

TOWN OF WADESBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2019

JBW

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

Certified Public Accountants

TOWN OF WADESBORO, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2019

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

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FINANCIAL SECTION

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

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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, 2019, 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, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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' Schedule 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.

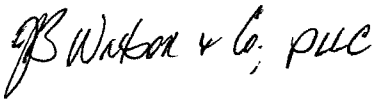
Supplementary and Other Information

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 December 18, 2019, 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 that reads "J.B. Wadsworth & Co. PLLC". The signature is written in a cursive, flowing style.

Wadesboro, North Carolina
December 18, 2019

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, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

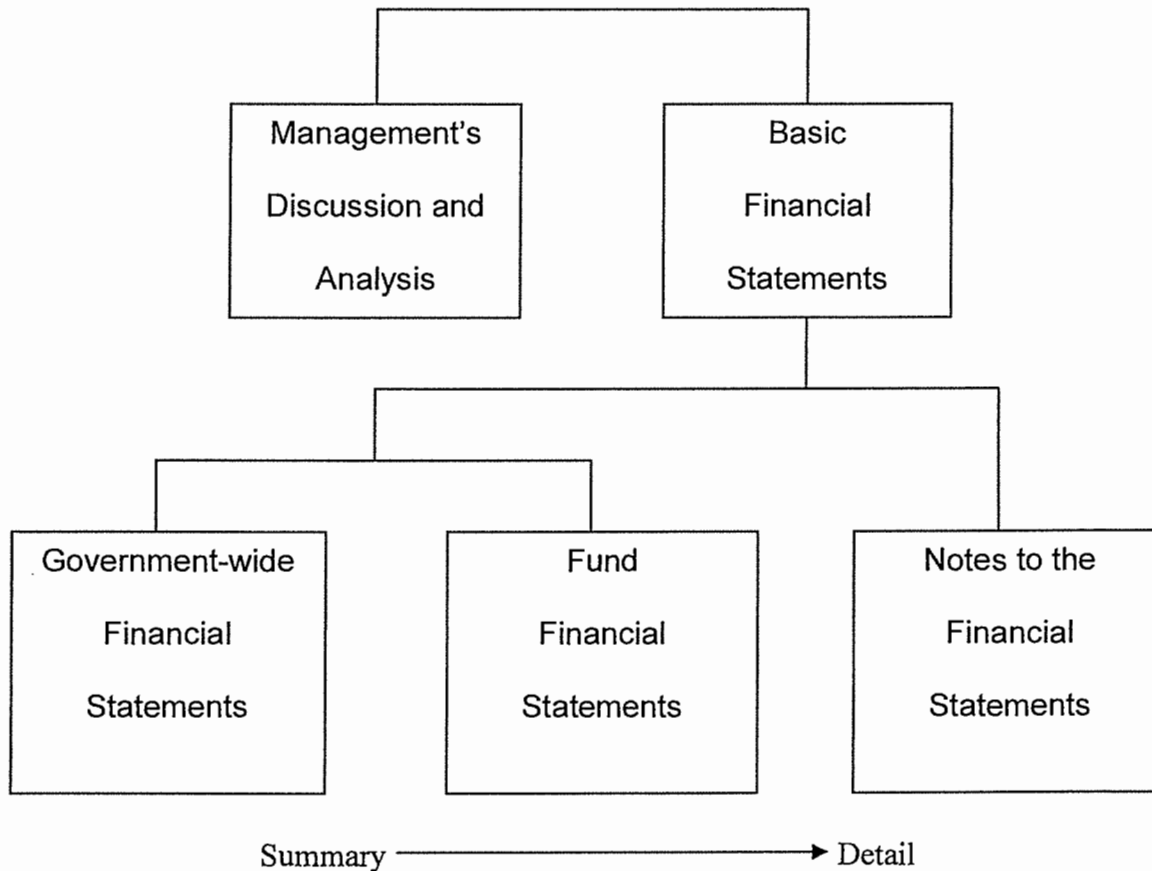
- The assets and deferred outflows of resources of Town of Wadesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,007,413 (*net position*).
- The government's total net position increased by \$282,013 primarily due to an increase in taxes and licenses, 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 \$3,797,413, an increase of \$400,528 in comparison with the prior year.
- The increase in fund balance was primarily due to higher than budgeted revenues.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,105,386 or 48% of total General Fund expenditures for the fiscal year.
- Town of Wadesboro's installment purchases payable decreased by \$312,051 during the current fiscal year. The key factor in this decrease is continued and accelerated 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 \$5,941,280 along with pension obligations of \$1,236,852.

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	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 4,385,353	\$ 3,974,563	\$ 3,282,625	\$ 3,466,730	\$ 7,667,978	\$ 7,441,293
Capital assets, net	<u>4,601,962</u>	<u>4,709,291</u>	<u>11,111,434</u>	<u>11,254,981</u>	<u>15,713,396</u>	<u>15,964,272</u>
Total Assets	<u>8,987,315</u>	<u>8,683,854</u>	<u>14,394,059</u>	<u>14,721,711</u>	<u>23,381,374</u>	<u>23,405,565</u>
Deferred outflows of resources	<u>697,801</u>	<u>516,312</u>	<u>111,893</u>	<u>72,562</u>	<u>809,694</u>	<u>588,874</u>
Liabilities						
Current and other liabilities	127,552	104,030	283,515	464,258	411,067	568,288
Long-term liabilities:						
Due within one year	112,454	123,905	92,598	101,076	205,052	224,981
Due after one year	<u>7,211,989</u>	<u>7,316,552</u>	<u>1,465,538</u>	<u>1,498,127</u>	<u>8,677,527</u>	<u>8,814,679</u>
Total Liabilities	<u>7,451,995</u>	<u>7,544,487</u>	<u>1,841,651</u>	<u>2,063,461</u>	<u>9,293,646</u>	<u>9,607,948</u>
Deferred inflows of resources	<u>733,787</u>	<u>542,385</u>	<u>156,222</u>	<u>118,706</u>	<u>890,009</u>	<u>661,091</u>
Net Position						
Net investment in capital assets	3,346,855	3,243,209	10,833,777	10,876,248	14,180,632	14,119,457
Restricted	972,780	1,025,205	-	-	972,780	1,025,205
Unrestricted	<u>(2,820,301)</u>	<u>(3,155,120)</u>	<u>1,674,302</u>	<u>1,735,858</u>	<u>(1,145,999)</u>	<u>(1,419,262)</u>
Total Net Position	<u>\$ 1,499,334</u>	<u>\$ 1,113,294</u>	<u>\$ 12,508,079</u>	<u>\$ 12,612,106</u>	<u>\$ 14,007,413</u>	<u>\$ 13,725,400</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 \$14,007,413 as of June 30, 2019. The Town's net position increased by \$282,013 for the fiscal year ended June 30, 2019. The largest portion (101%) 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 (\$1,145,999) (-8%) is unrestricted.

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

- Ad valorem taxes and sales taxes exceeded budget forecasts.
- Water and sewer rates were unchanged.
- The Town received several grants that exceeded budget forecasts.
- Expenditure controls including delaying needed capital expenditures also helped reduce expenditures.

Management's Discussion and Analysis
Town of Wadesboro

**TOWN OF WADESBORO
CHANGES IN NET POSITION
FIGURE 3**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for services	\$ 376,517	\$ 375,273	\$ 2,784,235	\$ 2,750,376	\$ 3,160,752	\$ 3,125,649
Operating grants and contributions	341,355	288,449	-	-	341,355	288,449
Capital grants and contributions	37,000	45,306	49,000	79,831	86,000	125,137
General Revenues:						
Property taxes	1,985,513	1,879,684	-	-	1,985,513	1,879,684
Other taxes and licenses	1,886,495	1,824,515	-	-	1,886,495	1,824,515
Grants and contributions not restricted	43,500	38,000	-	-	43,500	38,000
Investment earnings, unrestricted	77,064	39,164	257	117	77,321	39,281
Miscellaneous, unrestricted	38,766	57,964	11,424	226	50,190	58,190
Total Revenues	<u>4,786,210</u>	<u>4,548,355</u>	<u>2,844,916</u>	<u>2,830,550</u>	<u>7,631,126</u>	<u>7,378,905</u>
Expenses						
Program Expenses:						
General government	883,453	223,737	-	-	883,453	223,737
Public safety	2,135,004	2,908,175	-	-	2,135,004	2,908,175
Transportation	825,967	508,367	-	-	825,967	508,367
Economic and physical development	2,225	2,224	-	-	2,225	2,224
Environmental protection	488,260	371,800	-	-	488,260	371,800
Culture and recreation	32,049	27,212	-	-	32,049	27,212
Interest on long-term debt	33,212	33,854	-	-	33,212	33,854
Water and sewer	-	-	2,948,943	2,420,372	2,948,943	2,420,372
Total Expenses	<u>4,400,170</u>	<u>4,075,369</u>	<u>2,948,943</u>	<u>2,420,372</u>	<u>7,349,113</u>	<u>6,495,741</u>
Change in net position before transfers	386,040	472,986	(104,027)	410,178	282,013	883,164
Transfers	-	-	-	-	-	-
Change in net position	<u>386,040</u>	<u>472,986</u>	<u>(104,027)</u>	<u>410,178</u>	<u>282,013</u>	<u>883,164</u>
Net Position, July 1	1,113,294	4,445,246	12,612,106	13,082,158	13,725,400	17,527,404
Restatement	-	(3,804,938)	-	(880,230)	-	(4,685,168)
Net Position, July 1, as restated	<u>1,113,294</u>	<u>640,308</u>	<u>12,612,106</u>	<u>12,201,928</u>	<u>13,725,400</u>	<u>12,842,236</u>
Net Position, June 30	<u>\$ 1,499,334</u>	<u>\$ 1,113,294</u>	<u>\$ 12,508,079</u>	<u>\$ 12,612,106</u>	<u>\$ 14,007,413</u>	<u>\$ 13,725,400</u>

Governmental activities: Governmental activities increased the Town's net position by \$386,040. Key elements of this increase include higher than anticipated revenues for ad valorem taxes, sales tax, and public safety and economic development grants.

Business-type activities: Business-type activities decreased Town of Wadesboro's net position by \$104,027. The major reasons for the decrease in water-sewer net position were unanticipated increases in sewer treatment expenditures and disposal of water plant capital assets.

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 \$3,110,107 while total fund balance was \$3,639,227. The Town currently has available fund balance of 70.8 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, with the exception of the purchase of a new police vehicle (with grant funds), the transfer of cash in order to save towards the purchase of a new fire truck, and the early payoff of an outstanding loan.

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 \$1,674,302. The total decrease in net position for the fund was \$104,027. 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, 2019, totals \$15,713,396 (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 purchased turn out gear and radios for the fire department.
- The Town purchased an excavator and dump truck for public works departments.
- The Town purchased two new police vehicles.
- The Town purchased a mobile bypass pump for the sewer department.
- The Town began construction on various water-sewer capital projects.

Management's Discussion and Analysis
Town of Wadesboro

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

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2019	2018	2019	2018	2019	2018
Land and construction in progress	\$ 640,932	\$ 630,182	\$ 515,957	\$ 314,957	\$ 1,156,889	\$ 945,139
Deposits	-	-	-	-	-	-
Buildings	1,488,055	1,527,287	-	-	1,488,055	1,527,287
Land improvements	839,308	858,930	-	-	839,308	858,930
Infrastructure	263,662	270,118	-	-	263,662	270,118
Equipment	537,956	571,997	-	-	537,956	571,997
Vehicles and motorized equipment	832,049	850,777	403,546	319,750	1,235,595	1,170,527
Plant and distribution systems	-	-	10,191,931	10,620,274	10,191,931	10,620,274
	<u>\$ 4,601,962</u>	<u>\$ 4,709,291</u>	<u>\$ 11,111,434</u>	<u>\$ 11,254,981</u>	<u>\$ 15,713,396</u>	<u>\$ 15,964,272</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, 2019, Town of Wadesboro had no bonded debt.

TOWN OF WADESBORO
Outstanding Debt
Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2019	2018	2019	2018	2019	2018
Installment purchases payable	\$ 1,255,107	\$ 1,466,082	\$ 277,657	\$ 378,733	\$ 1,532,764	\$ 1,844,815
Compensated absences	138,771	132,436	32,912	34,878	171,683	167,314
Net pension liability (LGERS)	685,598	439,230	147,331	97,001	832,929	536,231
Total pension liability (LEO)	403,923	454,570	-	-	403,923	454,570
Total OPEB liability	4,841,044	4,948,139	1,100,236	1,088,591	5,941,280	6,036,730
Total	<u>\$ 7,324,443</u>	<u>\$ 7,440,457</u>	<u>\$ 1,558,136</u>	<u>\$ 1,599,203</u>	<u>\$ 8,882,579</u>	<u>\$ 9,039,660</u>

Town of Wadesboro's Outstanding Debt

Town of Wadesboro's total debt decreased by \$157,081 (2%) during the past fiscal year. The key factors in this decrease are continued debt service payments on existing obligations and early pay-off of the grappling truck loan.

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 \$28,202,305. The Town has no bonds authorized but un-issued at June 30, 2019.

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 continued to decrease county-wide as in previous years, but a significant number of residents still commute out of County for work to avoid underemployment.
- Two multi-national companies chose Wadesboro for their US headquarters during the last year, pointing to an encouraging trend of an improving business climate in the Town and County.
- Residential home sales continued to increase during the last year as more people migrate east from the greater Charlotte region in search of a more rural lifestyle.
- Sales tax revenues have grown at a steady rate of more than 3% for the last year, an indication of not only the national economy's health but also the local sales here in Wadesboro.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Current revenues from ad valorem taxes are expected to remain flat year over year, but sales taxes are expected to increase by at least 3% due to projections from the NCLM as well as local trends in spending for the last 18 months. All ad valorem rates, sanitation rates, and fire district tax rates remain flat compared to the last fiscal year.

Budgeted expenditures in the General Fund are expected to increase slightly due to the purchase of a new Fire truck using approximately \$150,000 of the Town's funds along with a \$775,000 FEMA grant. 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 and sewer revenues are currently ahead of pace for the previous fiscal year, and the deficit in the Enterprise fund is not anticipated this year due to the unseasonable and record rains last year that inflated costs for the department.

Expenditures are expected to decrease year over year, largely due to trimming unnecessary expenditures in the budget this fiscal year. For the first time in many years the Enterprise fund is expected to have a fully balanced budget. The Town continues to work 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 from Anson County full-time since August 2014 and has negotiated a water purchase contract with the County.

Management's Discussion and Analysis
Town of Wadesboro

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, 2019

Exhibit 1

	Primary Government			Town of
	Governmental	Business-type		Wadesboro
	Activities	Activities	Total	ABC Board
ASSETS				
Cash and cash equivalents	\$ 3,193,846	\$ 2,496,968	\$ 5,690,814	\$ 345,911
Receivables:				
Taxes receivable	364,466	-	364,466	-
Accounts receivable (net)	94,848	292,194	387,042	-
Accrued interest receivable	96,103	-	96,103	-
Due from other governments	388,298	17,124	405,422	-
Due from component unit	29,000	-	29,000	-
Inventories	11,984	160,033	172,017	105,663
Prepaid items	4,918	-	4,918	-
Note receivable	8,898	-	8,898	-
Restricted assets:				
Cash and cash equivalents	192,992	300,507	493,499	-
Due from other governments	-	14,500	14,500	-
Note receivable	-	1,299	1,299	-
Capital assets:				
Land and other nondepreciable assets	640,932	515,957	1,156,889	80,000
Other capital assets (net)	3,961,030	10,595,477	14,556,507	24,353
TOTAL ASSETS	8,987,315	14,394,059	23,381,374	555,927
DEFERRED OUTFLOWS OF RESOURCES	697,801	111,893	809,694	29,704
LIABILITIES				
Accounts payable and accrued liabilities	118,527	26,881	145,408	33,152
Accrued interest payable	9,007	3,249	12,256	-
Due to other governments	18	94,162	94,180	-
Due to primary government	-	-	-	29,000
Liabilities payable from restricted assets	-	159,223	159,223	-
Long-term liabilities:				
Due within one year	112,454	92,598	205,052	-
Due in more than one year	7,211,989	1,465,538	8,677,527	28,231
TOTAL LIABILITIES	7,451,995	1,841,651	9,293,646	90,383
DEFERRED INFLOWS OF RESOURCES	733,787	156,222	890,009	146
NET POSITION				
Net investment in capital assets	3,346,855	10,833,777	14,180,632	104,353
Restricted for:				
Stabilization by State statute	512,218	-	512,218	-
Streets - Powell Bill	192,992	-	192,992	-
Law enforcement	28,630	-	28,630	-
Other purposes	238,940	-	238,940	-
Working capital	-	-	-	45,194
Unrestricted	(2,820,301)	1,674,302	(1,145,999)	345,555
TOTAL NET POSITION	\$ 1,499,334	\$ 12,508,079	\$ 14,007,413	\$ 495,102

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, 2019

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	Business-type Activities	Total	Town of Wadesboro ABC Board
Governmental activities:								
General government	\$ 883,453	\$ 80	\$ 9,900	\$ -	\$ (873,473)	\$ -	\$ (873,473)	\$ -
Public safety	2,135,004	10,325	160,764	17,000	(1,946,915)	-	(1,946,915)	-
Transportation	825,967	-	170,691	-	(655,276)	-	(655,276)	-
Economic and physical development	2,225	-	-	-	(2,225)	-	(2,225)	-
Environmental protection	488,260	366,112	-	-	(122,148)	-	(122,148)	-
Culture and recreation	32,049	-	-	20,000	(12,049)	-	(12,049)	-
Interest on long-term debt	33,212	-	-	-	(33,212)	-	(33,212)	-
Total governmental activities	4,400,170	376,517	341,355	37,000	(3,645,298)	-	(3,645,298)	-
Business-type activities:								
Water and sewer	2,948,943	2,784,235	-	49,000	-	(115,708)	(115,708)	-
Component unit:								
ABC Board	1,166,816	1,175,041	-	-	-	-	-	8,225
	<u>\$ 8,515,929</u>	<u>\$ 4,335,793</u>	<u>\$ 341,355</u>	<u>\$ 86,000</u>	<u>(3,645,298)</u>	<u>(115,708)</u>	<u>(3,761,006)</u>	<u>8,225</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					1,985,513	-	1,985,513	-
Other taxes and licenses					1,886,495	-	1,886,495	-
Grants and contributions not restricted to specific programs					43,500	-	43,500	-
Investment earnings, unrestricted					77,064	257	77,321	3,627
Miscellaneous, unrestricted					38,766	11,424	50,190	-
Total general revenues excluding transfers					4,031,338	11,681	4,043,019	3,627
Transfers					-	-	-	-
Total general revenues and transfers					4,031,338	11,681	4,043,019	3,627
Change in net position					386,040	(104,027)	282,013	11,852
Net position, beginning					1,113,294	12,612,106	13,725,400	483,250
Net position, ending					<u>\$ 1,499,334</u>	<u>\$ 12,508,079</u>	<u>\$ 14,007,413</u>	<u>\$ 495,102</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, 2019

Exhibit 3-1

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,024,910	\$ 168,936	\$ 3,193,846
Restricted cash and cash equivalents	192,992	-	192,992
Taxes receivable	364,466	-	364,466
Accounts receivable	94,848	-	94,848
Accrued interest receivable	72	-	72
Due from other governments	388,298	-	388,298
Due from component unit	29,000	-	29,000
Inventories	11,984	-	11,984
Prepaid items	4,918	-	4,918
TOTAL ASSETS	<u>\$ 4,111,488</u>	<u>\$ 168,936</u>	<u>\$ 4,280,424</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 107,777	\$ 10,750	\$ 118,527
Due to other governments	18	-	18
TOTAL LIABILITIES	<u>107,795</u>	<u>10,750</u>	<u>118,545</u>
DEFERRED INFLOWS OF RESOURCES	<u>364,466</u>	<u>-</u>	<u>364,466</u>
FUND BALANCES			
Nonspendable:			
Inventories	11,984	-	11,984
Prepaid items	4,918	-	4,918
Restricted:			
Stabilization by State statute	512,218	-	512,218
Streets - Powell Bill	192,992	-	192,992
Law enforcement	28,630	-	28,630
Rehabilitation	80,754	-	80,754
Capital outlay	-	158,186	158,186
Assigned:			
Fire department	58,693	-	58,693
USDA debt service	200,864	-	200,864
Subsequent year's expenditures	442,788	-	442,788
Unassigned	2,105,386	-	2,105,386
TOTAL FUND BALANCES	<u>3,639,227</u>	<u>158,186</u>	<u>3,797,413</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 4,111,488</u>	<u>\$ 168,936</u>	<u>\$ 4,280,424</u>

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, 2019

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1)	\$ 3,797,413
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.	4,601,962
Deferred outflows of resources related to pensions are not reported in the funds.	565,980
Deferred outflows of resources related to OPEB are not reported in the funds.	131,821
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	96,031
Incentive grant note receivable	8,898
Earned revenues considered deferred inflows of resources in fund statements.	364,466
Deferred inflows of resources related to pensions are not reported in the funds.	(135,412)
Deferred inflows of resources related to OPEB are not reported in the funds.	(589,477)
Deferred inflows of resources related to an incentive grant note receivable are not reported in the funds.	(8,898)
Some liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Installment purchases payable	(1,255,107)
Accrued interest payable	(9,007)
Compensated absences	(138,771)
Net pension liability (LGERS)	(685,598)
Total pension liability (LEO)	(403,923)
Total OPEB liability	<u>(4,841,044)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 1,499,334</u>

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, 2019

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES:			
Ad valorem taxes	\$ 1,998,602	\$ -	\$ 1,998,602
Other taxes and licenses	265,656	-	265,656
Unrestricted intergovernmental	1,660,280	-	1,660,280
Restricted intergovernmental	360,528	-	360,528
Permits and fees	8,910	-	8,910
Sales and services	367,900	-	367,900
Investment earnings	77,064	20,000	97,064
Miscellaneous	47,473	-	47,473
TOTAL REVENUES	<u>4,786,413</u>	<u>20,000</u>	<u>4,806,413</u>
EXPENDITURES:			
Current:			
General government	737,883	-	737,883
Public safety	2,282,355	-	2,282,355
Transportation	773,698	-	773,698
Environmental protection	332,877	-	332,877
Culture and recreation	22,081	-	22,081
Debt service:			
Principal retirement	210,975	-	210,975
Interest and fees	35,266	-	35,266
Capital outlay	-	10,750	10,750
TOTAL EXPENDITURES	<u>4,395,135</u>	<u>10,750</u>	<u>4,405,885</u>
REVENUES OVER EXPENDITURES	<u>391,278</u>	<u>9,250</u>	<u>400,528</u>
OTHER FINANCING SOURCES (USES):			
Transfers from (to) other funds	(50,000)	50,000	-
Sale of capital assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	341,278	59,250	400,528
FUND BALANCES, beginning	<u>3,297,949</u>	<u>98,936</u>	<u>3,396,885</u>
FUND BALANCES, ending	<u>\$ 3,639,227</u>	<u>\$ 158,186</u>	<u>\$ 3,797,413</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, 2019

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1)	\$ 400,528
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)	199,071
Net book value of disposed capital assets not recorded in the fund statements	(27,250)
Depreciation expense for governmental funds	(281,150)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	145,218
Benefit payments paid and administrative expenses for the LEOSSA are not included on the statement of activities.	19,095
OPEB benefit payments and administrative expenses incurred in the current fiscal year are not included on the statement of activities.	127,312
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	4,335
Change in unavailable revenues	(15,199)
Donated assets	2,000
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.	
Principal payments on long-term debt	210,975
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	(2,225)
Change in accrued interest payable	2,054
Change in compensated absences	(6,335)
Pension expense (LGERS)	(178,745)
Pension expense (LEO)	(15,186)
OPEB plan expense	(198,458)
Total change in net position of governmental activities (Exhibit 2)	\$ 386,040

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

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ANNUAL BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2019

Exhibit 5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
REVENUES:				
Ad valorem taxes	\$ 1,905,548	\$ 1,905,548	\$ 1,998,602	\$ 93,054
Other taxes and licenses	259,166	259,166	265,656	6,490
Unrestricted intergovernmental	1,535,300	1,535,300	1,660,280	124,980
Restricted intergovernmental	297,150	297,150	360,528	63,378
Permits and fees	5,000	5,000	8,910	3,910
Sales and services	373,500	373,500	367,900	(5,600)
Investment earnings	8,000	18,000	77,064	59,064
Miscellaneous	29,000	44,500	47,473	2,973
TOTAL REVENUES	<u>4,412,664</u>	<u>4,438,164</u>	<u>4,786,413</u>	<u>348,249</u>
EXPENDITURES:				
Current:				
General government	801,678	800,678	737,883	62,795
Public safety	2,458,292	2,427,792	2,282,355	145,437
Transportation	875,160	840,160	773,698	66,462
Environmental protection	410,075	380,568	332,877	47,691
Culture and recreation	30,110	30,110	22,081	8,029
Economic and physical development	13,500	-	-	-
Debt service:				
Principal retirement	123,905	211,744	210,975	769
Interest and fees	34,120	35,288	35,266	22
TOTAL EXPENDITURES	<u>4,746,840</u>	<u>4,726,340</u>	<u>4,395,135</u>	<u>331,205</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(334,176)</u>	<u>(288,176)</u>	<u>391,278</u>	<u>679,454</u>
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	(50,000)	(50,000)	-
Sale of capital assets	10,000	14,000	-	(14,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,000</u>	<u>(36,000)</u>	<u>(50,000)</u>	<u>(14,000)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(324,176)</u>	<u>(324,176)</u>	<u>341,278</u>	<u>665,454</u>
APPROPRIATED FUND BALANCE	<u>324,176</u>	<u>324,176</u>	<u>-</u>	<u>(324,176)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>341,278</u>	<u>\$ 341,278</u>
FUND BALANCE, beginning			<u>3,297,949</u>	
FUND BALANCE, ending			<u>\$ 3,639,227</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, 2019

Exhibit 6

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,496,968
Accounts receivable (net)	292,194
Due from other governments	17,124
Inventories	160,033
Restricted assets:	
Cash and cash equivalents	300,507
Due from other governments	14,500
TOTAL CURRENT ASSETS	<u>3,281,326</u>

NONCURRENT ASSETS

Restricted note receivable	1,299
Capital assets:	
Land and other nondepreciable assets	515,957
Other capital assets (net)	10,595,477
TOTAL NONCURRENT ASSETS	<u>11,112,733</u>

TOTAL ASSETS 14,394,059

DEFERRED OUTFLOWS OF RESOURCES

111,893

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	26,881
Accrued interest payable	3,249
Due to other governments	94,162
Liabilities payable from restricted assets:	
Accounts payable	13,500
Customer deposits	145,723
Installment purchases payable, current portion	92,598
TOTAL CURRENT LIABILITIES	<u>376,113</u>

NONCURRENT LIABILITIES

Accrued vacation pay	32,912
Installment purchases payable, net of current portion	185,059
Net pension liability	147,331
Total OPEB liability	1,100,236
TOTAL NONCURRENT LIABILITIES	<u>1,465,538</u>

TOTAL LIABILITIES 1,841,651

DEFERRED INFLOWS OF RESOURCES

156,222

NET POSITION

Net investment in capital assets	10,833,777
Unrestricted	1,674,302
TOTAL NET POSITION	<u>\$ 12,508,079</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, 2019

OPERATING REVENUES	
Water sales	\$ 1,201,152
Sewer charges	1,505,287
Other operating revenues	<u>77,796</u>
TOTAL OPERATING REVENUES	<u>2,784,235</u>
OPERATING EXPENSES	
Water department	1,016,479
Sewer department	1,436,254
Depreciation	<u>379,068</u>
TOTAL OPERATING EXPENSES	<u>2,831,801</u>
OPERATING LOSS	<u>(47,566)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	257
Interest and fees	(7,057)
Disposal of capital assets	(110,085)
Other revenues	<u>11,424</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(105,461)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(153,027)
CAPITAL CONTRIBUTIONS	49,000
TRANSFERS	<u>-</u>
CHANGE IN NET POSITION	(104,027)
NET POSITION, beginning	<u>12,612,106</u>
NET POSITION, ending	<u><u>\$ 12,508,079</u></u>

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, 2019

Exhibit 8
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,715,853
Cash paid for goods and services	(2,038,877)
Cash paid to or on behalf of employees for services	(382,923)
Customer deposits received	38,940
Customer deposits returned	(30,238)
Other operating revenues	<u>77,796</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

380,551

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers from (to) other funds	-
Other nonoperating revenues	<u>11,424</u>

**NET CASH PROVIDED BY
NONCAPITAL FINANCING ACTIVITIES**

11,424

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

Acquisition and construction of capital assets	(554,308)
Proceeds from sale of capital assets	25,000
Capital contributions - State grant	59,500
Principal paid on debt	(101,076)
Interest paid on debt	(8,151)
Collection on restricted note receivable	<u>-</u>

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

(579,035)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>257</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS (186,803)

CASH AND CASH EQUIVALENTS, beginning 2,984,278

CASH AND CASH EQUIVALENTS, ending \$ 2,797,475

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

Cash and cash equivalents in current assets	\$ 2,496,968
Cash and cash equivalents in restricted assets	<u>300,507</u>

\$ 2,797,475

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Exhibit 8
Page 2 of 2

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

Operating loss	\$ (47,566)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	379,068
(Increase) decrease in:	
Accounts receivable	9,145
Due from other governments	(8,403)
Inventories	(16,272)
Deferred outflows of resources - pensions	(38,828)
Deferred outflows of resources - OPEB	(503)
Increase (decrease) in:	
Accounts payable and accrued liabilities	11,448
Due to other governments	(13,765)
Customer deposits	8,702
Compensated absences payable	(1,966)
Net pension liability	50,330
OPEB liability	11,645
Deferred inflows of resources - utility payments	269
Deferred inflows of resources - pensions	(2,901)
Deferred inflows of resources - OPEB	<u>40,148</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>380,551</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, 2019

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, 2019

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 fund:

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 general government, public safety, street maintenance and construction, and sanitation services.

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.

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

Wadesboro Greenway Project Fund. This fund accounts for Carolina Thread Trail grant funds for the construction of a greenway.

Fire Apparatus Purchase Project Fund. This fund accounts for funds set aside by the Town for the future purchase of fire equipment.

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 Uptown Wadesboro Water/Lennox Drive Sewer Project Fund, the Anson Greenhouse, LLC Project Fund, the Water Interconnection Project Fund, the Sewer Rehabilitation Project Fund, the USDA Water Line Replacement Project Fund, the USDA Sewer-Burns Street Pump Station Project Fund, and the Wadesboro Industrial Park Infrastructure Project Fund are consolidated with the Water and Sewer Fund for financial reporting purposes.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 fair value.

CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

The unexpended grant and local 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 and local 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, 2018.

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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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.

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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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.

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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina legislature in the 1930's designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and*

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation”. RSS is reduced by inventories and prepaids as they are classified as nonspendable. RSS is included as a component of restricted fund balance on the Balance Sheet and restricted net position on the Statement of Net Position.

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.

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

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.

USDA debt service – portion of fund balance that has been set aside by management to satisfy future debt service obligations.

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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

DEFINED BENEFIT PENSION AND OPEB 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 (LEOSA), 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. 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 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT FUND BALANCE OR NET POSITION OF INDIVIDUAL FUNDS

Both the USDA Water Line Replacement Project Fund and the USDA Sewer - Burns Street Pump Station Project Fund had a deficit fund balance at June 30, 2019. The deficits were created by grant funds not yet being requested or being available. Project expenditures are to be reimbursed by USDA. Until grant reimbursements are requested, these two project funds will be borrowing from the Town’s Water and Sewer Fund and will carry a deficit fund balance.

NOTE 3 – 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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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, 2019, the Town's deposits had a carrying amount of \$2,792,719 and a bank balance of \$2,944,429. The carrying amount of deposits for the ABC Board was \$344,411 and the bank balance was \$451,351. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, the Town's and ABC Board's bank balances exceeded federally insured limits by \$1,946,183 and \$93,139, respectively. All deposits of the Town and the ABC Board are insured or collateralized under the Pooling Method. At June 30, 2019, the Town's and the ABC Board's petty cash totaled \$500 and \$1,500, respectively.

INVESTMENTS

At June 30, 2019, the Town's investments consisted of \$3,391,094 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>162,000</u>
	<u>\$ 162,000</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

CAPITAL ASSETS

Primary Government:

Capital asset activity for the year ended June 30, 2019, 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	-	10,750	-	10,750
Total capital assets not being depreciated	<u>630,182</u>	<u>10,750</u>	<u>-</u>	<u>640,932</u>
Capital assets being depreciated:				
Buildings	1,776,289	4,214	-	1,780,503
Land improvements	952,319	-	-	952,319
Infrastructure	322,832	-	-	322,832
Equipment	1,442,367	82,113	34,048	1,490,432
Vehicles and motorized equipment	<u>2,349,520</u>	<u>103,994</u>	<u>-</u>	<u>2,453,514</u>
Total capital assets being depreciated	<u>6,843,327</u>	<u>190,321</u>	<u>34,048</u>	<u>6,999,600</u>
Less accumulated depreciation for:				
Buildings	249,002	43,446	-	292,448
Land improvements	93,389	19,622	-	113,011
Infrastructure	52,714	6,456	-	59,170
Equipment	870,370	88,904	6,798	952,476
Vehicles and motorized equipment	<u>1,498,743</u>	<u>122,722</u>	<u>-</u>	<u>1,621,465</u>
Total accumulated depreciation	<u>2,764,218</u>	<u>281,150</u>	<u>6,798</u>	<u>3,038,570</u>
Total capital assets being depreciated, net	<u>4,079,109</u>			<u>3,961,030</u>
Governmental activities capital assets, net	<u>\$ 4,709,291</u>			<u>\$ 4,601,962</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 12,151
Public safety	143,791
Transportation	44,978
Environmental protection	70,262
Culture and recreation	9,968
	<u>\$ 281,150</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

	<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>291,905</u>	<u>202,800</u>	<u>1,800</u>	<u>492,905</u>
Total capital assets not being depreciated	<u>314,957</u>	<u>202,800</u>	<u>1,800</u>	<u>515,957</u>
Capital assets being depreciated:				
Plant and distribution systems	20,711,593	14,109	167,100	20,558,602
Vehicles and equipment	<u>1,341,313</u>	<u>155,497</u>	<u>43,800</u>	<u>1,453,010</u>
Total capital assets being depreciated	<u>22,052,906</u>	<u>169,606</u>	<u>210,900</u>	<u>22,011,612</u>
Less accumulated depreciation for:				
Plant and distribution systems	10,091,319	307,367	32,015	10,366,671
Vehicles and equipment	<u>1,021,563</u>	<u>71,701</u>	<u>43,800</u>	<u>1,049,464</u>
Total accumulated depreciation	<u>11,112,882</u>	<u>379,068</u>	<u>75,815</u>	<u>11,416,135</u>
Total capital assets being depreciated, net	<u>10,940,024</u>			<u>10,595,477</u>
Business-type activities capital assets, net	<u>\$ 11,254,981</u>			<u>\$ 11,111,434</u>

Depreciation expense for the year ended June 30, 2019, was \$379,068.

Construction commitments

The Town had various active construction projects at June 30, 2019. 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, 2019, were as follows:

Wadesboro Greenway project	\$ 39,250
Anson Greenhouse, LLC project	309,500
USDA Water and Sewer Improvements project	223,000
Sewer rehabilitation project	54,000
Wadesboro Industrial Park Infrastructure project	<u>249,000</u>
	<u>\$ 874,750</u>

TOWN OF WADESBORO, NORTH CAROLINA
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Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2019, 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	143,574	-	-	143,574
Total capital assets being depreciated	438,659	-	-	438,659
Less accumulated depreciation for:				
Land improvements	14,060	-	-	14,060
Building	257,298	1,607	-	258,905
Equipment	139,638	1,703	-	141,341
Total accumulated depreciation	410,996	3,310	-	414,306
Total capital assets being depreciated, net	27,663			24,353
ABC capital assets, net	<u>\$ 107,663</u>			<u>\$ 104,353</u>

Depreciation expense for the year ended June 30, 2019, was \$3,310.

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TOWN OF WADESBORO, NORTH CAROLINA
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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.

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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, 2019, was 8.50% of compensation for law enforcement officers and 7.82% 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 \$173,131 for the year ended June 30, 2019.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2019, the Town reported a liability of \$832,929 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.03511% (measured as of June 30, 2018), which was an increase of 0.00001% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the Town recognized pension expense of \$215,259. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 128,501	\$ 4,312
Changes of assumptions	221,027	-
Net difference between projected and actual earnings on pension plan investments	114,336	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	35,756
Town's contributions subsequent to the measurement date	173,131	-
Total	<u>\$ 636,995</u>	<u>\$ 40,068</u>

TOWN OF WADESBORO, NORTH CAROLINA
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\$173,131 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, 2020. 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,	
2020	\$ 205,077
2021	133,212
2022	21,559
2023	63,948
2024	-
Thereafter	-
	<u>\$ 423,796</u>

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

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

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study as of 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

TOWN OF WADESBORO, NORTH CAROLINA
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and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

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

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

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at 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 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,000,768	\$ 832,929	\$ (142,935)

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
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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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>20</u>
Total	<u><u>23</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, 2017, valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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 \$18,696 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, 2019, the Town reported a total pension liability of \$403,923. The total pension liability was measured as of December 31, 2018, based on a December 31, 2017, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$15,186.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 92,491
Changes of assumptions and other inputs	20,758	20,049
Town benefit payments and plan administrative expenses incurred subsequent to the measurement date	<u>19,095</u>	<u>-</u>
Total	<u>\$ 39,853</u>	<u>\$ 112,540</u>

\$18,696 paid as benefits came due and \$399 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, 2020. 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>	
2020	\$ (20,525)
2021	(20,525)
2022	(20,525)
2023	(18,651)
2024	(11,556)
Thereafter	<u>-</u>
	<u>\$ (91,782)</u>

TOWN OF WADESBORO, NORTH CAROLINA
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Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate: The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.64 percent) or one percentage point higher (4.64 percent) than the current rate:

	1% Decrease <u>(2.64%)</u>	Discount Rate <u>(3.64%)</u>	1% Increase <u>(4.64%)</u>
Total pension liability	\$ 438,504	\$ 403,923	\$ 372,618

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

Balance at December 31, 2017	\$ 454,570
Service cost	24,252
Interest on the total pension liability	14,069
Change of benefit terms	-
Differences between expected and actuarial experience in the measurement of the total pension liability	(54,096)
Changes of assumptions or other inputs	(16,176)
Benefit payments	(18,696)
Other changes	-
Balance at December 31, 2018	<u>\$ 403,923</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, 2017, valuation were based on the results of an actuarial experience study for the five year period ended December 31, 2014.

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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	\$ 215,259	\$ 15,186	\$ 230,445
Pension liability	832,929	403,923	1,236,852
Proportionate share of the net pension liability (asset)	0.03511%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	128,501	-	128,501
Changes of assumptions	221,027	20,758	241,785
Net difference between projected and actual earnings on plan investments	114,336	-	114,336
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>173,131</u>	<u>19,095</u>	<u>192,226</u>
	<u>636,995</u>	<u>39,853</u>	<u>676,848</u>
Deferred inflows of resources:			
Differences between expected and actual experience	4,312	92,491	96,803
Changes of assumptions	-	20,049	20,049
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>35,756</u>	<u>-</u>	<u>35,756</u>
	<u>40,068</u>	<u>112,540</u>	<u>152,608</u>

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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 \$94,286 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.

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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, 2018, the State contributed \$17,952,000 to the plan. Town of Wadesboro's proportionate share of the State's contribution is \$7,049.

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, 2019, 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 \$19,177. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, utilizing update procedures incorporating the actuarial

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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, 2019, and at June 30, 2018, was 0%.

For the year ended June 30, 2019, the Town recognized pension expense of \$5,454 and revenue of \$5,454 for support provided by the State. At June 30, 2019, 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, 2017, 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	7.00 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 7.00%. 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

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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 Employees	Law Enforcement Employees
Inactive members receiving benefits	13	8
Inactive members entitled to but not yet receiving benefits	-	-
Active members	<u>27</u>	<u>27</u>
Total	<u>40</u>	<u>35</u>

Total OPEB Liability: The Town's total OPEB liability of \$5,941,280 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

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	2.5 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	3.89 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, 2017	<u>\$ 6,036,730</u>
Changes for the year:	
Service cost	177,216
Interest	212,192
Change of benefit terms	-
Differences between expected and actuarial experience	3,616
Changes of assumptions or other inputs	(334,544)
Benefit payments	<u>(153,930)</u>
Net changes	<u>(95,450)</u>
Balance at June 30, 2018	<u>\$ 5,941,280</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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 (2.89 percent) or one percentage point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$7,047,969	\$5,941,280	\$ 5,077,775

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% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 4,970,741	\$ 5,941,280	\$ 7,212,438

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the Town recognized OPEB expense of \$249,748. At June 30, 2019, 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	\$ 5,534	\$ -
Changes of assumptions or other inputs	-	723,449
Benefit payments and administrative expenses incurred subsequent to the measurement date	127,312	-
Total	<u>\$ 132,846</u>	<u>\$ 723,449</u>

\$127,312 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, 2020. 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, 2019

Year Ending <u>June 30,</u>	
2020	\$ (130,414)
2021	(130,414)
2022	(130,414)
2023	(130,414)
2024	(130,414)
Thereafter	<u>(65,845)</u>
	<u>\$ (717,915)</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, 2019, the Town made contributions to the State for death benefits of \$2,156. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.14% of covered payroll, respectively. For the year ended June 30, 2019, the ABC Board made contributions to the State for death benefits of \$139, which represented 0.12% of covered payroll.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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)	\$	173,131
Benefit payments and administrative expenses paid subsequent to the measurement date (LEOSSA)		19,095
Benefit payments and administrative expenses for OPEB incurred subsequent to the measurement date		127,312
Differences between expected and actual experience		134,035
Changes of assumptions		241,785
Net difference between projected and actual earnings on plan investments		114,336
Changes in proportion and differences between employer contributions and proportionate share of contributions		-
	\$	<u>809,694</u>

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

	General Fund Balance Sheet	Statement of Net Position
Taxes receivable	\$ 364,466	\$ -
Prepaid taxes	-	-
Prepaid utility payments	-	5,054
Promissory note receivable	-	8,898
Differences between expected and actual experience	-	96,803
Changes of assumptions	-	743,498
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	35,756
	<u>\$ 364,466</u>	<u>\$ 890,009</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 if 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 \$17,060 in the year ended June 30, 2019.

The Town entered into a contract during the year for consulting for a downtown commercial recruitment plan. The remaining balance on this contract as of June 30, 2019, was \$6,600.

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.

The Town has granted an industrial taxpayer an economic development incentive grant in the amount of 75% of the ad valorem tax paid to the Town over the first five years attributable to the improvements made and maintained by the industrial taxpayer. The grant is payable over a five year period beginning fiscal year ending June 30, 2020. The estimated total grant is \$143,686.

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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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.

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 direct borrowings at June 30, 2019:

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 secured by the equipment and serviced by the General Fund. \$ 25,107

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 secured by all property acquired with the proceeds, as well as any substitution or replacement property. The contract is further secured by any remaining project fund accounts. The contract is serviced by the Water and Sewer Fund. 277,657

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 secured by the equipment and serviced by the General Fund. 240,000

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 secured by a deed of trust and serviced by the General Fund.

990,000

TOTAL INSTALLMENT PURCHASES PAYABLE

\$ 1,532,764

In the event of default on any of the above loans, the bank may exercise any one or more of the following remedies: (a) declare the unpaid principal balance and any accrued interest immediately due and payable, (b) proceed with appropriate remedies available under the Uniform Commercial Code and North Carolina law with respect to security interest in any property or remaining project fund accounts, and (c) avail itself to any available remedies under the loan agreement(s).

(Left blank intentionally)

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

The future minimum payments of the installment purchases as of June 30, 2019, are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 112,454	\$ 29,570	\$ 92,598	\$ 6,081
2021	112,653	27,674	92,598	4,053
2022	100,000	25,874	92,461	2,025
2023	100,000	24,257	-	-
2024	100,000	22,702	-	-
2025-2029	290,000	88,988	-	-
2030-2034	275,000	48,541	-	-
2035-2037	165,000	9,712	-	-
	<u>\$ 1,255,107</u>	<u>\$ 277,318</u>	<u>\$ 277,657</u>	<u>\$ 12,159</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, 2019:

	Balance 6/30/2018	Increases	Decreases	Balance 6/30/2019	Due Within One Year
Governmental activities:					
Direct borrowing installment purchases	\$ 1,466,082	\$ -	\$ 210,975	\$ 1,255,107	\$ 112,454
Compensated absences	132,436	6,335	-	138,771	-
Net pension liability (LGERS)	439,230	246,368	-	685,598	-
Total pension liability (LEO)	454,570	-	50,647	403,923	-
Total OPEB liability	4,948,139	-	107,095	4,841,044	-
	<u>\$ 7,440,457</u>	<u>\$ 252,703</u>	<u>\$ 368,717</u>	<u>\$ 7,324,443</u>	<u>\$ 112,454</u>
Business-type activities:					
Direct borrowing installment purchases	\$ 378,733	\$ -	\$ 101,076	\$ 277,657	\$ 92,598
Compensated absences	34,878	-	1,966	32,912	-
Net pension liability (LGERS)	97,001	50,330	-	147,331	-
Total OPEB liability	1,088,591	11,645	-	1,100,236	-
	<u>\$ 1,599,203</u>	<u>\$ 61,975</u>	<u>\$ 103,042</u>	<u>\$ 1,558,136</u>	<u>\$ 92,598</u>

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, 2019, Town of Wadesboro had a legal debt margin of \$28,202,305.

The ABC Board had no leases or long-term debt as of June 30, 2019.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

C. INTERFUND BALANCES AND ACTIVITY

Transfers to/from other funds at June 30, 2019, consist of the following:

	<u>From</u>	<u>To</u>
<i>Governmental Funds:</i>		
General Fund:		
To Fire Apparatus Purchase Project Fund	\$ -	\$ 50,000
Fire Apparatus Purchase Project Fund:		
From General Fund	50,000	-
<i>Enterprise Funds:</i>		
Water and Sewer Fund:		
To USDA Sewer - Burns Street Pump Station Project Fund	-	19,000
To Wadesboro Industrial Park Infrastructure Project Fund	-	10,000
From Water Interconnection Project Fund	14,092	-
USDA Sewer - Burns Street Pump Station Project Fund:		
From Water and Sewer Fund	19,000	-
Wadesboro Industrial Park Infrastructure Project Fund:		
From Water and Sewer Fund	10,000	-
Water Interconnection Project Fund:		
To Water and Sewer Fund	<u>-</u>	<u>14,092</u>
	<u>\$ 93,092</u>	<u>\$ 93,092</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, 2019, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$14,568 in the fund financial statements for the 29 volunteer and 2 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 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, 2019, 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 – JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with 8 counties and approximately 50 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 \$1,321 to the Council during the fiscal year ended June 30, 2019, for membership fees.

NOTE 5 – 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. During the fiscal year ended June 30, 2019, payments of \$6,114 were 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, 2019. 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, 2019, 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.

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, 2019. In accordance with the agreement between the Town and NCRWA, the Town paid \$580 to NCRWA during the year ended June 30, 2019, 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 – 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 7 – 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.

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 Six Fiscal Years***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.03511%	0.03510%	0.03549%	0.04007%	0.04140%	0.04150%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 832,929	\$ 536,231	\$ 753,217	\$ 179,832	\$ (244,156)	\$ 500,234
Town's covered payroll	\$ 2,056,744	\$ 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	40.50%	26.42%	36.81%	8.62%	-10.79%	22.04%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year 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 Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 173,131	\$ 161,851	\$ 154,973	\$ 142,222	\$ 150,581	\$ 161,819
Contributions in relation to the contractually required contribution	<u>173,131</u>	<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>	<u>\$ -</u>
Town's covered payroll	\$ 2,131,322	\$ 2,056,744	\$ 2,030,015	\$ 2,046,365	\$ 2,085,917	\$ 2,261,761
Contributions as a percentage of covered payroll	8.12%	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 Five Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Town's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Wadesboro	<u>19,177</u>	<u>20,573</u>	<u>15,284</u>	<u>16,016</u>	<u>11,682</u>
Total	<u>\$ 19,177</u>	<u>\$ 20,573</u>	<u>\$ 15,284</u>	<u>\$ 16,016</u>	<u>\$ 11,682</u>
Town's covered payroll	\$ 154,111	\$ 158,632	\$ 236,864	\$ 114,350	\$ 109,151
Town's proportion of the net pension liability as a percentage of its covered payroll	12.44%	12.97%	6.45%	14.01%	10.70%
Plan fiduciary net position as a percentage of the total pension liability**	89.69%	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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 454,570	\$ 469,787	\$ 468,137
Service cost	24,252	22,315	27,436
Interest on the total pension liability	14,069	17,831	16,196
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(54,096)	(70,274)	-
Changes of assumptions or other inputs	(16,176)	30,620	(13,022)
Benefit payments	(18,696)	(15,709)	(28,960)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 403,923</u>	<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, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 403,923	\$ 454,570	\$ 469,787	\$ 468,137
Covered payroll	\$ 840,756	\$ 882,186	\$ 920,764	\$ 920,764
Total pension liability as a percentage of covered payroll	48.04%	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, 2019

	<u>2019</u>	<u>2018</u>
Service cost	\$ 177,216	\$ 203,600
Interest	212,192	190,146
Changes of benefit terms	-	-
Differences between expected and actual experience	3,616	3,364
Changes of assumptions or other inputs	(334,544)	(604,896)
Benefit payments	<u>(153,930)</u>	<u>(144,184)</u>
Net change in total OPEB liability	(95,450)	(351,970)
Total OPEB liability - beginning	<u>6,036,730</u>	<u>6,388,700</u>
 Total OPEB liability - ending	 <u>\$ 5,941,280</u>	 <u>\$ 6,036,730</u>
 Covered payroll	 \$ 1,927,650	 \$ 1,927,650
 Total OPEB liability as a percentage of covered payroll	 308.21%	 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>
2019	3.89%
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, 2019

Exhibit A-1
Page 1 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 1,890,548	\$ 1,968,015	\$ 77,467
Penalties and interest	15,000	30,587	15,587
Total	1,905,548	1,998,602	93,054
Other taxes and licenses:			
Privilege licenses	-	455	455
Wadesboro Fire District Tax	259,166	265,201	6,035
Total	259,166	265,656	6,490
Unrestricted intergovernmental:			
Local option sales taxes	1,150,000	1,221,181	71,181
Telecommunications sales tax	36,500	33,382	(3,118)
Utilities sales tax	265,000	279,946	14,946
Piped natural gas sales tax	8,000	17,145	9,145
Video franchise fee	32,500	29,953	(2,547)
Beer and wine tax	24,000	23,605	(395)
ABC profit distribution	18,000	43,500	25,500
Payments in lieu of taxes	1,300	11,568	10,268
Total	1,535,300	1,660,280	124,980
Restricted intergovernmental:			
Powell Bill allocation	174,000	170,691	(3,309)
Public safety grants	2,000	49,870	47,870
Downtown commercial recruitment grant	-	9,900	9,900
Controlled substance tax	1,000	3,381	2,381
Contributions from school system	100,750	104,059	3,309
ABC revenue for law enforcement	4,000	4,000	-
Solid waste disposal tax	3,000	4,059	1,059
On-behalf payments - Fire and Rescue	12,400	14,568	2,168
Total	297,150	360,528	63,378
Permits and fees:			
Fire inspection fees	3,000	6,455	3,455
Rezoning and variance fees	2,000	2,375	375
Golf cart permits	-	80	80
Total	5,000	8,910	3,910

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, 2019

Exhibit A-1
Page 2 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES - CONTINUED:			
Sales and services:			
Refuse collection	373,500	366,112	(7,388)
Rent received on property	-	1,788	1,788
Total	373,500	367,900	(5,600)
Investment earnings	18,000	77,064	59,064
Miscellaneous			
Community grants	7,500	9,000	1,500
Miscellaneous	37,000	38,473	1,473
Total	44,500	47,473	2,973
TOTAL REVENUES	4,438,164	4,786,413	348,249
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits	-	30,357	-
Professional services	-	45,944	-
Total	80,418	76,301	4,117
Administration:			
Salaries and employee benefits	-	425,761	-
Other operating expenditures	-	158,792	-
Capital outlay	-	5,635	-
Total	620,449	590,188	30,261
Garage:			
Salaries and employee benefits	-	51,517	-
Other operating expenditures	-	19,877	-
Total	99,811	71,394	28,417
Total general government	800,678	737,883	62,795
Public safety:			
Police:			
Salaries and employee benefits	-	1,613,355	-
Other operating expenditures	-	235,672	-
Capital outlay	-	71,822	-
Total	2,061,309	1,920,849	140,460

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, 2019

Exhibit A-1
Page 3 of 4

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED:			
Fire:			
Salaries and employee benefits	-	185,324	-
Other operating expenditures	-	110,395	-
Capital outlay	-	51,219	-
On-behalf payments - Fire and Rescue	-	14,568	-
Total	366,483	361,506	4,977
Total public safety	2,427,792	2,282,355	145,437
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	187,356	-
Other operating expenditures	-	196,678	-
Capital outlay	-	59,645	-
Total	471,660	443,679	27,981
Powell Bill:			
Other operating expenditures	368,500	330,019	38,481
Total transportation	840,160	773,698	66,462
Environmental protection:			
Sanitation:			
Salaries and employee benefits	-	246,328	-
Other operating expenditures	-	81,347	-
Contracted services	-	5,202	-
Total environmental protection	380,568	332,877	47,691
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	5,883	-
Other operating expenditures	-	16,198	-
Total culture and recreation	30,110	22,081	8,029
Economic and physical development:			
Other operating expenditures	-	-	-

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, 2019

Exhibit A-1
Page 4 of 4

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES - CONTINUED:			
Debt service:			
Principal retirement	211,744	210,975	769
Interest and fees	<u>35,288</u>	<u>35,266</u>	<u>22</u>
Total debt service	<u>247,032</u>	<u>246,241</u>	<u>791</u>
TOTAL EXPENDITURES	<u>4,726,340</u>	<u>4,395,135</u>	<u>331,205</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(288,176)</u>	<u>391,278</u>	<u>679,454</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	(50,000)	(50,000)	-
Sale of capital assets	<u>14,000</u>	<u>-</u>	<u>(14,000)</u>
Total	<u>(36,000)</u>	<u>(50,000)</u>	<u>(14,000)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(324,176)</u>	<u>341,278</u>	<u>665,454</u>
APPROPRIATED FUND BALANCE	<u>324,176</u>	<u>-</u>	<u>(324,176)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>341,278</u>	<u>\$ 341,278</u>
FUND BALANCE, beginning		<u>3,297,949</u>	
FUND BALANCE, ending		<u>\$ 3,639,227</u>	

TOWN OF WADESBORO, NORTH CAROLINA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019

Exhibit B-1

	Wadesboro Park Project Fund	Downtown Revitalization Project Fund	Fire Station Project Fund	Wadesboro Greenway Project Fund	Fire Apparatus Purchase Project Fund	Totals
ASSETS						
Cash and cash equivalents	\$ 16,994	\$ 44,500	\$ 37,442	\$ 20,000	\$ 50,000	\$ 168,936
Due from other governments	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 16,994</u>	<u>\$ 44,500</u>	<u>\$ 37,442</u>	<u>\$ 20,000</u>	<u>\$ 50,000</u>	<u>\$ 168,936</u>
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 10,750	\$ -	\$ 10,750
Fund balances:						
Restricted for:						
Capital outlay	16,994	44,500	37,442	9,250	50,000	158,186
TOTAL FUND BALANCES	<u>16,994</u>	<u>44,500</u>	<u>37,442</u>	<u>9,250</u>	<u>50,000</u>	<u>158,186</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,994</u>	<u>\$ 44,500</u>	<u>\$ 37,442</u>	<u>\$ 20,000</u>	<u>\$ 50,000</u>	<u>\$ 168,936</u>

TOWN OF WADESBORO, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit B-2

	Wadesboro Park Project Fund	Downtown Revitalization Project Fund	Fire Station Project Fund	Wadesboro Greenway Project Fund	Fire Apparatus Purchase Project Fund	Totals
REVENUES:						
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-	-
Miscellaneous	-	-	-	20,000	-	20,000
TOTAL REVENUES	-	-	-	20,000	-	20,000
EXPENDITURES:						
Capital outlay	-	-	-	10,750	-	10,750
REVENUES OVER EXPENDITURES	-	-	-	9,250	-	9,250
OTHER FINANCING SOURCES						
Transfers from other funds	-	-	-	-	50,000	50,000
NET CHANGE IN FUND BALANCE	-	-	-	9,250	50,000	59,250
FUND BALANCE, beginning	16,994	44,500	37,442	-	-	98,936
FUND BALANCE, ending	<u>\$ 16,994</u>	<u>\$ 44,500</u>	<u>\$ 37,442</u>	<u>\$ 9,250</u>	<u>\$ 50,000</u>	<u>\$ 158,186</u>

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit B-3

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, 2019

		Actual			Variance
	Project Authorization (As amended)	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	349,596	320,780	-	320,780	28,816
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	\$ -	\$ 16,994	-	\$ 16,994	\$ 16,994
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, 2019**

		<u>Actual</u>			Variance
	Project Authorization <i>(As amended)</i>	Prior Years	Current Year	Total to Date	Positive (Negative)
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>49,840</u>	<u>-</u>	<u>49,840</u>	<u>44,500</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 44,500</u>	<u>-</u>	<u>\$ 44,500</u>	<u>\$ 44,500</u>
FUND BALANCE, beginning			<u>44,500</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, 2019

		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	-	3,904	-	3,904	3,904
TOTAL REVENUES	14,000	27,904	-	27,904	13,904
EXPENDITURES:					
Capital outlay:					
Design-build construction	1,131,240	1,117,590	-	1,117,590	13,650
Special inspections and material testing	14,000	13,310	-	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	18,978	-	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	1,237,852	-	1,237,852	23,538
REVENUES UNDER EXPENDITURES	(1,247,390)	(1,209,948)	-	(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	147,390	-	147,390	-
TOTAL OTHER FINANCING SOURCES	1,247,390	1,247,390	-	1,247,390	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 37,442	-	\$ 37,442	\$ 37,442
FUND BALANCE, beginning			37,442		
FUND BALANCE, ending			\$ 37,442		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit B-6

WADESBORO GREENWAY PROJECT FUND

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

From Inception and for the Year Ended June 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
Miscellaneous:					
Carolina Thread Trail grant funds	\$ 105,000	\$ -	\$ 20,000	\$ 20,000	\$ (85,000)
EXPENDITURES:					
Capital outlay:					
Design	15,000	-	7,000	7,000	8,000
Survey and legal documentation	30,000	-	3,750	3,750	26,250
Property acquisition	45,000	-	-	-	45,000
Landowner outreach	3,000	-	-	-	3,000
Community outreach	2,000	-	-	-	2,000
Contingency	10,000	-	-	-	10,000
TOTAL EXPENDITURES	105,000	-	10,750	10,750	94,250
NET CHANGE IN FUND BALANCE	\$ -	\$ -	9,250	\$ 9,250	\$ 9,250
FUND BALANCE, beginning			-		
FUND BALANCE, ending			\$ 9,250		

**TOWN OF WADESBORO, NORTH CAROLINA
FIRE APPARATUS PURCHASE PROJECT FUND**

Exhibit B-7

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2019**

		<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>
REVENUES:					
Restricted intergovernmental:					
Grant funds	\$ 300,000	\$ -	\$ -	\$ -	\$ (300,000)
EXPENDITURES:					
Capital outlay:					
Fire equipment	900,000	-	-	-	900,000
TOTAL EXPENDITURES	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900,000</u>
REVENUES UNDER EXPENDITURES	<u>(600,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
OTHER FINANCING SOURCES:					
Loan proceeds	300,000	-	-	-	(300,000)
Transfers from other funds	300,000	-	50,000	50,000	(250,000)
	<u>600,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>(550,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
FUND BALANCE, beginning			<u>-</u>		
FUND BALANCE, ending			<u>\$ 50,000</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, 2019

Exhibit C-1
Page 1 of 2

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating Revenues:			
Water sales	\$ 1,192,500	\$ 1,201,152	\$ 8,652
Sewer charges	1,500,000	1,505,287	5,287
Other operating revenues	65,600	77,796	12,196
Total operating revenues	<u>2,758,100</u>	<u>2,784,235</u>	<u>26,135</u>
Nonoperating Revenues:			
Investment earnings	-	257	257
Miscellaneous	-	11,424	11,424
Total nonoperating revenues	<u>-</u>	<u>11,681</u>	<u>11,681</u>
TOTAL REVENUES	<u>2,758,100</u>	<u>2,795,916</u>	<u>37,816</u>
EXPENDITURES:			
Water Operations:			
Salaries and employee benefits	-	391,401	-
Water purchases	-	417,433	-
Repairs and maintenance	-	31,491	-
Other operating expenditures	-	150,083	-
Total	<u>1,178,589</u>	<u>990,408</u>	<u>188,181</u>
Sewer Operations:			
Salaries and employee benefits	-	147,018	-
Contracted services	-	1,147,779	-
Repairs and maintenance	-	28,834	-
Other operating expenditures	-	78,294	-
Total	<u>1,416,052</u>	<u>1,401,925</u>	<u>14,127</u>
Debt Service:			
Interest and fees	8,709	8,151	558
Principal retirement	110,507	101,076	9,431
Total	<u>119,216</u>	<u>109,227</u>	<u>9,989</u>
Capital outlay	<u>218,199</u>	<u>165,131</u>	<u>53,068</u>
TOTAL EXPENDITURES	<u>2,932,056</u>	<u>2,666,691</u>	<u>265,365</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(173,956)</u>	<u>129,225</u>	<u>303,181</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, 2019

Exhibit C-1
Page 2 of 2

	Final Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	14,092	14,092
Transfers to other funds	(29,000)	(29,000)	-
Disposal of capital assets	-	(110,085)	(110,085)
	<u>(29,000)</u>	<u>(124,993)</u>	<u>(95,993)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(202,956)	4,232	207,188
APPROPRIATED FUND BALANCE	<u>202,956</u>	<u>-</u>	<u>(202,956)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 4,232</u>	<u>\$ 4,232</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
NET CHANGE IN FUND BALANCE		\$ 4,232	
RECONCILING ITEMS:			
Payment of debt principal		101,076	
Decrease in interest expense accrual		1,094	
Capital outlay		165,131	
Depreciation		(379,068)	
Increase in deferred outflows of resources - OPEB		503	
Increase in OPEB liability		(11,645)	
Increase in deferred inflows of resources - OPEB		(40,148)	
Increase in deferred outflows of resources - pensions		38,828	
Increase in net pension liability		(50,330)	
Decrease in deferred inflows of resources - pensions		2,901	
Capital contributions		49,000	
Transactions from Uptown Wadesboro/Lennox Drive Sewer Project Fund:			
Sewer department expenses		(509)	
Transactions from Water Interconnection Project Fund:			
Transfers		(14,092)	
Transactions from USDA Sewer - Burns Street Pump Station Project Fund:			
Transfers		19,000	
Transfers from Wadesboro Industrial Park Infrastructure Project Fund:			
Transfers		<u>10,000</u>	
CHANGE IN NET POSITION (EXHIBIT 7)		<u>\$ (104,027)</u>	

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-2

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, 2019

		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	-	314	-	314	314
TOTAL REVENUES	338,288	314	-	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
<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	2,419	509	2,928	22,072
Easements/Fees/Legal	10,000	-	-	-	10,000
2% loan closing costs	7,599	-	-	-	7,599
TOTAL EXPENDITURES	1,986,733	935,851	509	936,360	1,050,373
REVENUES UNDER EXPENDITURES	(1,648,445)	(935,537)	(509)	(936,046)	712,399
OTHER FINANCING SOURCES:					
Loan proceeds	1,588,039	925,984	-	925,984	(662,055)
Transfers from other funds	60,406	29,844	-	29,844	(30,562)
	1,648,445	955,828	-	955,828	(692,617)
NET CHANGE IN FUND BALANCE	\$ -	\$ 20,291	(509)	\$ 19,782	\$ 19,782
FUND BALANCE, beginning			20,291		
FUND BALANCE, ending			\$ 19,782		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-3

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, 2019

		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
WATER INTERCONNECTION 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, 2019**

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
EXPENDITURES:					
Construction	\$ 185,625	\$ 171,756	\$ 1,800	\$ 173,556	\$ 12,069
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	221,333	1,800	223,133	14,092
OTHER FINANCING SOURCES (USES):					
Transfers from (to) other funds	237,225	237,225	(14,092)	223,133	(14,092)
NET CHANGE IN FUND BALANCE	\$ -	\$ 15,892	(15,892)	\$ -	\$ -
FUND BALANCE, beginning			15,892		
FUND BALANCE, ending			\$ -		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-5

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, 2019

		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	\$ 49,000	\$ 128,831	\$ (871,169)
EXPENDITURES:					
Construction	662,600	-	-	-	662,600
Engineering design	60,000	10,000	38,000	48,000	12,000
Construction administration/inspection	39,000	-	-	-	39,000
Survey	11,000	3,000	8,000	11,000	-
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	3,000	69,831	80,169
TOTAL EXPENDITURES	1,000,000	79,831	49,000	128,831	871,169
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -	\$ -
FUND BALANCE, beginning			-		
FUND BALANCE, ending			\$ -		

TOWN OF WADESBORO, NORTH CAROLINA
USDA WATER LINE REPLACEMENT PROJECT FUND

Exhibit C-6

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2019

		<u>Actual</u>			<u>Variance</u>
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Positive</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>(Negative)</u>
REVENUES:					
USDA Rural Utilities Service grant	\$ 815,000	\$ -	\$ -	\$ -	\$ (815,000)
EXPENDITURES:					
Construction	1,163,675	-	-	-	1,163,675
Engineering design	186,100	-	42,000	42,000	144,100
Legal services	35,500	-	-	-	35,500
Permitting	5,000	-	-	-	5,000
Property cost (survey and acquisition)	24,000	-	-	-	24,000
Interest - interim financing	48,400	-	-	-	48,400
Contingency	58,325	-	-	-	58,325
TOTAL EXPENDITURES	1,521,000	-	42,000	42,000	1,479,000
REVENUES UNDER EXPENDITURES	(706,000)	-	(42,000)	(42,000)	664,000
OTHER FINANCING SOURCES:					
USDA Rural Utilities Service loan proceeds	706,000	-	-	-	(706,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(42,000)	\$ (42,000)	\$ (42,000)
FUND BALANCE, beginning			-		
FUND BALANCE, ending			\$ (42,000)		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-7

USDA SEWER - BURNS STREET PUMP STATION PROJECT FUND

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

From Inception and for the Year Ended June 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
USDA Rural Utilities Service grant	\$ 902,000	\$ -	\$ -	\$ -	\$ (902,000)
EXPENDITURES:					
Construction	2,376,875	-	-	-	2,376,875
Engineering design	326,900	-	100,000	100,000	226,900
Legal services	22,500	-	-	-	22,500
Permitting	5,000	-	-	-	5,000
Property cost (survey and acquisition)	42,200	-	-	-	42,200
Interest - interim financing	97,900	-	-	-	97,900
Contingency	238,625	-	-	-	238,625
TOTAL EXPENDITURES	3,110,000	-	100,000	100,000	3,010,000
REVENUES UNDER EXPENDITURES	(2,208,000)	-	(100,000)	(100,000)	2,108,000
OTHER FINANCING SOURCES:					
USDA Rural Utilities Service loan proceeds	2,189,000	-	-	-	(2,189,000)
Transfers from other funds	19,000	-	19,000	19,000	-
	2,208,000	-	19,000	19,000	(2,189,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(81,000)	\$ (81,000)	\$ (81,000)
FUND BALANCE, beginning			-		
FUND BALANCE, ending			\$ (81,000)		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-8

WADESBORO INDUSTRIAL PARK INFRASTRUCTURE PROJECT FUND

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

From Inception and for the Year Ended June 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
NC Department of Commerce grant	\$ 1,776,925	\$ -	\$ -	\$ -	\$ (1,776,925)
EXPENDITURES:					
Off-site Water and Sewer Improvements:					
Construction	823,050	-	-	-	823,050
Engineering design	70,000	-	5,000	5,000	65,000
Survey	7,000	-	5,000	5,000	2,000
Funding administration	10,000	-	-	-	10,000
Construction administration/inspection	45,000	-	-	-	45,000
Contingency	83,000	-	-	-	83,000
On-site Water and Sewer Improvements:					
Construction	341,000	-	-	-	341,000
Engineering design	29,000	-	-	-	29,000
Survey	3,000	-	-	-	3,000
Funding administration	5,000	-	-	-	5,000
Construction administration/inspection	19,000	-	-	-	19,000
Contingency	35,000	-	-	-	35,000
Access Road:					
Construction	440,875	-	-	-	440,875
Engineering design	38,000	-	-	-	38,000
Survey	4,000	-	-	-	4,000
Funding administration	5,000	-	-	-	5,000
Construction administration/inspection	24,000	-	-	-	24,000
Contingency	45,000	-	-	-	45,000
TOTAL EXPENDITURES	2,026,925	-	10,000	10,000	2,016,925
REVENUES UNDER EXPENDITURES	(250,000)	-	(10,000)	(10,000)	240,000
OTHER FINANCING SOURCES:					
Transfers from other funds	250,000	-	10,000	10,000	(240,000)
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, 2019

Exhibit D-1

<u>Fiscal Year</u>	Uncollected Balance <u>6/30/2018</u>	<u>Additions</u>	Collections and Credits	Uncollected Balance <u>6/30/2019</u>
2018-2019	\$ -	\$ 1,960,060	\$ 1,849,527	\$ 110,533
2017-2018	130,543	-	61,861	68,682
2016-2017	74,024	-	24,720	49,304
2015-2016	53,333	-	14,311	39,022
2014-2015	35,876	-	7,446	28,430
2013-2014	29,651	-	5,657	23,994
2012-2013	22,359	-	4,993	17,366
2011-2012	14,036	-	2,240	11,796
2010-2011	9,401	-	702	8,699
2009-2010	7,889	-	1,249	6,640
2008-2009	<u>4,778</u>	<u>-</u>	<u>4,778</u>	<u>-</u>
	<u>\$ 381,890</u>	<u>\$ 1,960,060</u>	<u>\$ 1,977,484</u>	<u>\$ 364,466</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund \$ 1,998,602

Reconciling items:

Taxes written off 9,469
Interest and penalties collected (30,587)

Total collections and credits \$ 1,977,484

TOWN OF WADESBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2019

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	\$ 352,951,254	\$ 0.556	\$ 1,962,409	\$ 1,780,094	\$ 182,315
Penalties and adjustments	-		-	-	-
Total	352,951,254		1,962,409	1,780,094	182,315
Discoveries:					
Current and prior year taxes	50,615	0.556	281	281	-
Releases	(473,056)		(2,630)	(2,630)	-
Total property valuation	<u>\$ 352,528,813</u>				
Net levy			1,960,060	1,777,745	182,315
Unpaid (by taxpayer) taxes at June 30, 2019			(110,533)	(110,533)	-
Current year's taxes collected			<u>\$ 1,849,527</u>	<u>\$ 1,667,212</u>	<u>\$ 182,315</u>
Current levy collection percentage			<u>94.36%</u>	<u>93.78%</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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 18, 2019. 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

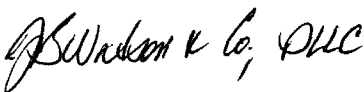
As part of obtaining reasonable assurance about whether Town of Wadesboro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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
December 18, 2019

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

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>					
Water & Waste Disposal Systems for Rural Communities	10.760	03, 04 05, 06	\$ 42,000 81,000 123,000	\$ - - -	\$ - 19,000 19,000
<u>U.S. Department of Transportation:</u>					
Passed-through N.C. Department of Transportation: State and Community Highway Safety: Governor's Highway Safety Program	20.600	PT-2019-06-33	14,000	-	14,000
<u>U.S. Department of Homeland Security:</u>					
Passed-through Federal Emergency Management Agency: Passed-through Michigan Public Health Institute: Home Fire Safety Patrol (Sound Off)	not issued	EMW-2017-FP-00271	1,000	-	-
Passed-through N.C. Department of Public Safety: Division of Emergency Management: Disaster Grants - Public Assistance	97.036	FEMA-4393-DR-NC	26,152 27,152	8,718 8,718	- -
Total assistance - Federal programs			164,152	8,718	33,000
State Grants:					
<u>N.C. Department of Commerce:</u>					
Downtown Revitalization Program		2017-052-1257-1534	-	-	-
Rural Economic Development Grant-Rural Ready Sites Program			-	-	10,000
Rural Economic Development Division: NC Main Street & Rural Planning Center: Local Capacity Grant		11-C-2362	- -	3,300 3,300	- 10,000
<u>N.C. Department of Environmental Quality:</u>					
Division of Water Infrastructure: State Grant Appropriation		E-SAP-W-17-0010	-	49,000	-
<u>N.C. Department of Transportation:</u>					
Powell Bill			-	330,019	-
Total assistance - State programs			-	382,319	10,000
TOTAL ASSISTANCE			\$ 164,152	\$ 391,037	\$ 43,000

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, 2019. 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.