

**TOWN OF WADESBORO, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**JBW**

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

Certified Public Accountants

**TOWN OF WADESBORO, NORTH CAROLINA  
LOCAL GOVERNMENT OFFICIALS  
June 30, 2016**

**Town Council Members**

Bill Thacker, Mayor

James David Lee, Mayor Pro Tem

John Ballard

Jeremy Burr

Fred Davis

Bobby Usrey

**Administrative and Financial Staff**

Alex Sewell, 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, 2016, 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, 2016, 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 Law Enforcement Officers' Special Separation Allowance's Schedule of Funding Progress, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of the Net Pension Liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, 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.

*B. Wilson & Co., PLLC*

Wadesboro, North Carolina  
November 30, 2016

## Management's Discussion and Analysis

As management of the Town of Wadesboro, we offer readers of Wadesboro's financial statements this narrative overview and analysis of the financial activities of the Town of Wadesboro for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

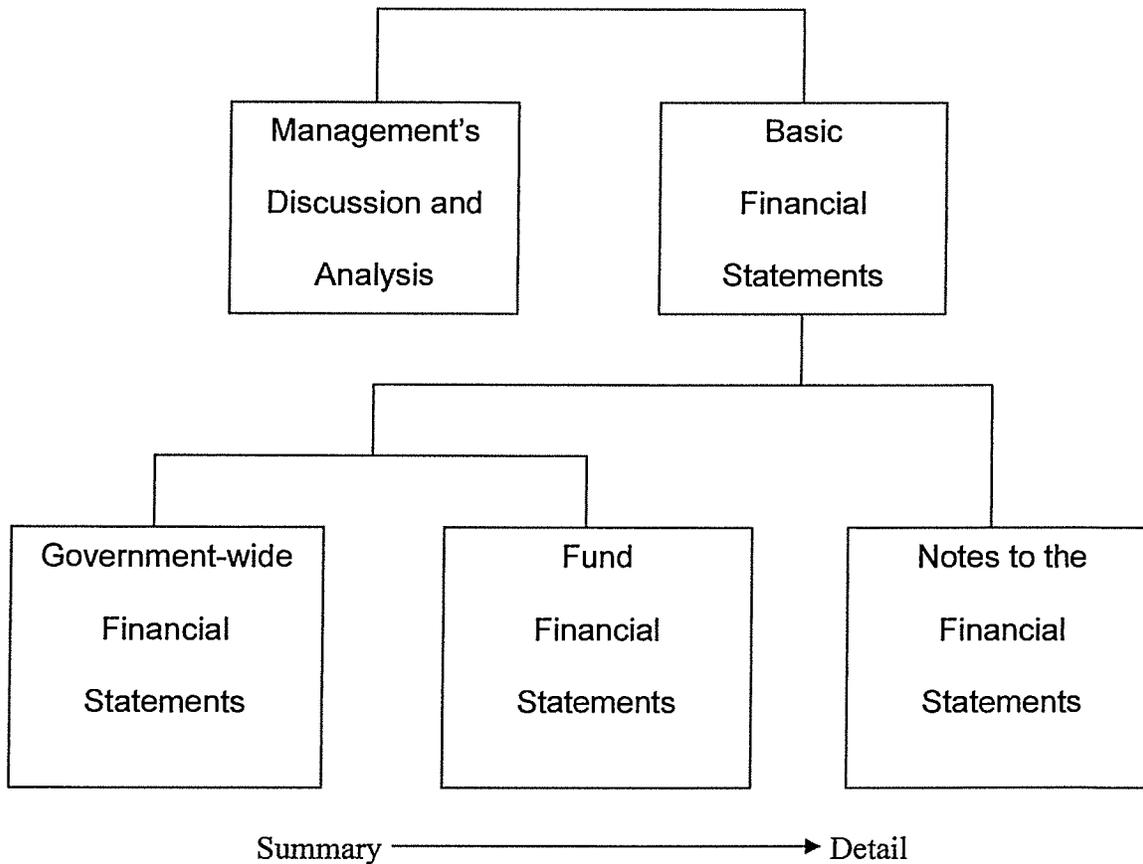
- The assets and deferred outflows of resources of the Town of Wadesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$17,431,008 (*net position*).
- The government's total net position increased by \$968,729, primarily due to capital grants and contributions, operating grants and contributions, higher than anticipated revenues, and lower than anticipated expenditures.
- As of the close of the current fiscal year, the Town of Wadesboro's governmental funds reported combined ending fund balances of \$2,516,298, a decrease of \$74,480 in comparison with the prior year.
- The decrease in fund balance was primarily due to the capital outlay for the East Wade Bridge and purchase of a property to be renovated as a new police station.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,208,007 or 26% of total General Fund expenditures for the fiscal year.
- The Town of Wadesboro's capital lease and installment purchases payable decreased by \$142,579 (14%) during the current fiscal year. The key factors in this decrease include the final payment on a capital lease along with continued debt service payments on existing obligations.
- The requirement to present the Town's liability regarding Other Postemployment Benefits (health insurance for retirees) is also shown as an obligation of \$1,381,487 along with net pension obligations of \$387,528.

### 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 the 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. The 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.

The 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 the 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 42 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	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$ 2,949,307	\$ 3,196,655	\$ 2,552,859	\$ 2,323,590	\$ 5,502,166	\$ 5,520,245
Capital assets, net	<u>3,386,583</u>	<u>2,473,800</u>	<u>11,553,058</u>	<u>11,754,523</u>	<u>14,939,641</u>	<u>14,228,323</u>
Total Assets	<u>6,335,890</u>	<u>5,670,455</u>	<u>14,105,917</u>	<u>14,078,113</u>	<u>20,441,807</u>	<u>19,748,568</u>
Deferred outflows of resources	<u>116,989</u>	<u>121,398</u>	<u>25,233</u>	<u>29,183</u>	<u>142,222</u>	<u>150,581</u>
<b>Liabilities</b>						
Current and other liabilities	18,573	35,001	229,168	224,079	247,741	259,080
Long-term liabilities:						
Due within one year	41,899	43,409	126,167	129,372	168,066	172,781
Due after one year	<u>1,667,037</u>	<u>1,397,938</u>	<u>936,602</u>	<u>987,311</u>	<u>2,603,639</u>	<u>2,385,249</u>
Total Liabilities	<u>1,727,509</u>	<u>1,476,348</u>	<u>1,291,937</u>	<u>1,340,762</u>	<u>3,019,446</u>	<u>2,817,110</u>
Deferred inflows of resources	<u>100,339</u>	<u>491,872</u>	<u>33,236</u>	<u>127,888</u>	<u>133,575</u>	<u>619,760</u>
<b>Net Position</b>						
Net investment in capital assets	3,265,234	2,339,275	10,827,949	10,900,011	14,093,183	13,239,286
Restricted	917,411	923,625	-	-	917,411	923,625
Unrestricted	<u>442,386</u>	<u>560,733</u>	<u>1,978,028</u>	<u>1,738,635</u>	<u>2,420,414</u>	<u>2,299,368</u>
Total Net Position	<u>\$ 4,625,031</u>	<u>\$ 3,823,633</u>	<u>\$ 12,805,977</u>	<u>\$ 12,638,646</u>	<u>\$ 17,431,008</u>	<u>\$ 16,462,279</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 the Town of Wadesboro exceeded liabilities and deferred inflows by \$17,431,008 as of June 30, 2016. The Town's net position increased by \$968,729 for the fiscal year ended June 30, 2016. However, the largest portion (81%) 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. The Town of Wadesboro uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 the Town of Wadesboro's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,420,414 (14%) is unrestricted.

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

- Ad valorem taxes exceeded budget forecasts.
- Sales taxes exceeded budget forecasts.
- Water and Sewer revenues exceeded budget forecasts.
- Personnel turnover and the resulting openings helped reduce expenditures.

Management's Discussion and Analysis  
Town of Wadesboro

- Expenditure controls including delaying needed capital expenditures helped reduce expenditures.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 377,562	\$ 365,678	\$ 2,671,921	\$ 2,611,456	\$ 3,049,483	\$ 2,977,134
Operating grants and contributions	313,596	362,129	-	-	313,596	362,129
Capital grants and contributions	465,399	24,717	42,460	617,876	507,859	642,593
<b>General Revenues:</b>						
Property taxes	1,841,972	1,831,957	-	-	1,841,972	1,831,957
Other taxes and licenses	1,547,901	1,515,978	-	-	1,547,901	1,515,978
Grants and contributions not restricted	20,000	20,500	-	-	20,000	20,500
Investment earnings, unrestricted	3,305	1,679	65	28	3,370	1,707
Miscellaneous, unrestricted	29,379	70,419	2,169	1,929	31,548	72,348
<b>Total Revenues</b>	<b>4,599,114</b>	<b>4,193,057</b>	<b>2,716,615</b>	<b>3,231,289</b>	<b>7,315,729</b>	<b>7,424,346</b>
<b>Expenses</b>						
<b>Program Expenses:</b>						
General government	722,476	665,360	-	-	722,476	665,360
Public safety	2,191,589	2,235,145	-	-	2,191,589	2,235,145
Transportation	493,339	433,950	-	-	493,339	433,950
Economic and physical development	2,224	2,224	-	-	2,224	2,224
Environmental protection	364,030	352,279	-	-	364,030	352,279
Culture and recreation	30,438	30,864	-	-	30,438	30,864
Interest on long-term debt	1,659	3,990	-	-	1,659	3,990
Water and sewer	-	-	2,541,245	2,488,681	2,541,245	2,488,681
<b>Total Expenses</b>	<b>3,805,755</b>	<b>3,723,812</b>	<b>2,541,245</b>	<b>2,488,681</b>	<b>6,347,000</b>	<b>6,212,493</b>
Change in net position before special item and transfers	793,359	469,245	175,370	742,608	968,729	1,211,853
Special item - intergovernmental transfer of assets	-	-	-	1,058,416	-	1,058,416
Transfers	8,039	(90,000)	(8,039)	90,000	-	-
<b>Change in net position</b>	<b>801,398</b>	<b>379,245</b>	<b>167,331</b>	<b>1,891,024</b>	<b>968,729</b>	<b>2,270,269</b>
Net Position, July 1	3,823,633	3,712,717	12,638,646	10,817,708	16,462,279	14,530,425
Restatement	-	(268,329)	-	(70,086)	-	(338,415)
<b>Net Position, July 1, as restated</b>	<b>3,823,633</b>	<b>3,444,388</b>	<b>12,638,646</b>	<b>10,747,622</b>	<b>16,462,279</b>	<b>14,192,010</b>
<b>Net Position, June 30</b>	<b>\$ 4,625,031</b>	<b>\$ 3,823,633</b>	<b>\$ 12,805,977</b>	<b>\$ 12,638,646</b>	<b>\$ 17,431,008</b>	<b>\$ 16,462,279</b>

**Governmental activities:** Governmental activities increased the Town's net position by \$801,398. One key element of this increase was the Town's net investment in capital assets including purchase of a property to be used as a police department and automated trash pickup equipment. Further key elements of this increase include higher than anticipated revenues including some of the Town's largest revenues including ad valorem and sales taxes and lower than anticipated expenditures for reasons including personnel turnover and frugal spending oversight.

**Business-type activities:** Business-type activities increased the Town of Wadesboro's net position by \$167,331. The major reasons for the increase in water-sewer net position were higher than anticipated revenues, lower than anticipated expenditures, and system improvement expenditure delays.

### **Financial Analysis of the Town's Funds**

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

**Governmental Funds:** The focus of the 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 the Town of Wadesboro's financing requirements.

The General Fund is the chief operating fund of the Town of Wadesboro. At the end of the current fiscal year, available fund balance of the General Fund was \$2,010,255 while total fund balance was \$2,494,361. The Town currently has available fund balance of 42.6 percent of total General Fund expenditures, while total fund balance represents 52.8 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.

**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 \$1,978,028. The total increase in net position for the fund was \$167,331. 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:** The Town of Wadesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$14,939,641 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

#### **Major capital asset transactions during the year include the following:**

- The Town completed the East Wade Bridge project at a total cost of \$697,244. The project was funded through Town funds and grants through the State and federal governments.
- The Town purchased buildings and land in order to relocate the police department.
- The Town purchased 3 vehicles for the police department.

Management's Discussion and Analysis  
Town of Wadesboro

- The Town purchased 2 garbage trucks costing \$238,691 and related sanitation equipment.

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

Description	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land and construction in progress	\$ 638,520	\$ 863,386	\$ 235,126	\$ 235,126	\$ 873,646	\$ 1,098,512
Deposits	6,435	29,004	-	-	6,435	29,004
Buildings	541,872	375,644	-	-	541,872	375,644
Land improvements	876,286	244,968	-	-	876,286	244,968
Infrastructure	283,032	161,279	-	-	283,032	161,279
Equipment	289,352	239,716	-	-	289,352	239,716
Vehicles and motorized equipment	751,086	559,803	306,150	270,668	1,057,236	830,471
Plant and distribution systems	-	-	11,011,782	11,248,729	11,011,782	11,248,729
	<u>\$ 3,386,583</u>	<u>\$ 2,473,800</u>	<u>\$ 11,553,058</u>	<u>\$ 11,754,523</u>	<u>\$ 14,939,641</u>	<u>\$ 14,228,323</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, 2016, the Town of Wadesboro had no bonded debt.

**TOWN OF WADESBORO**  
**Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Capital lease	\$ -	\$ 25,037	\$ -	\$ 4,400	\$ -	\$ 29,437
Installment purchases payable	121,349	109,488	725,109	850,112	846,458	959,600
Compensated absences	126,493	148,362	29,739	25,737	156,232	174,099
Net pension liability (LGERS)	148,208	-	31,624	-	179,832	-
Net pension obligation (LEO)	207,696	191,230	-	-	207,696	191,230
Net OPEB obligation	1,105,190	967,230	276,297	236,434	1,381,487	1,203,664
Total	<u>\$ 1,708,936</u>	<u>\$ 1,441,347</u>	<u>\$ 1,062,769</u>	<u>\$ 1,116,683</u>	<u>\$ 2,771,705</u>	<u>\$ 2,558,030</u>

### Town of Wadesboro's Outstanding Debt

The Town of Wadesboro's total debt increased by \$213,675 (8%) during the past fiscal year. The key factors in this increase include increases in net pension obligations and net OPEB obligation, as well as borrowings on a revolving loan for sanitation equipment.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Wadesboro is \$26,810,257. The Town has no bonds authorized but un-issued at June 30, 2016.

Additional information regarding the Town of Wadesboro's long-term debt can be found in Note 3 beginning on page 37 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 showed a decrease from June 2015 to June 2016.
- New commercial development continues to be slow.
- Interest in commercial and residential properties is relatively strong considering the economy, but actual sales are slow.
- Ad valorem tax revenues showed a slight decrease.
- Sales tax revenues including electricity sales tax showed an increase.
- The Town will continue to avail itself of financing, grants, and reserves to replace worn equipment and facilities.

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities:** Property tax collections are slightly ahead of last year's pace but below the previous two fiscal years. The County's Tax Office has a relatively low rate of current year tax collection, and the Town depends on back years' taxes to meet budget needs. Sales tax revenues exceed last year's pace due largely to the State legislature expanding sales tax and redistributing those proceeds to mostly rural and economically distressed local governments, including the Town. The Town is pursuing a major economic development project that has the potential to dramatically increase the Town's taxable property value and utility revenues.

Budgeted expenditures in the General Fund are expected to increase in comparison to the prior fiscal year for reasons including the design-build construction of a new fire station, renovation of a property to serve as a new police department, increased health insurance costs (especially for retirees), reduced personnel turnover, and the purchase of needed capital items. The Town will continue in the future to replace worn equipment with grants, reserves, and short term borrowing at favorable interest rates. The Town balanced the budget with a large amount of fund balance but anticipates using less than budgeted based on prior history. The Town's remaining fund balance is healthy.

**Business-type Activities:** Water and sewer revenues remained unchanged although the Town Council has authorized a shortened service cutoff schedule for delinquent accounts which will be instituted once previous bill postcards are exhausted. Water revenues are ahead of last year's pace while sewer revenues are behind last year's pace. As discussed above, the Town is pursuing a major economic development project that has the potential to dramatically increase the Town's utility revenues.

Expenditures are expected to increase due to the planned use of reserves to fund a second/backup water system interconnection. Without that budgeted expenditure, expenditures are actually lower than the previous fiscal year. Also, the Town is working with LKC Engineering to develop preliminary engineering reports to secure grants and other financing to start instituting needed system improvements. The Town has been

Management's Discussion and Analysis  
Town of Wadesboro

purchasing water from Anson County full-time since August 2014 and is currently negotiating a water purchase contract with the County.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Alex Sewell, 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, 2016**

**Exhibit 1**

	Primary Government			Town of Wadesboro ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,686,896	\$ 1,647,245	\$ 3,334,141	\$ 244,635
Receivables:				
Taxes receivable	320,537	-	320,537	-
Accounts receivable (net)	101,574	314,245	415,819	-
Accrued interest receivable	66,669	-	66,669	-
Due from other governments	350,908	9,571	360,479	-
Inventories	39,492	144,211	183,703	94,490
Prepaid items	3,791	-	3,791	-
Note receivable	15,571	-	15,571	-
Restricted assets:				
Cash and cash equivalents	363,869	404,699	768,568	-
Note receivable	-	32,888	32,888	-
Capital assets:				
Land and other nondepreciable assets	644,955	235,126	880,081	80,000
Other capital assets (net)	2,741,628	11,317,932	14,059,560	37,195
<b>TOTAL ASSETS</b>	<b>6,335,890</b>	<b>14,105,917</b>	<b>20,441,807</b>	<b>456,320</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>116,989</b>	<b>25,233</b>	<b>142,222</b>	<b>9,012</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	18,451	6,327	24,778	5,368
Accrued interest payable	-	7,584	7,584	-
Due to other governments	122	91,062	91,184	-
Liabilities payable from restricted assets:				
Customer deposits	-	124,195	124,195	-
Long-term liabilities:				
Due within one year	41,899	126,167	168,066	-
Due in more than one year	1,667,037	936,602	2,603,639	6,193
<b>TOTAL LIABILITIES</b>	<b>1,727,509</b>	<b>1,291,937</b>	<b>3,019,446</b>	<b>11,561</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>100,339</b>	<b>33,236</b>	<b>133,575</b>	<b>3,220</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,265,234	10,827,949	14,093,183	117,195
Restricted for:				
Stabilization by State statute	440,823	-	440,823	-
Streets - Powell Bill	363,869	-	363,869	-
Law enforcement	41,617	-	41,617	-
Other purposes	71,102	-	71,102	-
Working capital	-	-	-	39,500
Unrestricted	442,386	1,978,028	2,420,414	293,856
<b>TOTAL NET POSITION</b>	<b>\$ 4,625,031</b>	<b>\$ 12,805,977</b>	<b>\$ 17,431,008</b>	<b>\$ 450,551</b>

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, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of Wadesboro ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 722,476	\$ 120	\$ -	\$ -	\$ (722,356)	\$ -	\$ (722,356)	\$ -
Public safety	2,191,589	7,954	143,987	50,239	(1,989,409)	-	(1,989,409)	-
Transportation	493,339	-	169,609	415,160	91,430	-	91,430	-
Economic and physical development	2,224	-	-	-	(2,224)	-	(2,224)	-
Environmental protection	364,030	369,488	-	-	5,458	-	5,458	-
Culture and recreation	30,438	-	-	-	(30,438)	-	(30,438)	-
Interest on long-term debt	1,659	-	-	-	(1,659)	-	(1,659)	-
Total governmental activities	<u>3,805,755</u>	<u>377,562</u>	<u>313,596</u>	<u>465,399</u>	<u>(2,649,198)</u>	<u>-</u>	<u>(2,649,198)</u>	<u>-</u>
<b>Business-type activities:</b>								
Water and sewer	<u>2,541,245</u>	<u>2,671,921</u>	<u>-</u>	<u>42,460</u>	<u>-</u>	<u>173,136</u>	<u>173,136</u>	<u>-</u>
<b>Component unit:</b>								
ABC Board	<u>988,167</u>	<u>1,027,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,847</u>
	<u>\$ 7,335,167</u>	<u>\$ 4,076,497</u>	<u>\$ 313,596</u>	<u>\$ 507,859</u>	<u>(2,649,198)</u>	<u>173,136</u>	<u>(2,476,062)</u>	<u>38,847</u>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					1,841,972	-	1,841,972	-
Other taxes and licenses					1,547,901	-	1,547,901	-
Grants and contributions not restricted to specific programs					20,000	-	20,000	-
Investment earnings, unrestricted					3,305	65	3,370	51
Miscellaneous, unrestricted					29,379	2,169	31,548	-
Total general revenues excluding transfers					3,442,557	2,234	3,444,791	51
Transfers					8,039	(8,039)	-	-
Total general revenues and transfers					<u>3,450,596</u>	<u>(5,805)</u>	<u>3,444,791</u>	<u>51</u>
Change in net position					801,398	167,331	968,729	38,898
Net position, beginning					<u>3,823,633</u>	<u>12,638,646</u>	<u>16,462,279</u>	<u>411,653</u>
Net position, ending					<u>\$ 4,625,031</u>	<u>\$ 12,805,977</u>	<u>\$ 17,431,008</u>	<u>\$ 450,551</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, 2016**

**Exhibit 3-1**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,664,959	\$ 21,937	\$ 1,686,896
Restricted cash and cash equivalents	363,869	-	363,869
Taxes receivable	320,537	-	320,537
Accounts receivable	101,574	-	101,574
Accrued interest receivable	361	-	361
Due from other governments	350,908	-	350,908
Inventories	39,492	-	39,492
Prepaid items	3,791	-	3,791
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,845,491</u></b>	<b><u>\$ 21,937</u></b>	<b><u>\$ 2,867,428</u></b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 18,451	\$ -	\$ 18,451
Due to other governments	122	-	122
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b><u>18,573</u></b>	<b><u>-</u></b>	<b><u>18,573</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>332,557</u>	<u>-</u>	<u>332,557</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventories	39,492	-	39,492
Prepaid items	3,791	-	3,791
Restricted:			
Stabilization by State statute	440,823	-	440,823
Streets - Powell Bill	363,869	-	363,869
Law enforcement	41,617	-	41,617
Rehabilitation	49,165	-	49,165
Economic and physical development	-	4,943	4,943
Capital outlay - park	-	16,994	16,994
Assigned:			
Fire department	58,693	-	58,693
Subsequent year's expenditures	338,904	-	338,904
Unassigned	1,158,007	-	1,158,007
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<b><u>2,494,361</u></b>	<b><u>21,937</u></b>	<b><u>2,516,298</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 2,845,491</u></b>	<b><u>\$ 21,937</u></b>	<b><u>\$ 2,867,428</u></b>

**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, 2016**

**Exhibit 3-2**

**Fund balances - Total governmental funds (Exhibit 3-1)** \$ 2,516,298

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. 3,386,583

Deferred outflows of resources related to pensions are not reported in the funds. 116,989

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds. 66,308

Earned revenues considered deferred inflows of resources in fund statements. 332,557

Deferred inflows of resources related to pensions are not reported in the funds. (84,768)

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

Installment purchases payable (121,349)

Compensated absences (126,493)

Net pension liability (LGERS) (148,208)

Net pension obligation (LEO) (207,696)

Net OPEB obligation (1,105,190)

**Net position of governmental activities (Exhibit 1)** \$ 4,625,031

**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, 2016**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Ad valorem taxes	\$ 1,810,329	\$ -	\$ 1,810,329
Other taxes and licenses	183,055	-	183,055
Unrestricted intergovernmental	1,385,021	-	1,385,021
Restricted intergovernmental	762,942	-	762,942
Permits and fees	6,035	-	6,035
Sales and services	367,240	-	367,240
Investment earnings	3,305	-	3,305
Miscellaneous	41,540	-	41,540
	<u>4,559,467</u>	<u>-</u>	<u>4,559,467</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
Current:			
General government	701,025	-	701,025
Public safety	2,346,512	-	2,346,512
Transportation	1,003,463	-	1,003,463
Environmental protection	576,554	-	576,554
Culture and recreation	19,991	-	19,991
Debt service:			
Principal retirement	73,176	-	73,176
Interest and fees	1,659	-	1,659
Capital outlay	-	-	-
	<u>4,722,380</u>	<u>-</u>	<u>4,722,380</u>
<b>TOTAL EXPENDITURES</b>			
	<u>(162,913)</u>	<u>-</u>	<u>(162,913)</u>
<b>REVENUES UNDER EXPENDITURES</b>			
<b>OTHER FINANCING SOURCES:</b>			
Loan proceeds	60,000	-	60,000
Transfers from other funds	8,039	-	8,039
Sale of capital assets	20,394	-	20,394
	<u>88,433</u>	<u>-</u>	<u>88,433</u>
<b>TOTAL OTHER FINANCING SOURCES</b>			
	<u>(74,480)</u>	<u>-</u>	<u>(74,480)</u>
<b>NET CHANGE IN FUND BALANCES</b>			
<b>FUND BALANCES, beginning</b>	<u>2,568,841</u>	<u>21,937</u>	<u>2,590,778</u>
<b>FUND BALANCES, ending</b>	<u>\$ 2,494,361</u>	<u>\$ 21,937</u>	<u>\$ 2,516,298</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, 2016**

**Exhibit 4-2**

**Net change in fund balances - total governmental funds (Exhibit 4-1)** \$ (74,480)

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures (including capitalized labor)	1,142,355
Net book value of disposed capital assets not recorded in the fund statements	(16,362)
Depreciation expense for governmental funds	(213,210)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	116,989
---	---------

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	8,092
Change in unavailable revenues	33,975

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

New long-term debt issued	(60,000)
Principal payments on long-term debt	73,176

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

Amortization of note receivable	(2,224)
Change in compensated absences	21,869
Pension expense	(74,356)
Change in net pension obligation (LEO)	(16,466)
Change in net OPEB obligation	<u>(137,960)</u>

**Total change in net position of governmental activities (Exhibit 2)** \$ 801,398

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

## TOWN OF WADESBORO, NORTH CAROLINA

Exhibit 5

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

## ANNUAL BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES:</b>				
Ad valorem taxes	\$ 1,665,000	\$ 1,665,000	\$ 1,810,329	\$ 145,329
Other taxes and licenses	170,000	170,000	183,055	13,055
Unrestricted intergovernmental	1,223,400	1,223,400	1,385,021	161,621
Restricted intergovernmental	771,937	771,937	762,942	(8,995)
Permits and fees	6,540	6,540	6,035	(505)
Sales and services	372,250	372,250	367,240	(5,010)
Investment earnings	200	200	3,305	3,105
Miscellaneous	43,185	54,135	41,540	(12,595)
<b>TOTAL REVENUES</b>	<b>4,252,512</b>	<b>4,263,462</b>	<b>4,559,467</b>	<b>296,005</b>
<b>EXPENDITURES:</b>				
Current:				
General government	770,039	784,268	701,025	83,243
Public safety	2,326,350	2,709,613	2,346,512	363,101
Transportation	1,076,251	1,135,535	1,003,463	132,072
Environmental protection	743,335	747,211	576,554	170,657
Culture and recreation	25,081	25,081	19,991	5,090
Debt service:				
Principal retirement	93,061	122,604	73,176	49,428
Interest and fees	2,685	2,685	1,659	1,026
Contingency	142,600	86,048	-	86,048
<b>TOTAL EXPENDITURES</b>	<b>5,179,402</b>	<b>5,613,045</b>	<b>4,722,380</b>	<b>890,665</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(926,890)</b>	<b>(1,349,583)</b>	<b>(162,913)</b>	<b>1,186,670</b>
<b>OTHER FINANCING SOURCES:</b>				
Loan proceeds	387,000	360,000	60,000	(300,000)
Transfers from other funds	-	-	8,039	8,039
Sale of capital assets	1,100	8,250	20,394	12,144
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>388,100</b>	<b>368,250</b>	<b>88,433</b>	<b>(279,817)</b>
<b>REVENUES AND OTHER SOURCES UNDER EXPENDITURES</b>	<b>(538,790)</b>	<b>(981,333)</b>	<b>(74,480)</b>	<b>906,853</b>
<b>APPROPRIATED FUND BALANCE</b>	<b>538,790</b>	<b>981,333</b>	<b>-</b>	<b>(981,333)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(74,480)</b>	<b>\$ (74,480)</b>
<b>FUND BALANCE, beginning</b>			<b>2,568,841</b>	
<b>FUND BALANCE, ending</b>			<b>\$ 2,494,361</b>	

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, 2016**

**Exhibit 6**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,647,245
Accounts receivable (net)	314,245
Due from other governments	9,571
Inventories	144,211
Restricted assets:	
Cash and cash equivalents	404,699
<b>TOTAL CURRENT ASSETS</b>	<u>2,519,971</u>

**NONCURRENT ASSETS**

Restricted note receivable	32,888
Capital assets:	
Land and other nondepreciable assets	235,126
Other capital assets (net)	11,317,932
<b>TOTAL NONCURRENT ASSETS</b>	<u>11,585,946</u>

**TOTAL ASSETS** 14,105,917

**DEFERRED OUTFLOWS OF RESOURCES**

25,233

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	6,327
Accrued interest payable	7,584
Due to other governments	91,062
Liabilities payable from restricted assets:	
Customer deposits	124,195
Capital lease and installment purchases payable, current portion	126,167
<b>TOTAL CURRENT LIABILITIES</b>	<u>355,335</u>

**NONCURRENT LIABILITIES**

Accrued vacation pay	29,739
Capital lease and installment purchases payable, net of current portion	598,942
Net pension liability	31,624
Net OPEB obligation	276,297
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>936,602</u>

**TOTAL LIABILITIES** 1,291,937

**DEFERRED INFLOWS OF RESOURCES**

33,236

**NET POSITION**

Net investment in capital assets	10,827,949
Unrestricted	1,978,028
<b>TOTAL NET POSITION</b>	<u>\$ 12,805,977</u>

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

**TOWN OF WADESBORO, NORTH CAROLINA**

Exhibit 7

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2016

<b>OPERATING REVENUES</b>	
Water sales	\$ 1,163,655
Sewer charges	1,413,997
Other operating revenues	<u>94,269</u>
<b>TOTAL OPERATING REVENUES</b>	<u>2,671,921</u>
<b>OPERATING EXPENSES</b>	
Water department	972,747
Sewer department	1,188,531
Depreciation	<u>357,380</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,518,658</u>
<b>OPERATING INCOME</b>	<u>153,263</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	65
Interest and fees	(19,554)
State grant	42,460
Disposal of capital assets	(3,033)
Other revenues	<u>2,169</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>22,107</u>
<b>INCOME BEFORE TRANSFERS</b>	175,370
<b>TRANSFERS</b>	<u>(8,039)</u>
<b>CHANGE IN NET POSITION</b>	167,331
<b>NET POSITION, beginning</b>	<u>12,638,646</u>
<b>NET POSITION, ending</b>	<u>\$ 12,805,977</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, 2016**

**Exhibit 8**  
**Page 1 of 2**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 2,592,448
Cash paid for goods and services	(1,724,833)
Cash paid to employees for services	(393,271)
Customer deposits received	33,743
Customer deposits returned	(29,192)
Other operating revenues	<u>94,269</u>

**NET CASH PROVIDED BY  
OPERATING ACTIVITIES** 573,164

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers to other funds	(8,039)
Other nonoperating revenues	<u>2,169</u>

**NET CASH USED BY  
NONCAPITAL FINANCING ACTIVITIES** (5,870)

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

Acquisition and construction of capital assets	(147,624)
Capital contributions - State and local grants	42,460
Principal paid on debt	(129,403)
Interest paid on debt	(20,637)
Collection on restricted note receivable	<u>49,165</u>

**NET CASH USED BY CAPITAL AND  
RELATED FINANCING ACTIVITIES** (206,039)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment earnings	<u>65</u>
---------------------	-----------

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 361,320

**CASH AND CASH EQUIVALENTS, beginning** 1,690,624

**CASH AND CASH EQUIVALENTS, ending** \$ 2,051,944

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

Cash and cash equivalents in current assets	\$ 1,647,245
Cash and cash equivalents in restricted assets	<u>404,699</u>

\$ 2,051,944

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

**Exhibit 8**  
**Page 2 of 2**

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

Operating income	\$ 153,263
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	357,380
(Increase) decrease in:	
Accounts receivable	15,947
Due from other governments	1,080
Inventories	3,970
Net pension asset	50,565
Deferred outflows of resources - pensions	3,950
Increase (decrease) in:	
Accounts payable and accrued liabilities	75
Due to other governments	1,546
Customer deposits	4,551
Compensated absences payable	4,002
Net pension liability	31,624
Net OPEB obligation	39,863
Deferred inflows of resources - pensions	(93,501)
Deferred inflows of resources - utility payments	<u>(1,151)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>573,164</u></b>

**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, 2016**

**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 if it were a proprietary fund. 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, 2016**

*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 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.

*Gardenscape Building Re-Use Project Fund.* This fund accounts for grant funds that are restricted for a building re-use project in the Town.

The Town reports the following major enterprise fund:

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

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

*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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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 functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a department without limitations and without a report being required. He or she may also transfer appropriations between functional areas within a fund with an official report on such transfer at the next regular meeting of the Council. During the year, several amendments to the original budget were necessary. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**DEPOSITS AND INVESTMENTS**

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

**CASH AND CASH EQUIVALENTS**

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**RESTRICTED ASSETS**

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

**AD VALOREM TAXES RECEIVABLE**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2015.

**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**

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.

**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 15, 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 assets	10 - 50 years
Buildings	40 - 60 years
Land improvements	7 - 50 years
Infrastructure	50 years
Equipment	5 - 15 years
Vehicles and motorized equipment	3 - 30 years

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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 one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. 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 and utility payments; property taxes receivable; unavailable grant revenues; unearned revenues on a promissory note receivable; and deferrals of pension expense that result from the implementation of GASB Statement No. 68.

**LONG-TERM OBLIGATIONS**

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

**COMPENSATED ABSENCES**

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary fund financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

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.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NET POSITION/FUND BALANCES**

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

**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 economic and physical development** – portion of fund balance restricted by revenue source for a building re-use project.

**Restricted for capital outlay - park** – portion of fund balance restricted by revenue source for park improvements.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing board approves this appropriation.

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

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

**PENSIONS**

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 position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. 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 LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF) and additions to/deductions from FRSWPF’s fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

As of June 30, 2016, the project-to-date expenditures made exceeded the authorized appropriations made by the governing board in the Wadesboro Water Plant Disinfection By-Products Project Fund for inspection. This has been reported in previous audits. The Town plans to implement review procedures in the future to ensure compliance with board approved appropriations, including project funds.

**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 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, 2016, the Town's deposits had a carrying amount of \$3,304,621 and a bank balance of \$2,084,609. The carrying amount of deposits for the ABC Board was \$243,135 and the bank balance was \$341,732. 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, 2016, the Town's and ABC Board's bank balances exceeded federally insured limits by \$2,869,281 and \$-0-, respectively. All deposits of the Town and the ABC Board are insured or collateralized under the Pooling Method. At June 30, 2016, the Town's and the ABC Board's petty cash totaled \$500 and \$1,500, respectively.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**INVESTMENTS**

At June 30, 2016, the Town's investments consisted of \$797,588 in the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no 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>123,000</u>
	\$	<u>123,000</u>

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**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**CAPITAL ASSETS**

**Primary Government:**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><i>Governmental activities:</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 571,882	\$ 46,200	\$ -	\$ 618,082
Construction in progress	158,644	505,963	644,169	20,438
Deposits	29,004	6,435	29,004	6,435
Total capital assets not being depreciated	<u>759,530</u>	<u>558,598</u>	<u>673,173</u>	<u>644,955</u>
<b>Capital assets being depreciated:</b>				
Buildings	638,010	180,756	-	818,766
Land improvements	283,150	644,169	-	927,319
Infrastructure	322,832	-	-	322,832
Equipment	953,931	117,003	37,316	1,033,618
Vehicles and motorized equipment	2,050,333	315,002	56,464	2,308,871
Total capital assets being depreciated	<u>4,248,256</u>	<u>1,256,930</u>	<u>93,780</u>	<u>5,411,406</u>
Less accumulated depreciation for:				
Buildings	262,366	14,528	-	276,894
Land improvements	38,182	12,851	-	51,033
Infrastructure	28,693	11,107	-	39,800
Equipment	714,215	60,622	30,571	744,266
Vehicles and motorized equipment	1,490,530	114,102	46,847	1,557,785
Total accumulated depreciation	<u>2,533,986</u>	<u>213,210</u>	<u>77,418</u>	<u>2,669,778</u>
Total capital assets being depreciated, net	<u>1,714,270</u>			<u>2,741,628</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 2,473,800</u>			<u>\$ 3,386,583</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 10,209
Public safety	142,374
Transportation	25,681
Environmental protection	24,499
Culture and recreation	10,447
	<u>\$ 213,210</u>

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	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<b><i>Business-type activities:</i></b>				
<b><i>Water and Sewer Fund:</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 23,052	\$ -	\$ -	\$ 23,052
Construction in progress	<u>212,074</u>	<u>-</u>	<u>-</u>	<u>212,074</u>
Total capital assets not being depreciated	<u>235,126</u>	<u>-</u>	<u>-</u>	<u>235,126</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	20,432,614	65,794	-	20,498,408
Vehicles and motorized equipment	<u>1,142,260</u>	<u>93,154</u>	<u>6,275</u>	<u>1,229,139</u>
Total capital assets being depreciated	<u>21,574,874</u>	<u>158,948</u>	<u>6,275</u>	<u>21,727,547</u>
Less accumulated depreciation for:				
Plant and distribution systems	9,183,885	302,741	-	9,486,626
Vehicles and motorized equipment	<u>871,592</u>	<u>54,639</u>	<u>3,242</u>	<u>922,989</u>
Total accumulated depreciation	<u>10,055,477</u>	<u>357,380</u>	<u>3,242</u>	<u>10,409,615</u>
Total capital assets being depreciated, net	<u>11,519,397</u>			<u>11,317,932</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 11,754,523</u>			<u>\$ 11,553,058</u>

Depreciation expense for the year ended June 30, 2016, was \$357,380.

**Construction commitments**

The Town had various active construction projects at June 30, 2016. The projects are to be funded largely by State grants. The Town's commitments with contractors, engineers, and administrators at June 30, 2016, were as follows:

Uptown Wadesboro water project	\$ 47,236
Anson Greenhouse, LLC project	309,500
Work order system	<u>3,650</u>
	<u>\$ 360,386</u>

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**Discretely Presented Component Unit:**

Activity for the ABC Board for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
<b>Capital assets being depreciated:</b>				
Land improvements	14,060	-	-	14,060
Building	281,025	-	-	281,025
Equipment	143,075	-	-	143,075
Total capital assets being depreciated	<u>438,160</u>	<u>-</u>	<u>-</u>	<u>438,160</u>
Less accumulated depreciation for:				
Land improvements	11,716	938	-	12,654
Building	252,476	1,607	-	254,083
Equipment	130,607	3,621	-	134,228
Total accumulated depreciation	<u>394,799</u>	<u>6,166</u>	<u>-</u>	<u>400,965</u>
Total capital assets being depreciated, net	<u>43,361</u>			<u>37,195</u>
<b>ABC capital assets, net</b>	<u>\$ 123,361</u>			<u>\$ 117,195</u>

Depreciation expense for the year ended June 30, 2016, was \$6,166.

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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](http://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, 2016, was 7.15% of compensation for law enforcement officers and 6.80% 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 \$142,222 for the year ended June 30, 2016.

*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, 2016, the Town reported a liability of \$179,832 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015, 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, 2015, the Town's proportion was 0.04007%, which was a decrease of 0.00133% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$76,353. At June 30, 2016, 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	\$ -	\$ 42,271
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	51,198
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	21,502
Town's contributions subsequent to the measurement date	<u>142,222</u>	<u>-</u>
Total	<u>\$ 142,222</u>	<u>\$ 114,971</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
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\$142,222 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2017	\$ (65,405)
2018	(65,405)
2019	(65,335)
2020	81,174
2021	-
Thereafter	-

*Actuarial Assumptions:* The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2005, through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

**TOWN OF WADESBORO, NORTH CAROLINA**  
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's Proportionate Share of the Net Pension 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 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1%</u> <u>Decrease</u> <u>(6.25%)</u>	<u>Discount</u> <u>Rate</u> <u>(7.25%)</u>	<u>1%</u> <u>Increase</u> <u>(8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,253,994	\$ 179,832	\$ (725,125)

*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. 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 with five years of service are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of three retirees receiving benefits and 23 active plan members.

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies:*

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements Nos. 67 and 68:

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

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

*Contributions:*

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

The annual required contribution for the current year was determined as part of the December 31, 2015, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return and (b) projected salary increases ranging from 3.50% to 7.35% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postemployment benefit increases.

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

Annual required contribution	\$ 49,359
Interest on net pension obligation	9,562
Adjustment to annual required contribution	<u>(16,805)</u>
Annual pension cost	42,116
Contributions made	<u>(25,650)</u>
Increase (decrease) in net pension obligation	16,466
Net pension obligation, beginning of year	<u>191,230</u>
Net pension obligation, end of year	<u>\$ 207,696</u>

*3 Year Trend Information*

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2014	\$ 38,045	103.09%	\$ 171,546
2015	41,729	52.83%	191,230
2016	42,116	60.90%	207,696

*Funded Status and Funding Progress:*

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$468,137. The covered payroll (annual payroll of active employees covered by the plan) was \$920,764, and the ratio of the UAAL to the covered payroll was 50.84 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**3. 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.

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*Funding Policy:* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016, were \$52,197, which consisted of \$44,052 from the Town and \$8,145 from the law enforcement officers.

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. Contributions for general employees for the year ended June 30, 2016, were \$68,142, which consisted of \$47,312 from the Town and \$20,830 from the employees.

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

*Plan Description:* The State of North Carolina contributes, on behalf of Town of Wadesboro, to the Firefighter's 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's 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](http://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, 2015, the State contributed \$13,900,000 to the plan. Town of Wadesboro's proportionate share of the State's contribution is \$6,123.

**TOWN OF WADESBORO, NORTH CAROLINA**  
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*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, 2016, 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 \$16,016. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015, 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 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, 2015, and at June 30, 2014, was 0%.

For the year ended June 30, 2016, the Town recognized pension expense of \$1,282 and revenue of \$1,282 for support provided by the State. At June 30, 2016, 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, 2014, 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	7.25 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF WADESBORO, NORTH CAROLINA**  
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*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.

**5. 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 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 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 December 31, 2014, the date of the latest actuarial valuation:

	General <u>Employees</u>	Law Enforcement <u>Employees</u>
Retirees receiving benefits	11	5
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>33</u>	<u>23</u>
Total	<u><u>44</u></u>	<u><u>28</u></u>

*Funding Policy:* The Town pays the full cost of coverage for health care benefits and is reimbursed as noted above by retirees, where applicable. The retirees pay the full cost of dependent coverage, if any. The Town has chosen to fund the health care benefits on a pay as you go basis.

The current annual required contribution (ARC) rate is 13.97% of annual covered payroll. For the current year, the Town contributed \$107,301 or 5.24% of annual covered payroll. The Town obtains health care coverage through private insurers. The Town’s required contributions, under Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 8.17% and 4.45% of covered payroll, respectively. The Town’s contributions totaled \$134,597 in fiscal year 2016. There were no contributions made by employees, except for \$4,704 from employees under 65 years of age. The Town’s obligation to contribute to the HC Plan is established and may be amended by the Town Council.

*Summary of Significant Accounting Policies:* Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**TOWN OF WADESBORO, NORTH CAROLINA**  
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*Annual OPEB Cost and Net OPEB Obligation:* The Town's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the health care benefits:

Annual required contribution	\$ 310,268
Interest on net OPEB obligation	48,147
Adjustment to annual required contribution	<u>(45,995)</u>
Annual OPEB cost (expense)	312,420
Contributions made	<u>(134,597)</u>
Increase in net OPEB obligation	177,823
Net OPEB obligation, beginning of year	<u>1,203,664</u>
Net OPEB obligation, end of year	<u><u>\$1,381,487</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/14	\$ 303,676	21.5%	\$ 986,808
6/30/15	312,032	30.5%	1,203,664
6/30/16	312,420	43.1%	1,381,487

*Funded Status and Funding Progress:* As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,766,132. The covered payroll (annual payroll of active employees covered by the plan) was \$2,093,805, and the ratio of the UAAL to the covered payroll was 179.9%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50% to 5.00% pre-Medicare and 5.50% to 5.00% post-Medicare. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

**6. Town of Wadesboro ABC Board Pension Plan**

Please see the separately issued financial statements of Town of Wadesboro ABC Board for a complete description of the ABC Board's pension plan.

**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, 2016, the Town made contributions to the State for death benefits of \$2,748. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.13% and 0.14% of covered payroll, respectively. For the year ended June 30, 2016, the ABC Board made contributions to the State for death benefits of \$146, which represented 0.13% of covered payroll.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

Contributions to pension plan in current fiscal year	<u>\$ 142,222</u>
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Deferred inflows of resources at year-end is composed of the following:

Taxes receivable (General)	\$ 320,537
Grants receivable (General)	12,020
Prepaid taxes (General)	-
Prepaid utility payments (Water and Sewer)	3,033
Promissory note receivable (General)	15,571
Pension deferrals (General)	84,768
Pension deferrals (Water and Sewer)	<u>30,203</u>
Total	<u>\$ 466,132</u>

**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 are to be \$24,688 per year. The payment the fifth year is to be \$16,157. Additional payments are due should the Town cancel the agreement in the first four years. All subsequent year payments are to be the previous year plus a 1% change in the consumer price index. The Town paid and expensed \$16,157 in the year ended June 30, 2016.

**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, 2016**

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 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. Capital Lease**

The Town entered into an agreement to lease certain equipment. The lease agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of the future minimum lease payments as of the date of its inception. The lease agreement was executed October 17, 2011, to lease equipment and required an initial payment of \$25,000 and 4 annual payments of \$30,002. Title passed to the Town at the end of the lease term, which was October 17, 2015.

**2. Installment Purchases Payable**

Installment purchases payable consisted of the following at June 30, 2016:

On September 18, 2008, the Town entered into an installment purchase contract with PNC Bank to finance the purchase of equipment for the water plant. The financing contract requires 120 monthly installments of \$2,984.88, including interest at 3.63%, beginning October 18, 2008. The contract is serviced by the Water and Sewer Fund. \$ 76,920

On December 13, 2010, the Town entered into an installment purchase contract with Uwharrie Bank to finance the purchase of a leaf truck. The financing contract requires 10 annual installments of \$12,834.92, including interest at 1.5%, beginning July 10, 2011. The contract is serviced by the General Fund. 61,349

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

On December 17, 2012, the Town entered into an installment purchase contract with Branch Banking and Trust Company to finance the construction of uptown water lines. The financing contract requires 10 annual installments of \$92,598.40 plus interest at 2.19%, beginning December 13, 2013. The contract is serviced by the Water and Sewer Fund. 648,189

On April 26, 2016, the Town entered into a revolving loan agreement with USDA (passed through PDEMC) to finance the purchase of garbage equipment. The financing contract requires 96 monthly installments of \$3,750 at 0% interest beginning November 1, 2016. The contract is serviced by the General Fund. 60,000

**TOTAL INSTALLMENT PURCHASES PAYABLE** \$ 846,458

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**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

The future minimum payments of the installment purchases as of June 30, 2016, are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 41,899	\$ 935	\$ 126,167	\$ 16,445
2018	42,083	752	127,406	13,179
2019	12,267	568	101,143	10,550
2020	12,453	382	92,598	8,111
2021	12,647	188	92,598	6,084
2022-2023	-	-	185,197	6,084
	<u>\$ 121,349</u>	<u>\$ 2,825</u>	<u>\$ 725,109</u>	<u>\$ 60,453</u>

**3. 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, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
<b>Governmental activities:</b>					
Capital lease	\$ 25,037	\$ -	\$ 25,037	\$ -	\$ -
Installment purchases payable	109,488	60,000	48,139	121,349	41,899
Compensated absences	148,362	-	21,869	126,493	-
Net pension liability (LGERS)	-	148,208	-	148,208	-
Net pension obligation (LEO)	191,230	16,466	-	207,696	-
Net OPEB obligation	967,230	137,960	-	1,105,190	-
	<u>\$ 1,441,347</u>	<u>\$ 362,634</u>	<u>\$ 95,045</u>	<u>\$ 1,708,936</u>	<u>\$ 41,899</u>
<b>Business-type activities:</b>					
Capital lease	\$ 4,400	\$ -	\$ 4,400	\$ -	\$ -
Installment purchases payable	850,112	-	125,003	725,109	126,167
Compensated absences	25,737	4,002	-	29,739	-
Net pension liability (LGERS)	-	31,624	-	31,624	-
Net OPEB obligation	236,434	39,863	-	276,297	-
	<u>\$ 1,116,683</u>	<u>\$ 75,489</u>	<u>\$ 129,403</u>	<u>\$ 1,062,769</u>	<u>\$ 126,167</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, 2016, Town of Wadesboro had a legal debt margin of \$26,810,257.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**C. INTERFUND BALANCES AND ACTIVITY**

Transfers due to/from other funds at June 30, 2016, consist of the following:

	<u>From</u>	<u>To</u>
<b>General Fund:</b>		
From Cobb Vantress Infrastructure Project Fund	\$ 8,039	\$ -
<b>Enterprise Funds:</b>		
Water and Sewer Fund:		
From Cobb Vantress Infrastructure Project Fund	6,485	-
Cobb Vantress Infrastructure Project Fund:		
To General Fund	-	8,039
To Water and Sewer Fund	<u>-</u>	<u>6,485</u>
	<u>\$ 14,524</u>	<u>\$ 14,524</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, 2016, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$7,734 in the fund financial statements for the 22 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, 2016, there were no such payments. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its discretion for eligible firemen or their departments.

**NOTE 4 – JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with 9 counties and approximately 65 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 \$1,366 to the Council during the fiscal year ended June 30, 2016, for membership fees.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**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. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town’s fire department by the board of trustees. During the fiscal year ended June 30, 2016, there were no payments made through the Firemen’s Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2016. 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, 2016. In accordance with the agreement between the participating governments and the RPO, the Town paid \$1,297 to the RPO during the fiscal year ended June 30, 2016, 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.

**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 Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- 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 Plan

Please Note: The Schedule of Funding Progress for the ABC Board's pension plan 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  
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val Date (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (b)					
12/31/2006	\$ -	\$ 256,636	\$ 256,636	0.00%	\$ 806,226	31.83%	
12/31/2007	-	314,991	314,991	0.00%	855,081	36.84%	
12/31/2008	-	324,028	324,028	0.00%	797,835	40.61%	
12/31/2009	-	390,832	390,832	0.00%	935,975	41.76%	
12/31/2010	-	365,476	365,476	0.00%	958,992	38.11%	
12/31/2011	-	358,347	358,347	0.00%	965,409	37.12%	
12/31/2012	-	353,923	353,923	0.00%	1,019,901	34.70%	
12/31/2013	-	329,364	329,364	0.00%	991,749	33.21%	
12/31/2014	-	333,461	333,461	0.00%	961,825	34.67%	
12/31/2015	-	468,137	468,137	0.00%	920,764	50.84%	

**TOWN OF WADESBORO, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (b)					
12/31/2010	\$ -	\$ 3,037,965		\$ 3,037,965	0.00%	\$ 2,109,483	144.0%
12/31/2011	-	3,530,635		3,530,635	0.00%	2,298,414	153.6%
12/31/2014	-	3,766,132		3,766,132	0.00%	2,093,805	179.9%

**TOWN OF WADESBORO, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 303,676	21.50%
2015	312,032	30.50%
2016	312,420	43.10%

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**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, Open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate:	
Pre-Medicare trend rate	7.50% - 5.00%
Post-Medicare trend rate	5.50% - 5.00%
Year of ultimate trend rate	2020
*Includes inflation at	3.00%

**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 Three Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.04007%	0.04140%	0.04150%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 179,832	\$ (244,156)	\$ 500,234
Town's covered-employee payroll	\$2,085,917	\$2,261,761	\$2,269,786
Town's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	8.62%	10.79%	22.04%
Plan fiduciary net position as a percentage of the total pension liability**	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 Three Fiscal Years**

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

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

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (%)	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>16,016</u>	<u>11,682</u>
Total	<u>\$ 16,016</u>	<u>\$ 11,682</u>
Town's covered-employee payroll	\$ 114,350	\$ 109,151
Town's proportion of the net pension liability as a percentage of its covered-employee payroll	14.01%	10.70%
Plan fiduciary net position as a percentage of the total pension liability**	91.40%	93.42%

\* 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 participants in the FRSWPF plan.

**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, 2016**

**Exhibit A-1**  
**Page 1 of 4**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$ 1,650,000	\$ 1,791,588	\$ 141,588
Penalties and interest	15,000	18,741	3,741
Total	<u>1,665,000</u>	<u>1,810,329</u>	<u>145,329</u>
<b>Other taxes and licenses:</b>			
Privilege licenses	-	475	475
Wadesboro Fire District Tax	170,000	182,580	12,580
Total	<u>170,000</u>	<u>183,055</u>	<u>13,055</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales tax	890,000	961,786	71,786
Telecommunications sales tax	44,000	40,266	(3,734)
Utilities sales tax	195,000	277,778	82,778
Piped natural gas sales tax	8,000	16,234	8,234
Video franchise fee	35,000	34,443	(557)
Beer and wine tax	24,000	24,740	740
ABC profit distribution	16,000	20,000	4,000
Payments in lieu of taxes	11,400	9,774	(1,626)
Total	<u>1,223,400</u>	<u>1,385,021</u>	<u>161,621</u>
<b>Restricted intergovernmental:</b>			
Powell Bill allocation	180,000	179,999	(1)
Public safety grants	73,437	62,909	(10,528)
Controlled substance tax	1,000	3,788	2,788
Contributions from school system	90,000	91,400	1,400
ABC revenue for law enforcement	4,000	4,000	-
Transportation grant	408,000	392,750	(15,250)
Solid waste disposal tax	3,100	3,645	545
Drug forfeitures	-	16,717	16,717
On-behalf payments - Fire and Rescue	12,400	7,734	(4,666)
Total	<u>771,937</u>	<u>762,942</u>	<u>(8,995)</u>
<b>Permits and fees:</b>			
Fire inspection fees	4,000	3,640	(360)
Rezoning and variance fees	2,500	2,275	(225)
Golf cart permits	40	120	80
Total	<u>6,540</u>	<u>6,035</u>	<u>(505)</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2016**

**Exhibit A-1**  
**Page 2 of 4**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES - CONTINUED:</b>			
<b>Sales and services:</b>			
Refuse collection	372,000	369,488	(2,512)
Rent received on property	250	(2,248)	(2,498)
Total	<u>372,250</u>	<u>367,240</u>	<u>(5,010)</u>
<b>Investment earnings</b>	<u>200</u>	<u>3,305</u>	<u>3,105</u>
<b>Miscellaneous</b>			
Community grants	10,000	15,480	5,480
Miscellaneous	44,135	26,060	(18,075)
Total	<u>54,135</u>	<u>41,540</u>	<u>(12,595)</u>
<b>TOTAL REVENUES</b>	<u>4,263,462</u>	<u>4,559,467</u>	<u>296,005</u>
<b>EXPENDITURES:</b>			
<b>General government:</b>			
Governing body:			
Salaries and employee benefits	-	27,643	-
Professional services	-	43,562	-
Total	<u>77,644</u>	<u>71,205</u>	<u>6,439</u>
Administration:			
Salaries and employee benefits	-	358,464	-
Other operating expenditures	-	190,645	-
Capital outlay	-	3,720	-
Total	<u>619,840</u>	<u>552,829</u>	<u>67,011</u>
Garage:			
Salaries and employee benefits	-	51,370	-
Other operating expenditures	-	25,074	-
Capital outlay	-	547	-
Total	<u>86,784</u>	<u>76,991</u>	<u>9,793</u>
<b>Total general government</b>	<u>784,268</u>	<u>701,025</u>	<u>83,243</u>
<b>Public safety:</b>			
Police:			
Salaries and employee benefits	-	1,519,160	-
Other operating expenditures	-	216,828	-
Capital outlay	-	279,680	-
Total	<u>2,308,335</u>	<u>2,015,668</u>	<u>292,667</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES - CONTINUED:</b>			
Fire:			
Salaries and employee benefits	-	156,254	-
Other operating expenditures	-	110,544	-
Capital outlay	-	56,312	-
On-behalf payments - Fire and Rescue	-	7,734	-
Total	<u>401,278</u>	<u>330,844</u>	<u>70,434</u>
<b>Total public safety</b>	<u>2,709,613</u>	<u>2,346,512</u>	<u>363,101</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	136,064	-
Other operating expenditures	-	174,896	-
Capital outlay	-	194,198	-
Total	<u>585,758</u>	<u>505,158</u>	<u>80,600</u>
Powell Bill:			
Salaries and employee benefits	-	35,000	-
Other operating expenditures	-	110,175	-
Capital outlay	-	353,130	-
Total	<u>549,777</u>	<u>498,305</u>	<u>51,472</u>
<b>Total transportation</b>	<u>1,135,535</u>	<u>1,003,463</u>	<u>132,072</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	-	250,326	-
Other operating expenditures	-	63,934	-
Contracted services	-	7,526	-
Capital outlay	-	254,768	-
Total environmental protection	<u>747,211</u>	<u>576,554</u>	<u>170,657</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	5,510	-
Other operating expenditures	-	14,481	-
Total culture and recreation	<u>25,081</u>	<u>19,991</u>	<u>5,090</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2016**

**Exhibit A-1**  
**Page 4 of 4**

	Final Budget	Actual	Variance Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES - CONTINUED:</b>			
<b>Debt service:</b>			
Principal retirement	122,604	73,176	49,428
Interest and fees	<u>2,685</u>	<u>1,659</u>	<u>1,026</u>
<b>Total debt service</b>	<u>125,289</u>	<u>74,835</u>	<u>50,454</u>
Contingency	<u>86,048</u>	<u>-</u>	<u>86,048</u>
<b>TOTAL EXPENDITURES</b>	<u>5,613,045</u>	<u>4,722,380</u>	<u>890,665</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(1,349,583)</u>	<u>(162,913)</u>	<u>1,186,670</u>
<b>OTHER FINANCING SOURCES:</b>			
Loan proceeds	360,000	60,000	(300,000)
Transfers from other funds	-	8,039	8,039
Sale of capital assets	<u>8,250</u>	<u>20,394</u>	<u>12,144</u>
Total	<u>368,250</u>	<u>88,433</u>	<u>(279,817)</u>
<b>REVENUES AND OTHER SOURCES</b>			
<b>UNDER EXPENDITURES</b>	(981,333)	(74,480)	906,853
<b>APPROPRIATED FUND BALANCE</b>	<u>981,333</u>	<u>-</u>	<u>(981,333)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(74,480)</u>	<u>\$ (74,480)</u>
<b>FUND BALANCE, beginning</b>		<u>2,568,841</u>	
<b>FUND BALANCE, ending</b>		<u>\$ 2,494,361</u>	

**TOWN OF WADESBORO, NORTH CAROLINA**  
**BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

**Exhibit B-1**

	Wadesboro Park Project Fund	Gardenscape Building Re-use Project Fund	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 16,994</u>	<u>\$ 4,943</u>	<u>\$ 21,937</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Restricted for:			
Economic and physical development	-	4,943	4,943
Capital outlay - park	<u>16,994</u>	<u>-</u>	<u>16,994</u>
<b>TOTAL FUND BALANCES</b>	<u>16,994</u>	<u>4,943</u>	<u>21,937</u>
<b>TOTAL LIABILITIES AND                     FUND BALANCES</b>	<u>\$ 16,994</u>	<u>\$ 4,943</u>	<u>\$ 21,937</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

**Exhibit B-2**

	Wadesboro Park Project Fund	Gardenscape Building Re-use Project Fund	Totals
<b>REVENUES:</b>			
Restricted intergovernmental	\$ -	\$ -	\$ -
<b>EXPENDITURES:</b>			
Economic and physical development	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	-	-	-
<b>REVENUES OVER EXPENDITURES</b>	-	-	-
<b>OTHER FINANCING SOURCES:</b>			
Transfers from other funds	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
<b>FUND BALANCE, beginning</b>	<u>16,994</u>	<u>4,943</u>	<u>21,937</u>
<b>FUND BALANCE, ending</b>	<u>\$ 16,994</u>	<u>\$ 4,943</u>	<u>\$ 21,937</u>

WADESBORO PARK PROJECT FUND

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

From Inception and for the Year Ended June 30, 2016

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

TOWN OF WADESBORO, NORTH CAROLINA  
 GARDENSCAPE BUILDING RE-USE 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, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
NC Rural Center #2012-206-60501-104	\$ 96,000	\$ 6,078	\$ -	\$ 6,078	\$ (89,922)
Gardenscape commitment	<u>96,000</u>	<u>6,385</u>	<u>-</u>	<u>6,385</u>	<u>(89,615)</u>
<b>TOTAL REVENUES</b>	<u>192,000</u>	<u>12,463</u>	<u>-</u>	<u>12,463</u>	<u>(179,537)</u>
<b>EXPENDITURES:</b>					
Construction	192,000	12,520	-	12,520	179,480
Grant administration	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<b>TOTAL EXPENDITURES</b>	<u>197,000</u>	<u>12,520</u>	<u>-</u>	<u>12,520</u>	<u>184,480</u>
<b>REVENUES UNDER EXPENDITURES</b>	(5,000)	(57)	-	(57)	4,943
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 4,943</u>	<u>-</u>	<u>\$ 4,943</u>	<u>\$ 4,943</u>
<b>FUND BALANCE, beginning</b>			<u>4,943</u>		
<b>FUND BALANCE, ending</b>			<u>\$ 4,943</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, 2016**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Operating Revenues:			
Water sales	\$ 1,095,000	\$ 1,163,655	\$ 68,655
Sewer charges	1,390,000	1,413,997	23,997
Other operating revenues	81,025	94,269	13,244
Total operating revenues	<u>2,566,025</u>	<u>2,671,921</u>	<u>105,896</u>
Nonoperating Revenues:			
Investment earnings	-	55	55
State grant	-	42,460	42,460
Disposal of capital assets	-	(3,033)	(3,033)
Miscellaneous	34,000	2,169	(31,831)
Total nonoperating revenues	<u>34,000</u>	<u>41,651</u>	<u>7,651</u>
<b>TOTAL REVENUES</b>	<u>2,600,025</u>	<u>2,713,572</u>	<u>113,547</u>
<b>EXPENDITURES:</b>			
Water Operations:			
Salaries and employee benefits	-	411,010	-
Water purchases	-	376,613	-
Repairs and maintenance	-	28,007	-
Other operating expenditures	-	133,408	-
Total	<u>1,143,701</u>	<u>949,038</u>	<u>194,663</u>
Sewer Operations:			
Salaries and employee benefits	-	128,353	-
Contracted services	-	972,648	-
Repairs and maintenance	-	22,345	-
Other operating expenditures	-	55,958	-
Total	<u>1,340,302</u>	<u>1,179,304</u>	<u>160,998</u>
Debt Service:			
Interest and fees	20,643	20,637	6
Principal retirement	129,408	129,403	5
Total	<u>150,051</u>	<u>150,040</u>	<u>11</u>
Capital outlay	<u>145,189</u>	<u>142,554</u>	<u>2,635</u>
Contingency	<u>19,472</u>	<u>-</u>	<u>19,472</u>
<b>TOTAL EXPENDITURES</b>	<u>2,798,715</u>	<u>2,420,936</u>	<u>377,779</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, 2016**

**Exhibit C-1**  
**Page 2 of 2**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(198,690)	292,636	491,326
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from (to) other funds	(70)	6,485	6,555
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(198,760)	299,121	497,881
<b>APPROPRIATED FUND BALANCE</b>	198,760	-	(198,760)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 299,121</u>	<u>\$ 299,121</u>
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:</b>			
<b>NET CHANGE IN FUND BALANCE</b>		\$ 299,121	
<b>RECONCILING ITEMS:</b>			
Payment of debt principal		129,403	
Decrease in interest expense accrual		1,083	
Capital outlay		142,554	
Depreciation		(357,380)	
Increase in net OPEB obligation		(39,863)	
Decrease in net pension asset		(50,565)	
Decrease in deferred outflows of resources - pensions		(3,950)	
Increase in net pension liability		(31,624)	
Decrease in deferred inflows of resources - pensions		93,501	
Transactions from Uptown Wadesboro/Lennox Drive Sewer Project Fund:			
Investment earnings		10	
Sewer department expenses		(435)	
Transactions from Cobb Vantress Infrastructure Project Fund:			
Transfers		(14,524)	
<b>CHANGE IN NET POSITION (EXHIBIT 7)</b>		<u>\$ 167,331</u>	

## CAPACITY BUILDING GRANT FUND

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

From Inception and for the Year Ended June 30, 2016

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

## WADESBORO WATER PLANT DISINFECTION BY-PRODUCTS PROJECT FUND

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
NC Rural Center #2008-283-40101-112	\$ 500,000	\$ 500,000		\$ 500,000	\$ -
Investment earnings	-	832	-	832	832
<b>TOTAL REVENUES</b>	<u>500,000</u>	<u>500,832</u>	<u>-</u>	<u>500,832</u>	<u>832</u>
<b>EXPENDITURES:</b>					
Construction	794,534	792,451		792,451	2,083
Contingency	86,000	-	-	-	86,000
Engineering design	70,000	66,110	-	66,110	3,890
Inspection	46,000	50,250	-	50,250	(4,250)
Grant administration	28,000	24,780	-	24,780	3,220
Other	32,000	31,890	-	31,890	110
<b>TOTAL EXPENDITURES</b>	<u>1,056,534</u>	<u>965,481</u>	<u>-</u>	<u>965,481</u>	<u>91,053</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(556,534)</u>	<u>(464,649)</u>	<u>-</u>	<u>(464,649)</u>	<u>91,885</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Loan proceeds	300,000	300,000	-	300,000	-
Transfers from (to) other funds	256,534	180,752	-	180,752	(75,782)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>556,534</u>	<u>480,752</u>	<u>-</u>	<u>480,752</u>	<u>(75,782)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 16,103</u>	<u>-</u>	<u>\$ 16,103</u>	<u>\$ 16,103</u>
<b>FUND BALANCE, beginning</b>			<u>16,103</u>		
<b>FUND BALANCE, ending</b>			<u>\$ 16,103</u>		

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

**Exhibit C-4**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2016**

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
NC Rural Center #2009-055-40101-112	\$ 518,000	\$ 485,840	\$ -	\$ 485,840	\$ (32,160)
<b>EXPENDITURES:</b>					
Construction	660,125	610,905	-	610,905	49,220
Engineering design	47,000	47,150	-	47,150	(150)
Inspection	30,000	30,000	-	30,000	-
Grant administration	25,000	25,000	-	25,000	-
<b>TOTAL EXPENDITURES</b>	<u>762,125</u>	<u>713,055</u>	<u>-</u>	<u>713,055</u>	<u>49,070</u>
<b>REVENUES UNDER EXPENDITURES</b>	(244,125)	(227,215)	-	(227,215)	16,910
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds	244,125	229,817	-	229,817	(14,308)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 2,602</u>	<u>-</u>	<u>\$ 2,602</u>	<u>\$ 2,602</u>
<b>FUND BALANCE, beginning</b>			<u>2,602</u>		
<b>FUND BALANCE, ending</b>			<u>\$ 2,602</u>		

## TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-5

## UPTOWN WADESBORO WATER/LENOX 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, 2016

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
<i>Lennox Dr. sewer lines:</i>					
NC DENR funds	\$ 338,288	\$ -	\$ -	\$ -	\$ (338,288)
Investment earnings	-	290	10	300	300
<b>TOTAL REVENUES</b>	<b>338,288</b>	<b>290</b>	<b>10</b>	<b>300</b>	<b>(337,988)</b>
<b>EXPENDITURES:</b>					
<i>Uptown water lines:</i>					
Construction	1,487,668	718,234	-	718,234	769,434
Engineering/Design/Survey	94,800	94,760	-	94,760	40
Inspection	88,462	64,042	-	64,042	24,420
Grant administration	32,826	27,580	-	27,580	5,246
2% loan closing costs	33,879	1,700	-	1,700	32,179
Local	-	-	-	-	-
<i>Lennox Dr. sewer lines:</i>					
Construction	295,566	-	-	-	295,566
Engineering/Design/Survey	24,236	24,236	-	24,236	-
Inspection	25,123	2,880	-	2,880	22,243
Grant administration	25,000	1,082	435	1,517	23,483
Easements/Fees/Legal	10,000	-	-	-	10,000
2% loan closing costs	7,599	-	-	-	7,599
<b>TOTAL EXPENDITURES</b>	<b>2,125,159</b>	<b>934,514</b>	<b>435</b>	<b>934,949</b>	<b>1,190,210</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(1,786,871)</b>	<b>(934,224)</b>	<b>(425)</b>	<b>(934,649)</b>	<b>852,222</b>
<b>OTHER FINANCING SOURCES:</b>					
Loan proceeds	1,608,809	925,984	-	925,984	(682,825)
Transfers from other funds	178,062	133,362	-	133,362	(44,700)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,786,871</b>	<b>1,059,346</b>	<b>-</b>	<b>1,059,346</b>	<b>(727,525)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 125,122</b>	<b>(425)</b>	<b>\$ 124,697</b>	<b>\$ 124,697</b>
<b>FUND BALANCE, beginning</b>				<b>125,122</b>	
<b>FUND BALANCE, ending</b>				<b>\$ 124,697</b>	

**TOWN OF WADESBORO, NORTH CAROLINA  
COBB VANTRESS INFRASTRUCTURE PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
From Inception and for the Year Ended June 30, 2016**

Exhibit C-6

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
NC Rural Center #2012-188-40401-107	\$ 20,000	\$ 20,000	\$ -	\$ 20,000	\$ -
Community Development Block Grant	<u>260,000</u>	<u>249,565</u>	<u>-</u>	<u>249,565</u>	<u>(10,435)</u>
<b>TOTAL REVENUES</b>	<u>280,000</u>	<u>269,565</u>	<u>-</u>	<u>269,565</u>	<u>(10,435)</u>
<b>EXPENDITURES:</b>					
Construction	273,620	261,450	-	261,450	12,170
Engineering design	25,500	25,500	-	25,500	-
Inspection	15,800	15,800	-	15,800	-
Survey	4,400	4,000	-	4,000	400
Permits	680	680	-	680	-
Grant administration	<u>25,000</u>	<u>24,886</u>	<u>-</u>	<u>24,886</u>	<u>114</u>
<b>TOTAL EXPENDITURES</b>	<u>345,000</u>	<u>332,316</u>	<u>-</u>	<u>332,316</u>	<u>12,684</u>
<b>REVENUES UNDER EXPENDITURES</b>	(65,000)	(62,751)	-	(62,751)	2,249
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from (to) other funds	<u>65,000</u>	<u>77,275</u>	<u>(14,524)</u>	<u>62,751</u>	<u>(2,249)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 14,524</u>	<u>(14,524)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE, beginning</b>			<u>14,524</u>		
<b>FUND BALANCE, ending</b>			<u>\$ -</u>		

LEWIS STREET INFRASTRUCTURE PROJECT FUND - #11-C-2362

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
Community Development Block Grant	\$ 750,000	\$ 750,000	\$ -	\$ 750,000	\$ -
<b>EXPENDITURES:</b>					
Construction	662,300	645,906	16,394	662,300	-
Engineering design	57,200	57,200	-	57,200	-
Inspections	45,000	45,000	-	45,000	-
Survey	10,500	10,500	-	10,500	-
Administration	50,000	50,000	-	50,000	-
<b>TOTAL EXPENDITURES</b>	<b>825,000</b>	<b>808,606</b>	<b>16,394</b>	<b>825,000</b>	<b>-</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(75,000)</b>	<b>(58,606)</b>	<b>(16,394)</b>	<b>(75,000)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds	75,000	75,000	-	75,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 16,394</b>	<b>(16,394)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FUND BALANCE, beginning</b>			16,394		
<b>FUND BALANCE, ending</b>			<b>\$ -</b>		

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, 2016

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
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)
<b>TOTAL REVENUES</b>	<u>3,900,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>(3,750,000)</u>
<b>EXPENDITURES:</b>					
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
<b>TOTAL EXPENDITURES</b>	<u>4,050,000</u>	<u>164,998</u>	<u>-</u>	<u>164,998</u>	<u>3,885,002</u>
<b>REVENUES UNDER EXPENDITURES</b>	(150,000)	(14,998)	-	(14,998)	135,002
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds	150,000	150,000	-	150,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 135,002</u>	<u>-</u>	<u>\$ 135,002</u>	<u>\$ 135,002</u>
<b>FUND BALANCE, beginning</b>			<u>135,002</u>		
<b>FUND BALANCE, ending</b>			<u>\$ 135,002</u>		

**OTHER SCHEDULES**

**TOWN OF WADESBORO, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2016**

**Exhibit D-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 1,829,800	\$ 1,726,111	\$ 103,689
2014-2015	90,512	-	30,908	59,604
2013-2014	76,478	-	15,223	61,255
2012-2013	54,401	-	15,509	38,892
2011-2012	28,265	-	6,291	21,974
2010-2011	15,602	-	2,985	12,617
2009-2010	14,004	-	3,691	10,313
2008-2009	6,630	-	1,072	5,558
2007-2008	4,977	-	870	4,107
2006-2007	3,271	-	743	2,528
2005-2006	2,846	-	2,846	-
	<u>\$ 296,986</u>	<u>\$ 1,829,800</u>	<u>\$ 1,806,249</u>	<u>\$ 320,537</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 1,810,329
Reconciling items:	
Taxes written off	14,661
Interest and penalties collected	<u>(18,741)</u>
Total collections and credits	<u>\$ 1,806,249</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY**  
**For the Year Ended June 30, 2016**

**Exhibit D-2**

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 333,540,270	\$0.546	\$ 1,821,130	\$ 1,625,900	\$ 195,230
Penalties and adjustments	-		-	-	-
<b>Total</b>	<u>333,540,270</u>		<u>1,821,130</u>	<u>1,625,900</u>	<u>195,230</u>
Discoveries:					
Current year taxes	1,619,946	0.546	8,845	8,845	-
Prior year taxes	-		-	-	-
	<u>1,619,946</u>		<u>8,845</u>	<u>8,845</u>	<u>-</u>
Releases	<u>(32,000)</u>		<u>(175)</u>	<u>(175)</u>	<u>-</u>
Total property valuation	<u>\$ 335,128,216</u>				
Net levy			1,829,800	1,634,570	195,230
Unpaid (by taxpayer) taxes at June 30, 2016			<u>(103,689)</u>	<u>(103,689)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,726,111</u>	<u>\$ 1,530,881</u>	<u>\$ 195,230</u>
Current levy collection percentage			<u>94.33%</u>	<u>93.66%</u>	<u>100.00%</u>

**COMPLIANCE SECTION**

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

CERTIFIED PUBLIC ACCOUNTANTS

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P. O. BOX 341

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JAMES F. HANNA, 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 30, 2016. 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 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 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 Town agrees with this finding, and management and the Council informally evaluate the Town's controls each year to address possible misstatements in the financial statements.

Compliance and Other Matters

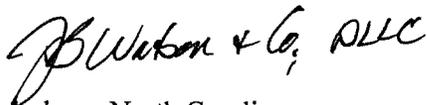
As part of obtaining reasonable assurance about whether Town of Wadesboro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Town of Wadesboro's Response to Findings

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

Purpose of this Report

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



Wadesboro, North Carolina  
November 30, 2016

TOWN OF WADESBORO, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2016

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
<b>Federal Grants:</b>					
<u>U.S. Department of Agriculture:</u>					
Passed-through Pee Dee Electric Membership Corp.: Rural Economic Development Loans and Grants	10.854		\$ 165,341	\$ -	\$ 87,000
<u>U.S. Department of Housing and Urban Development:</u>					
Passed-through N.C. Department of Commerce: <i>Division of Community Investment &amp; Assistance:</i> Community Development Block Grants, State's Program and Non-Entitlement Grants in Hawaii	14.228	11-C-2362	-	-	16,395
<u>U.S. Department of Justice:</u>					
<i>Direct Programs:</i>					
Bulletproof Vest Partnership Program	16.607		3,780	-	3,780
Public Safety Partnership and Community Policing Grant	16.710	2012-UM-WX-0122	8,880	-	2,960
Total U.S. Department of Justice			12,660	-	6,740
<u>U.S. Department of Transportation:</u>					
Passed-through N.C. Department of Transportation: Highway Planning, Research, & Construction Cluster: Highway Planning and Construction	20.205-1	B-5009	483,230	-	122,423
<u>U.S. Department of Homeland Security:</u>					
<i>Direct Programs:</i>					
Assistance to Firefighters Grant	97.044	EMW-2014-FO-01515	50,239	-	2,511
<b>Total assistance - Federal programs</b>			711,470	-	235,069
<b>State Grants:</b>					
<u>N.C. Department of Transportation:</u>					
Powell Bill			-	189,113	-
<b>Total assistance - State programs</b>			-	189,113	-
<b>TOTAL ASSISTANCE</b>			\$ 711,470	\$ 189,113	\$ 235,069

**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, 2016. Because the SEFSA presents only a select 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.

Town of Wadesboro has elected not to use the 10-percent de minimis indirect cost rate as allowed under OMB Uniform Guidance.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

Note 3: Loans Outstanding

Town of Wadesboro had the following loan balance outstanding at June 30, 2016. A promissory note was issued for revolving loan funds of \$360,000. The expenditures during the year from the revolving loan funds are included in the federal expenditures presented in the SEFSA. Balances and transactions related to this program are included in Town of Wadesboro's basic financial statements.

	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Rural Economic Development Loans and Grants	10.854		\$ 60,000