidated in the General and Water and Sewer Funds and are accounted for on a LIFO basis, assuming employees are taking leave time as it is earned.

At June 30, 2018, Town of Wadesboro had a legal debt margin of \$26,801,725.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

C. INTERFUND BALANCES AND ACTIVITY

Transfers to/from other funds at June 30, 2018, consist of the following:

	<u>From</u>	<u>To</u>
<i>Governmental Funds:</i>		
General Fund:		
To Fire Station Project Fund	\$ -	\$ 4,600
Fire Station Project Fund:		
From General Fund	4,600	-
<i>Enterprise Funds:</i>		
Water and Sewer Fund:		
From Capacity Building Grant Fund	2,100	-
From Wadesboro Water Plant Disinfection By-Products Project Fund	16,853	-
From White Store Road Water Project Fund	2,979	-
From Uptown Wadesboro/Lennox Drive Sewer Project Fund	103,518	-
To Water Interconnection Project Fund	-	24,125
Capacity Building Grant Fund:		
To Water and Sewer Fund	-	2,100
Wadesboro Water Plant Disinfection By-Products Project Fund:		
To Water and Sewer Fund	-	16,853
White Store Road Water Project Fund:		
To Water and Sewer Fund	-	2,979
Uptown Wadesboro/Lennox Drive Sewer Project Fund:		
To Water and Sewer Fund	-	103,518
Water Interconnection Project Fund:		
From Water and Sewer Fund	<u>24,125</u>	<u>-</u>
	<u>\$ 154,175</u>	<u>\$ 154,175</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs and reimbursements to the Town from various grant programs.

D. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

For the fiscal year ended June 30, 2018, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$12,856 in the fund financial statements for the 15 volunteer and 3 employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer, public employee

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

retirement system established and administered by the State of North Carolina. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan.

Also, the Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund. During the year ended June 30, 2018, there were no such payments. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its discretion for eligible firemen or their departments.

NOTE 3 – JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with 9 counties and approximately 70 other municipalities, is a member of the Centralina Council of Governments (Council). The Council coordinates various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$1,340 to the Council during the fiscal year ended June 30, 2018, for membership fees.

NOTE 4 – JOINT VENTURES

Firemen's Relief Fund

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2018, there were no payments made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2018. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Rocky River Rural Planning Organization

The Town participates in a joint venture, Rocky River Rural Planning Organization (RPO), with 3 counties and 13 other municipalities to work cooperatively with each other and the North Carolina Department of Transportation to enhance transportation planning opportunities for rural areas in the region. Rocky River RPO is the only RPO in the State not housed in a Council of Governments. The RPO's fiscal agent is the County of Stanly. None of the participating governments have any equity interest in the RPO, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the agreement between the participating governments and the RPO, the Town paid \$1,491 to the RPO during the fiscal year ended June 30, 2018, for membership dues. Complete financial statements for the RPO may be obtained from the RPO's office at 1000 North First Street, Suite 17, Albemarle, North Carolina 28001.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

North Carolina Rural Water Association

The Town also participates in a joint venture, North Carolina Rural Water Association (NCRWA), with other municipal and county water systems and related businesses in North Carolina to help attain the highest standards in drinking water and wastewater service. NCRWA is governed by a volunteer board of directors from the association's membership. None of the participating governments or businesses have any equity interest in NCRWA, so no equity interest has been reflected in the financial statements at June 30, 2018. In accordance with the agreement between the Town and NCRWA, the Town paid \$560 to NCRWA during the year ended June 30, 2018, for membership dues based upon the Town's water connections. Complete financial statements for NCRWA can be obtained from NCRWA's office at PO Box 540, Welcome, North Carolina 27374.

NOTE 5 – RELATED ORGANIZATIONS

The Board of Wadesboro Housing Authority is appointed by Town of Wadesboro. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's office at 200 W. Short Plaza, Wadesboro, North Carolina 28170.

NOTE 6 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ended June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement, except for deferred outflows related to benefit payments. As a result, net position for the governmental activities decreased \$3,804,938 and for the business-type activities decreased \$880,230.

REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles:

- Schedule of the Proportionate Share of the Net Pension Liability (Asset) for Local Governmental Employees' Retirement System
- Schedule of Contributions for Local Governmental Employees' Retirement System
- Schedule of the Proportionate Share of the Net Pension Liability for the Firefighters' and Rescue Squad Workers' Pension Fund
- Schedule to Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios

Note: The Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions for Local Governmental Employee's Retirement System for the ABC Board can be found in the separately issued financial statements for the ABC Board (see Note 1.A. to the Town's financial statements for contact information).

**TOWN OF WADESBORO, NORTH CAROLINA
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
Last Five Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.03510%	0.03549%	0.04007%	0.04140%	0.04150%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 536,231	\$ 753,217	\$ 179,832	\$ (244,156)	\$ 500,234
Town's covered payroll	\$ 2,030,015	\$ 2,046,365	\$ 2,085,917	\$ 2,261,761	\$ 2,269,786
Town's proportion of the net pension liability (asset) as a percentage of its covered payroll	26.42%	36.81%	8.62%	-10.79%	22.04%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF WADESBORO, NORTH CAROLINA
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 161,851	\$ 154,973	\$ 142,222	\$ 150,581	\$ 161,819
Contributions in relation to the contractually required contribution	<u>161,851</u>	<u>154,973</u>	<u>142,222</u>	<u>150,581</u>	<u>161,819</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 2,056,744	\$ 2,030,015	\$ 2,046,365	\$ 2,085,917	\$ 2,261,761
Contributions as a percentage of covered payroll	7.87%	7.63%	6.95%	7.22%	7.15%

TOWN OF WADESBORO, NORTH CAROLINA
FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Four Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (%)	0.000000%	0.000000%	0.000000%	0.000000%
Town's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Wadesboro	<u>20,573</u>	<u>15,284</u>	<u>16,016</u>	<u>11,682</u>
Total	<u>\$ 20,573</u>	<u>\$ 15,284</u>	<u>\$ 16,016</u>	<u>\$ 11,682</u>
Town's covered payroll	\$158,632	\$236,864	\$114,350	\$109,151
Town's proportion of the net pension liability as a percentage of its covered payroll	12.97%	6.45%	14.01%	10.70%
Plan fiduciary net position as a percentage of the total pension liability**	89.35%	84.94%	91.40%	93.42%

* The amounts presented are for the prior fiscal year ended June 30.

** This will be the same percentage for all participants in the FRSWPF plan.

TOWN OF WADESBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
June 30, 2018

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 469,787	\$ 468,137
Service cost	22,315	27,436
Interest on the total pension liability	17,831	16,196
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(70,274)	-
Changes of assumptions or other inputs	30,620	(13,022)
Benefit payments	(15,709)	(28,960)
Other changes	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 454,570</u>	<u>\$ 469,787</u>

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

**TOWN OF WADESBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF
COVERED PAYROLL
June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 454,570	\$ 469,787	\$ 468,137
Covered payroll	\$ 882,186	\$ 920,764	\$ 920,764
Total pension liability as a percentage of covered payroll	51.53%	51.02%	50.84%

Notes to the schedules:

The Town of Wadesboro has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits nor does the plan provide pay related benefits.

TOWN OF WADESBORO, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30, 2018

	<u>2018</u>
Service cost	\$ 203,600
Interest	190,146
Changes of benefit terms	-
Differences between expected and actual experience	3,364
Changes of assumptions or other inputs	(604,896)
Benefit payments	<u>(144,184)</u>
Net change in total OPEB liability	(351,970)
Total OPEB liability - beginning	<u>6,388,700</u>
 Total OPEB liability - ending	 <u><u>\$ 6,036,730</u></u>
 Covered payroll	 \$ 1,927,650
 Total OPEB liability as a percentage of covered payroll	 313.17%

Notes to schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%
2017	3.01%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

Exhibit A-1
Page 1 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 1,778,000	\$ 1,800,057	\$ 22,057
Penalties and interest	15,000	21,063	6,063
Total	1,793,000	1,821,120	28,120
Other taxes and licenses:			
Privilege licenses	-	495	495
Wadesboro Fire District Tax	220,000	257,439	37,439
Total	220,000	257,934	37,934
Unrestricted intergovernmental:			
Local option sales taxes	1,092,658	1,168,582	75,924
Telecommunications sales tax	36,500	36,507	7
Utilities sales tax	275,000	271,226	(3,774)
Piped natural gas sales tax	7,000	17,902	10,902
Video franchise fee	32,500	32,362	(138)
Beer and wine tax	24,000	23,835	(165)
ABC profit distribution	17,000	38,000	21,000
Payments in lieu of taxes	8,562	12,511	3,949
Total	1,493,220	1,600,925	107,705
Restricted intergovernmental:			
Powell Bill allocation	174,000	173,906	(94)
Public safety grants	61,734	2,005	(59,729)
Controlled substance tax	1,000	3,462	2,462
Contributions from school system	90,500	100,579	10,079
ABC revenue for law enforcement	4,000	4,000	-
Solid waste disposal tax	3,200	3,656	456
On-behalf payments - Fire and Rescue	12,400	12,856	456
Total	346,834	300,464	(46,370)
Permits and fees:			
Fire inspection fees	2,500	4,440	1,940
Rezoning and variance fees	-	2,475	2,475
Golf cart permits	-	100	100
Total	2,500	7,015	4,515

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

Exhibit A-1
Page 2 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES - CONTINUED:			
Sales and services:			
Refuse collection	371,000	366,457	(4,543)
Rent received on property	-	2,232	2,232
Total	371,000	368,689	(2,311)
Investment earnings	50	37,051	37,001
Miscellaneous			
Community grants	6,000	2,000	(4,000)
Miscellaneous	22,089	28,009	5,920
Total	28,089	30,009	1,920
TOTAL REVENUES	4,254,693	4,423,207	168,514
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits	-	27,920	-
Professional services	-	31,867	-
Total	71,652	59,787	11,865
Administration:			
Salaries and employee benefits	-	408,315	-
Other operating expenditures	-	173,278	-
Capital outlay	-	8,602	-
Total	664,020	590,195	73,825
Garage:			
Salaries and employee benefits	-	53,403	-
Other operating expenditures	-	25,225	-
Capital outlay	-	2,430	-
Total	97,750	81,058	16,692
Total general government	833,422	731,040	102,382
Public safety:			
Police:			
Salaries and employee benefits	-	1,530,789	-
Other operating expenditures	-	229,200	-
Capital outlay	-	82,870	-
Total	2,055,223	1,842,859	212,364

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

Exhibit A-1
Page 3 of 4

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES - CONTINUED:			
Fire:			
Salaries and employee benefits	-	209,499	-
Other operating expenditures	-	102,233	-
Capital outlay	-	6,632	-
On-behalf payments - Fire and Rescue	-	12,856	-
Total	<u>430,592</u>	<u>331,220</u>	<u>99,372</u>
Total public safety	<u>2,485,815</u>	<u>2,174,079</u>	<u>311,736</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	161,085	-
Other operating expenditures	-	179,233	-
Capital outlay	-	4,471	-
Total	<u>413,630</u>	<u>344,789</u>	<u>68,841</u>
Powell Bill:			
Salaries and employee benefits	-	24,000	-
Other operating expenditures	-	58,917	-
Total	<u>350,480</u>	<u>82,917</u>	<u>267,563</u>
Total transportation	<u>764,110</u>	<u>427,706</u>	<u>336,404</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	-	271,656	-
Other operating expenditures	-	76,614	-
Contracted services	-	5,822	-
Capital outlay	-	133,266	-
Total environmental protection	<u>525,264</u>	<u>487,358</u>	<u>37,906</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	5,678	-
Other operating expenditures	-	11,087	-
Total culture and recreation	<u>26,591</u>	<u>16,765</u>	<u>9,826</u>

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

Exhibit A-1
Page 4 of 4

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED:			
Debt service:			
Principal retirement	112,090	112,084	6
Interest and fees	33,105	33,094	11
Total debt service	145,195	145,178	17
Contingency	42,700	-	42,700
TOTAL EXPENDITURES	4,823,097	3,982,126	840,971
REVENUES OVER (UNDER) EXPENDITURES	(568,404)	441,081	1,009,485
OTHER FINANCING SOURCES (USES):			
Loan proceeds	102,434	102,466	32
Transfers to other funds	(4,600)	(4,600)	-
Sale of capital assets	24,500	28,699	4,199
Total	122,334	126,565	4,231
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(446,070)	567,646	1,013,716
APPROPRIATED FUND BALANCE	446,070	-	(446,070)
NET CHANGE IN FUND BALANCE	\$ -	567,646	\$ 567,646
FUND BALANCE, beginning		2,730,303	
FUND BALANCE, ending		\$ 3,297,949	

TOWN OF WADESBORO, NORTH CAROLINA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

Exhibit B-1

	Wadesboro Park Project Fund	Downtown Revitalization Project Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 16,994	\$ 42,865	\$ 59,859
Due from other governments	<u>-</u>	<u>1,635</u>	<u>1,635</u>
TOTAL ASSETS	<u>\$ 16,994</u>	<u>\$ 44,500</u>	<u>\$ 61,494</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fund balances:			
Restricted for:			
Capital outlay	<u>16,994</u>	<u>44,500</u>	<u>61,494</u>
TOTAL FUND BALANCES	<u>16,994</u>	<u>44,500</u>	<u>61,494</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,994</u>	<u>\$ 44,500</u>	<u>\$ 61,494</u>

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2018

	Wadesboro Park Project Fund	Downtown Revitalization Project Fund	Totals
REVENUES:			
Restricted intergovernmental	\$ -	\$ -	\$ -
Investment earnings	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Capital outlay	-	23,553	23,553
NET CHANGE IN FUND BALANCE	-	(23,553)	(23,553)
FUND BALANCE, beginning	16,994	68,053	85,047
FUND BALANCE, ending	<u>\$ 16,994</u>	<u>\$ 44,500</u>	<u>\$ 61,494</u>

WADESBORO PARK PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2018

		Actual			Variance
	Project Authorization <i>(As amended)</i>	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
Restricted intergovernmental:					
NCPRA Trust Fund	\$ 174,798	\$ 156,173	\$ -	\$ 156,173	\$ (18,625)
EXPENDITURES:					
Capital outlay:					
Construction	337,596	308,780	-	308,780	28,816
Engineering design	6,000	6,000	-	6,000	-
Grant administration	6,000	6,000	-	6,000	-
TOTAL EXPENDITURES	<u>349,596</u>	<u>320,780</u>	<u>-</u>	<u>320,780</u>	<u>28,816</u>
REVENUES UNDER EXPENDITURES	(174,798)	(164,607)	-	(164,607)	10,191
OTHER FINANCING SOURCES:					
Transfers from other funds	174,798	181,601	-	181,601	6,803
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 16,994</u>	<u>-</u>	<u>\$ 16,994</u>	<u>\$ 16,994</u>
FUND BALANCE, beginning			16,994		
FUND BALANCE, ending			\$ 16,994		

**TOWN OF WADESBORO, NORTH CAROLINA
DOWNTOWN REVITALIZATION PROJECT FUND**

Exhibit B-4

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2018**

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
	<i>(As amended)</i>				
REVENUES:					
Restricted intergovernmental:					
State Downtown Revitalization grant	\$ 94,340	\$ 94,340	\$ -	\$ 94,340	\$ -
EXPENDITURES:					
Capital outlay:					
Way finding signage	25,152	-	23,553	23,553	1,599
Clock	26,848	26,287	-	26,287	561
Uptown square upgrades	42,340	-	-	-	42,340
TOTAL EXPENDITURES	<u>94,340</u>	<u>26,287</u>	<u>23,553</u>	<u>49,840</u>	<u>44,500</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 68,053</u>	<u>(23,553)</u>	<u>\$ 44,500</u>	<u>\$ 44,500</u>
FUND BALANCE, beginning			<u>68,053</u>		
FUND BALANCE, ending			<u>\$ 44,500</u>		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit B-5

FIRE STATION PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2018

		Actual			Variance
	Project Authorization (As amended)	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
Fundraising proceeds	\$ 14,000	\$ -	\$ 24,000	\$ 24,000	\$ 10,000
Investment earnings	-	1,791	2,113	3,904	3,904
TOTAL REVENUES	14,000	1,791	26,113	27,904	13,904
EXPENDITURES:					
Capital outlay:					
Design-build construction	1,131,240	400,809	716,781	1,117,590	13,650
Special inspections and material testing	14,000	5,080	8,230	13,310	690
Miscellaneous	46,860	-	46,336	46,336	524
Gas and power utility connections	1,000	-	78	78	922
Financing/legal costs	21,375	20,434	-	20,434	941
Exhaust system transfer/connection	500	-	-	-	500
Fire alarm	10,000	-	9,124	9,124	876
Water/sewer/sprinkler utilities	19,500	15,712	3,266	18,978	522
Generator	3,500	-	2,273	2,273	1,227
A/V system	12,500	-	9,729	9,729	2,771
Contingency	915	-	-	-	915
TOTAL EXPENDITURES	1,261,390	442,035	795,817	1,237,852	23,538
REVENUES UNDER EXPENDITURES	(1,247,390)	(440,244)	(769,704)	(1,209,948)	37,442
OTHER FINANCING SOURCES:					
Loan proceeds	1,100,000	1,100,000	-	1,100,000	-
Transfers from other funds	147,390	142,790	4,600	147,390	-
TOTAL OTHER FINANCING SOURCES	1,247,390	1,242,790	4,600	1,247,390	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 802,546	(765,104)	\$ 37,442	\$ 37,442
FUND BALANCE, beginning			802,546		
FUND BALANCE, ending			\$ 37,442		

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2018

Exhibit C-1
Page 1 of 3

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating Revenues:			
Water sales	\$ 1,132,500	\$ 1,163,844	\$ 31,344
Sewer charges	1,480,000	1,507,938	27,938
Other operating revenues	76,025	78,594	2,569
Total operating revenues	<u>2,688,525</u>	<u>2,750,376</u>	<u>61,851</u>
Nonoperating Revenues:			
Investment earnings	-	113	113
Disposal of capital assets	-	65	65
Miscellaneous	-	226	226
Total nonoperating revenues	<u>-</u>	<u>404</u>	<u>404</u>
TOTAL REVENUES	<u>2,688,525</u>	<u>2,750,780</u>	<u>62,255</u>
EXPENDITURES:			
Water Operations:			
Salaries and employee benefits	-	419,857	-
Water purchases	-	414,262	-
Repairs and maintenance	-	30,058	-
Other operating expenditures	-	170,532	-
Total	<u>1,278,610</u>	<u>1,034,709</u>	<u>243,901</u>
Sewer Operations:			
Salaries and employee benefits	-	144,397	-
Contracted services	-	757,447	-
Repairs and maintenance	-	16,648	-
Other operating expenditures	-	72,173	-
Total	<u>1,364,551</u>	<u>990,665</u>	<u>373,886</u>
Debt Service:			
Interest and fees	25,222	12,912	12,310
Principal retirement	220,427	220,176	251
Total	<u>245,649</u>	<u>233,088</u>	<u>12,561</u>
Capital outlay	<u>80,610</u>	<u>50,418</u>	<u>30,192</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,969,420</u>	<u>2,308,880</u>	<u>660,540</u>

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2018

Exhibit C-1
Page 2 of 3

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(280,895)</u>	<u>441,900</u>	<u>722,795</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	125,450	125,450
Transfers to other funds	<u>(39,125)</u>	<u>(24,125)</u>	<u>15,000</u>
	<u>(39,125)</u>	<u>101,325</u>	<u>140,450</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(320,020)</u>	<u>543,225</u>	<u>863,245</u>
APPROPRIATED FUND BALANCE	<u>320,020</u>	<u>-</u>	<u>(320,020)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 543,225</u>	<u>\$ 543,225</u>

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2018

Exhibit C-1
Page 3 of 3

RECONCILIATION FROM BUDGETARY BASIS
(MODIFIED ACCRUAL) TO FULL ACCRUAL:

NET CHANGE IN FUND BALANCE **\$ 543,225**

RECONCILING ITEMS:

Payment of debt principal	220,176
Decrease in interest expense accrual	2,210
Capital outlay	50,418
Depreciation	(364,121)
Increase in deferred outflows of resources - OPEB	522
Decrease in OPEB liability	72,991
Increase in deferred inflows of resources - OPEB	(93,824)
Decrease in deferred outflows of resources - pensions	(39,472)
Decrease in net pension liability	36,353
Decrease in deferred inflows of resources - pensions	2,529
Capital contributions	79,831
Transactions from Capacity Building Grant Fund:	
Transfers	(2,100)
Transactions from Wadesboro Water Plant Disinfection By-Products	
Project Fund:	
Water department expenses	750
Transfers	(16,853)
Transactions from White Store Road Water Project Fund:	
Water department expenses	377
Transfers	(2,979)
Transactions from Uptown Wadesboro/Lennox Drive Sewer	
Project Fund:	
Investment earnings	4
Sewer department expenses	(466)
Transfers	(103,518)
Transactions from Water Interconnection Project Fund:	
Transfers	24,125

CHANGE IN NET POSITION (EXHIBIT 7) **\$ 410,178**

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-2

CAPACITY BUILDING GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2018

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
NC Rural Center #02-67-42	\$ 40,000	\$ 15,325	\$ -	\$ 15,325	\$ (24,675)
Anson Community Hospital	2,000	2,000	-	2,000	-
TOTAL REVENUES	42,000	17,325	-	17,325	(24,675)
EXPENDITURES:					
Sewer study	44,000	19,325	-	19,325	24,675
Local	-	-	-	-	-
TOTAL EXPENDITURES	44,000	19,325	-	19,325	24,675
REVENUES UNDER EXPENDITURES	(2,000)	(2,000)	-	(2,000)	-
OTHER FINANCING SOURCES (USES):					
Transfers from (to) other funds	2,000	4,100	(2,100)	2,000	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 2,100	(2,100)	\$ -	\$ -
FUND BALANCE, beginning			2,100		
FUND BALANCE, ending			\$ -		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-3

WADESBORO WATER PLANT DISINFECTION BY-PRODUCTS PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2018

		Actual			Variance
	Project Authorization <i>(As amended)</i>	Prior Years	Current Year	Total to Date	Positive Negative (Negative)
REVENUES:					
NC Rural Center #2008-283-40101-112	\$ 500,000	\$ 500,000		\$ 500,000	\$ -
Investment earnings	<u>-</u>	<u>832</u>	<u>-</u>	<u>832</u>	<u>832</u>
TOTAL REVENUES	<u>500,000</u>	<u>500,832</u>	<u>-</u>	<u>500,832</u>	<u>832</u>
EXPENDITURES:					
Construction	794,534	792,451	-	792,451	2,083
Contingency	81,750	-	-	-	81,750
Engineering design	70,000	66,110	-	66,110	3,890
Inspection	50,250	50,250	-	50,250	-
Grant administration	28,000	24,780	(750)	24,030	3,970
Other	<u>32,000</u>	<u>31,890</u>	<u>-</u>	<u>31,890</u>	<u>110</u>
TOTAL EXPENDITURES	<u>1,056,534</u>	<u>965,481</u>	<u>(750)</u>	<u>964,731</u>	<u>91,803</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(556,534)</u>	<u>(464,649)</u>	<u>750</u>	<u>(463,899)</u>	<u>92,635</u>
OTHER FINANCING SOURCES (USES):					
Loan proceeds	300,000	300,000	-	300,000	-
Transfers from (to) other funds	<u>256,534</u>	<u>180,752</u>	<u>(16,853)</u>	<u>163,899</u>	<u>(92,635)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>556,534</u>	<u>480,752</u>	<u>(16,853)</u>	<u>463,899</u>	<u>(92,635)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 16,103</u>	<u>(16,103)</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE, beginning			<u>16,103</u>		
FUND BALANCE, ending			\$ -		

**TOWN OF WADESBORO, NORTH CAROLINA
WHITE STORE ROAD WATER PROJECT FUND**

Exhibit C-4

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2018**

		<u>Actual</u>			Variance
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
	<i>(As amended)</i>				
REVENUES:					
NC Rural Center #2009-055-40101-112	\$ 518,000	\$ 485,840	\$ -	\$ 485,840	\$ (32,160)
EXPENDITURES:					
Construction	660,125	610,905	(377)	610,528	49,597
Engineering design	47,000	47,150	-	47,150	(150)
Inspection	30,000	30,000	-	30,000	-
Grant administration	25,000	25,000	-	25,000	-
TOTAL EXPENDITURES	<u>762,125</u>	<u>713,055</u>	<u>(377)</u>	<u>712,678</u>	<u>49,447</u>
REVENUES OVER (UNDER) EXPENDITURES	(244,125)	(227,215)	377	(226,838)	17,287
OTHER FINANCING SOURCES (USES):					
Transfers from (to) other funds	244,125	229,817	(2,979)	226,838	(17,287)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 2,602</u>	<u>(2,602)</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE, beginning			<u>2,602</u>		
FUND BALANCE, ending			<u>\$ -</u>		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-5

UPTOWN WADESBORO WATER/LENNOX DRIVE SEWER PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2018

		Actual			Variance
	Project Authorization (As amended)	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
<i>Lennox Dr. sewer lines:</i>					
NC DENR funds	\$ 338,288	\$ -	\$ -	\$ -	\$ (338,288)
Investment earnings	-	310	4	314	314
TOTAL REVENUES	338,288	310	4	314	(337,974)
EXPENDITURES:					
<i>Uptown water lines:</i>					
Construction	1,349,242	718,234	-	718,234	631,008
Engineering/Design/Survey	94,800	94,760	-	94,760	40
Inspection	88,462	64,042	-	64,042	24,420
Grant administration	32,826	27,580	-	27,580	5,246
2% loan closing costs	33,879	1,700	-	1,700	32,179
Local	-	-	-	-	-
<i>Lennox Dr. sewer lines:</i>					
Construction	295,566	-	-	-	295,566
Engineering/Design/Survey	24,236	24,236	-	24,236	-
Inspection	25,123	2,880	-	2,880	22,243
Grant administration	25,000	1,953	466	2,419	22,581
Easements/Fees/Legal	10,000	-	-	-	10,000
2% loan closing costs	7,599	-	-	-	7,599
TOTAL EXPENDITURES	1,986,733	935,385	466	935,851	1,050,882
REVENUES UNDER EXPENDITURES	(1,648,445)	(935,075)	(462)	(935,537)	712,908
OTHER FINANCING SOURCES (USES):					
Loan proceeds	1,588,039	925,984	-	925,984	(662,055)
Transfers from (to) other funds	60,406	133,362	(103,518)	29,844	(30,562)
	1,648,445	1,059,346	(103,518)	955,828	(692,617)
NET CHANGE IN FUND BALANCE	\$ -	\$ 124,271	(103,980)	\$ 20,291	\$ 20,291
FUND BALANCE, beginning			124,271		
FUND BALANCE, ending			\$ 20,291		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-6

ANSON GREENHOUSE, LLC PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2018

		Actual			Variance
	Project Authorization <i>(As amended)</i>	Prior Years	Current Year	Total to Date	Positive Negative
REVENUES:					
NC Dept. of Commerce - CDBG	\$ 1,000,000	\$ -	\$ -	\$ -	\$ (1,000,000)
NC Dept. of Commerce - ED & IDF	1,000,000	-	-	-	(1,000,000)
Local Commitment - Anson County	150,000	150,000	-	150,000	-
Local Commitment - GrowGreen	1,750,000	-	-	-	(1,750,000)
TOTAL REVENUES	3,900,000	150,000	-	150,000	(3,750,000)
EXPENDITURES:					
Construction/Permits	3,550,300	98	-	98	3,550,202
Engineering design	234,300	139,800	-	139,800	94,500
Inspection	157,000	-	-	-	157,000
Survey	23,900	15,600	-	15,600	8,300
Geotechnical	9,500	9,500	-	9,500	-
Property acquisition/Legal	25,000	-	-	-	25,000
Grant administration	50,000	-	-	-	50,000
TOTAL EXPENDITURES	4,050,000	164,998	-	164,998	3,885,002
REVENUES UNDER EXPENDITURES	(150,000)	(14,998)	-	(14,998)	135,002
OTHER FINANCING SOURCES:					
Transfers from other funds	150,000	150,000	-	150,000	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 135,002	-	\$ 135,002	\$ 135,002
FUND BALANCE, beginning			135,002		
FUND BALANCE, ending			\$ 135,002		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-7

WATER INTERCONNECTION PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2018

		Actual			Variance
	Project Authorization <i>(As amended)</i>	Prior Years	Current Year	Total to Date	Positive (Negative)
EXPENDITURES:					
Construction	\$ 185,625	\$ -	\$ 171,756	\$ 171,756	\$ 13,869
Engineering design	14,500	14,500	-	14,500	-
Construction administration/inspection	11,000	-	11,000	11,000	-
Survey	3,000	3,000	-	3,000	-
Permitting	500	500	-	500	-
Property acquisition/survey/legal	15,000	-	12,977	12,977	2,023
Bid management	4,000	-	4,000	4,000	-
Final certification and record drawings	3,600	-	3,600	3,600	-
TOTAL EXPENDITURES	237,225	18,000	203,333	221,333	15,892
OTHER FINANCING SOURCES:					
Transfers from other funds	237,225	213,100	24,125	237,225	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 195,100</u>	(179,208)	<u>\$ 15,892</u>	<u>\$ 15,892</u>
FUND BALANCE, beginning			195,100		
FUND BALANCE, ending			<u>\$ 15,892</u>		

SEWER REHABILITATION PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2018

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
NC DENR funds - #E-SAP-W-17-0010	\$ 1,000,000	\$ -	\$ 79,831	\$ 79,831	\$ (920,169)
EXPENDITURES:					
Construction	662,600	-	-	-	662,600
Engineering design	60,000	-	10,000	10,000	50,000
Construction administration/inspection	39,000	-	-	-	39,000
Survey	11,000	-	3,000	3,000	8,000
Permits	1,100	-	-	-	1,100
Funding administration	10,000	-	-	-	10,000
Construction contingency	66,300	-	-	-	66,300
Study phase: Inspection, Testing & Evaluation	150,000	-	66,831	66,831	83,169
TOTAL EXPENDITURES	1,000,000	-	79,831	79,831	920,169
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -	\$ -
FUND BALANCE, beginning			-		
FUND BALANCE, ending			\$ -		

OTHER SCHEDULES

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2018

Exhibit D-1

<u>Fiscal Year</u>	Uncollected Balance <u>6/30/2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	Uncollected Balance <u>6/30/2018</u>
2017-2018	\$ -	\$ 1,862,720	\$ 1,732,177	\$ 130,543
2016-2017	105,207	-	31,183	74,024
2015-2016	68,616	-	15,283	53,333
2014-2015	42,759	-	6,883	35,876
2013-2014	48,093	-	18,442	29,651
2012-2013	26,204	-	3,845	22,359
2011-2012	16,360	-	2,324	14,036
2010-2011	11,716	-	2,315	9,401
2009-2010	9,686	-	1,797	7,889
2008-2009	4,875	-	97	4,778
2007-2008	<u>3,927</u>	<u>-</u>	<u>3,927</u>	<u>-</u>
	<u>\$ 337,443</u>	<u>\$ 1,862,720</u>	<u>\$ 1,818,273</u>	<u>\$ 381,890</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund \$ 1,821,120

Reconciling items:

Taxes written off 18,216
Interest and penalties collected (21,063)

Total collections and credits \$ 1,818,273

TOWN OF WADESBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2018

Exhibit D-2

				Total Levy	
	Town-wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Amount of Levy		
Original levy:					
Property taxed at current rate	\$335,795,269	\$ 0.556	\$ 1,867,022	\$ 1,695,168	\$ 171,854
Penalties and adjustments	-		-	-	-
Total	335,795,269		1,867,022	1,695,168	171,854
Discoveries:					
Current and prior year taxes	1,169,797	0.556	6,504	6,504	-
Releases	(1,943,509)		(10,806)	(10,806)	-
Total property valuation	<u>\$335,021,557</u>				
Net levy			1,862,720	1,690,866	171,854
Unpaid (by taxpayer) taxes at June 30, 2018			(130,543)	(130,543)	-
Current year's taxes collected			<u>\$ 1,732,177</u>	<u>\$ 1,560,323</u>	<u>\$ 171,854</u>
Current levy collection percentage			<u>92.99%</u>	<u>92.28%</u>	<u>100.00%</u>

COMPLIANCE SECTION

J. B. WATSON & CO., P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

120 SOUTH RUTHERFORD STREET

P. O. BOX 341

WADESBORO, N.C. 28170

JAMES F. HANNA, CPA
DENEAL H. BENNETT, CPA
J. DAVID BURNS, CPA

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INDEPENDENT AUDITORS' 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 Wadesboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 29, 2018. The financial statements of Town of Wadesboro ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Wadesboro'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 Town of Wadesboro's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described below to be a material weakness.

Segregation of Duties:

In an organization such as Town of Wadesboro with a limited number of personnel for certain functions, there are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among the Town personnel. We, therefore, recommend the Town separate duties as much as possible and provide alternative controls, including involvement of the Town Council with oversight and approvals, where feasible. The Town agrees with this finding and plans to alleviate the effects of this noted weakness where feasible and cost effective.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below to be a significant deficiency.

Expertise in Financial Accounting and Reporting:

The Town has engaged the independent auditors to prepare the basic financial statements due to lack of expertise in financial accounting and reporting. Even though the Town reviews these financial statements, we recommend the Town evaluate its present controls to ensure adequate controls are in place to prevent, identify, and correct misstatements in the financial statements. The drafting of financial statements is not a replacement for internal controls over financial reporting. The Town agrees with this finding, and management and the Council informally evaluate the Town's controls each year to address possible misstatements in the financial statements.

Compliance and Other Matters

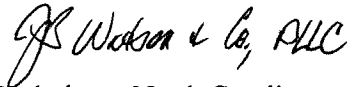
As part of obtaining reasonable assurance about whether Town of Wadesboro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 Wadesboro's Response to Findings

Town of Wadesboro's responses to the findings identified in our audit are described above. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 results 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.



Wadesboro, North Carolina
November 29, 2018

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
<u>U.S. Department of Agriculture:</u>					
Passed-through N.C. Forest Service: Volunteer Fire Assistance Award	10.664		\$ 3,308	\$ -	\$ 3,308
<u>U.S. Department of Homeland Security:</u>					
<i>Direct Programs:</i>					
Assistance to Firefighters Grant	97.044	EMW-2014-FO-01515	(1,303)	-	-
Total assistance - Federal programs			<u>2,005</u>	<u>-</u>	<u>3,308</u>
State Grants:					
<u>N.C. Department of Commerce:</u>					
Downtown Revitalization Program		2017-052-1257-1534	-	23,553	-
<u>N.C. Department of Environmental Quality:</u>					
Division of Water Infrastructure: State Grant Appropriation		E-SAP-W-17-0010	-	79,831	-
<u>N.C. Department of Transportation:</u>					
Powell Bill			-	82,917	-
Total assistance - State programs			<u>-</u>	<u>186,301</u>	<u>-</u>
TOTAL ASSISTANCE			\$ 2,005	\$ 186,301	\$ 3,308

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Wadesboro under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. Because the SEFSA presents only a selected portion of the operations of Town of Wadesboro, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Town of Wadesboro.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.