

TOWN OF WADESBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2012

JBW

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

Certified Public Accountants

TOWN OF WADESBORO, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2012

Town Council Members

Bill Thacker, Mayor

Bobby Usrey, Mayor Pro Tem

John Ballard

Jeremy Burr

Fred Davis

James David Lee

Administrative and Financial Staff

John Witherspoon, Town Manager/Finance Officer

Nancy Huntley, Town Clerk

Phyllis Lowe, 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 Board
Town of Wadesboro, North Carolina

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Wadesboro's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the 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, 2012, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012, on our consideration of Town of Wadesboro's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefit's Schedules of Funding Progress and Schedules of Employer Contributions 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 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.

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, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis and is also 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 have 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, 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 taken as a whole.

JP Watson & Co. PLLC

November 28, 2012

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, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

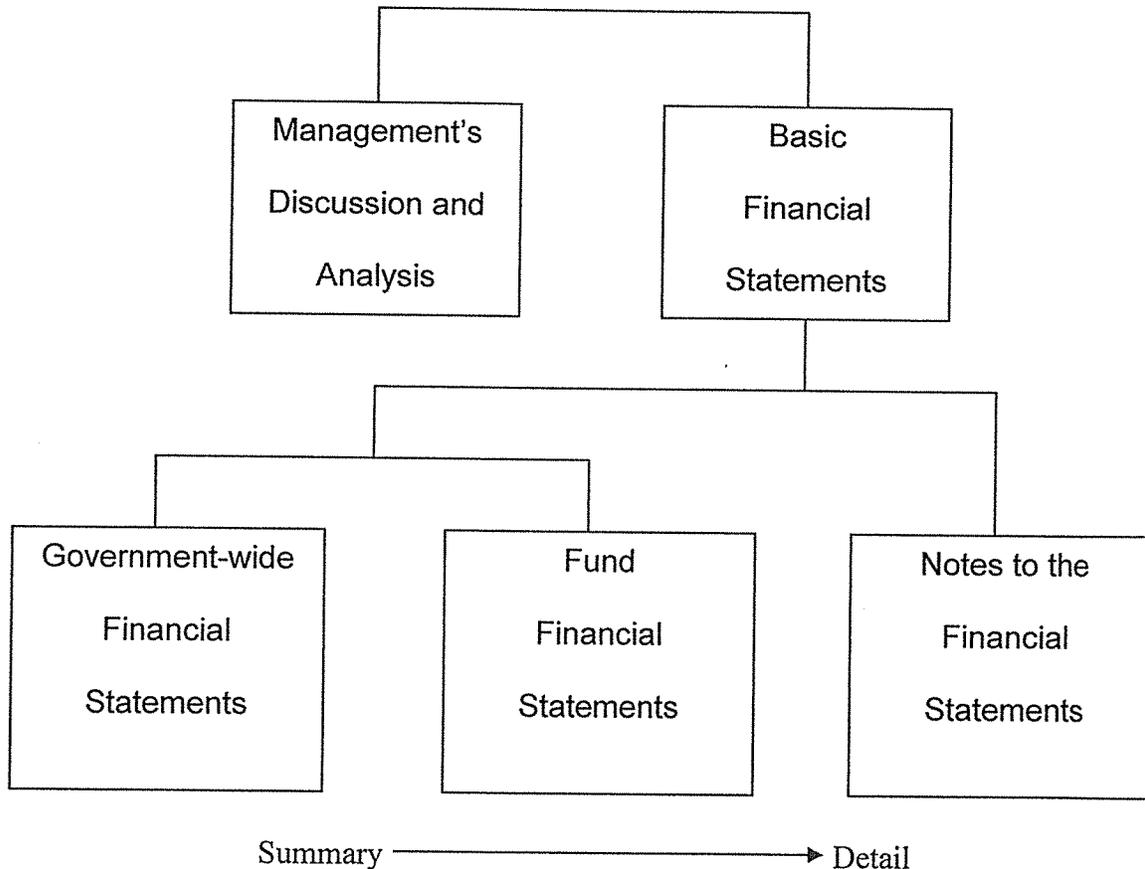
- The assets of the Town of Wadesboro exceeded its liabilities at the close of the fiscal year by \$14,672,268 (*net assets*).
- The government's total net assets decreased by \$523,509, primarily due to long term liabilities.
- As of the close of the current fiscal year, the Town of Wadesboro's governmental funds reported combined ending fund balances of \$2,429,117 a decrease of \$162,682 in comparison with the prior year.
- The decrease in fund balance was due to falling revenues and the use of fund balance to fund capital replacement.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,085,311 or 27 percent of total General Fund expenditures for the fiscal year.
- The Town of Wadesboro's total debt increased by \$44,312 (9%) during the current fiscal year. The key factor in this increase is due to a capital lease for new equipment and vehicles.
- The requirement to present the Town's liability regarding Other Pension Employee Benefits (health insurance for retirees) is also shown as an obligation of \$528,710.

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. 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 assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets 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 the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement

Management's Discussion and Analysis
Town of Wadesboro

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. Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Wadesboro uses proprietary 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 Assets 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 to employees. Required supplementary information can be found beginning on page 36 of this report.

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

Management's Discussion and Analysis
Town of Wadesboro

Government-Wide Financial Analysis

*TOWN OF WADESBORO
NET ASSETS
FIGURE 2*

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 2,812,985	\$ 2,950,701	\$ 1,589,645	\$ 1,506,346	\$ 4,402,630	\$ 4,457,047
Capital assets, net	<u>2,645,220</u>	<u>2,629,378</u>	<u>9,414,912</u>	<u>9,596,372</u>	<u>12,060,132</u>	<u>12,225,750</u>
Total Assets	<u>5,458,205</u>	<u>5,580,079</u>	<u>11,004,557</u>	<u>11,102,718</u>	<u>16,462,762</u>	<u>16,682,797</u>
Liabilities						
Current and other liabilities	142,334	73,718	220,243	213,986	362,577	287,704
Long-term liabilities:						
Due within one year	66,291	42,099	33,144	28,004	99,435	70,103
Due after one year	<u>997,471</u>	<u>820,805</u>	<u>331,011</u>	<u>308,408</u>	<u>1,328,482</u>	<u>1,129,213</u>
Total Liabilities	<u>1,206,096</u>	<u>936,622</u>	<u>584,398</u>	<u>550,398</u>	<u>1,790,494</u>	<u>1,487,020</u>
Net Assets						
Invested in capital assets, net of related debt	2,431,463	2,373,508	9,215,003	9,368,427	11,646,466	11,741,935
Restricted	757,670	782,641	-	-	757,670	782,641
Unrestricted	<u>1,062,976</u>	<u>1,487,308</u>	<u>1,205,156</u>	<u>1,183,893</u>	<u>2,268,132</u>	<u>2,671,201</u>
Total Net Assets	<u>\$ 4,252,109</u>	<u>\$ 4,643,457</u>	<u>\$ 10,420,159</u>	<u>\$ 10,552,320</u>	<u>\$ 14,672,268</u>	<u>\$ 15,195,777</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Wadesboro exceeded liabilities by \$14,672,268 as of June 30, 2012. The Town's net assets decreased by \$523,509 for the fiscal year ended June 30, 2012. However, the largest portion (79%) reflects the Town's 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 investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wadesboro's net assets (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,268,132 is unrestricted.

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

- Ad valorem taxes met budget forecasts.
- Expenditure controls reduced the impact of other revenue shortfall due to the recession.
- A capital lease enabled the Town to purchase vehicles and new equipment.

Management's Discussion and Analysis
Town of Wadesboro

*TOWN OF WADESBORO
CHANGES IN NET ASSETS
FIGURE 3*

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for services	\$ 229,125	\$ 232,278	\$ 2,178,170	\$ 2,183,022	\$ 2,407,295	\$ 2,415,300
Operating grants and contributions	402,832	393,256	-	-	402,832	393,256
Capital grants and contributions	96,634	649,042	-	142,470	96,634	791,512
General Revenues:						
Property taxes	1,600,450	1,598,720	-	-	1,600,450	1,598,720
Other taxes and licenses	1,322,414	1,266,599	-	-	1,322,414	1,266,599
Grants and contributions not restricted	23,750	24,000	-	-	23,750	24,000
Investment earnings, unrestricted	5,359	1,905	35	91	5,394	1,996
Miscellaneous, unrestricted	35,745	79,202	1,765	1,235	37,510	80,437
Total Revenues	<u>3,716,309</u>	<u>4,245,002</u>	<u>2,179,970</u>	<u>2,326,818</u>	<u>5,896,279</u>	<u>6,571,820</u>
Expenses						
Program Expenses:						
General government	693,819	609,109	-	-	693,819	609,109
Public safety	2,375,900	2,303,519	-	-	2,375,900	2,303,519
Transportation	494,957	410,520	-	-	494,957	410,520
Environmental protection	513,819	499,742	-	-	513,819	499,742
Culture and recreation	50,277	38,543	-	-	50,277	38,543
Economic and physical development	20,049	567,557	-	-	20,049	567,557
Interest on long-term debt	6,636	6,241	-	-	6,636	6,241
Water and sewer	-	-	2,330,211	2,342,331	2,330,211	2,342,331
Total Expenses	<u>4,155,457</u>	<u>4,435,231</u>	<u>2,330,211</u>	<u>2,342,331</u>	<u>6,485,668</u>	<u>6,777,562</u>
Change in net assets before transfers and special item	(439,148)	(190,229)	(150,241)	(15,513)	(589,389)	(205,742)
Transfers	47,800	47,000	(47,800)	(47,000)	-	-
Special item - intergovernmental transfer of assets	-	-	65,880	-	65,880	-
Change in net assets	(391,348)	(143,229)	(132,161)	(62,513)	(523,509)	(205,742)
Net Assets, July 1	<u>4,643,457</u>	<u>4,786,686</u>	<u>10,552,320</u>	<u>10,614,833</u>	<u>15,195,777</u>	<u>15,401,519</u>
Net Assets, June 30	<u>\$ 4,252,109</u>	<u>\$ 4,643,457</u>	<u>\$ 10,420,159</u>	<u>\$ 10,552,320</u>	<u>\$ 14,672,268</u>	<u>\$ 15,195,777</u>

Governmental activities: Governmental activities decreased the Town's net assets by \$391,348. The key elements of this decrease are due to revenue shortfalls and increases in general government and public safety expenditures.

Business-type activities: Business-type activities decreased the Town of Wadesboro's net assets by \$132,161. The major reason for the decrease in water-sewer net assets was due to an operating loss and transfer to the General Fund.

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 \$2,014,569 while total fund balance was \$2,412,123. The Town currently has available fund balance of 50.2 percent of total General Fund expenditures, while total fund balance represents 60.2 percent of General Fund expenditures.

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

Most of the budget amendments during the year were minor, except the amendment for lease proceeds of \$139,461.

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 assets of the consolidated Water and Sewer Fund at the end of the fiscal year amounted to \$1,205,156. The total decrease in net assets for the fund was \$132,161. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

Fund balance was used during the year to fund capital improvements such as a water line replacement plan and to provide engineering services for other anticipated projects.

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, 2012, totals \$12,060,132 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Management's Discussion and Analysis
Town of Wadesboro

Major capital asset transactions during the year include the following:

- The Town added various vehicles totaling approximately \$190,000.
- The Town disposed of various capital assets in the amount of \$115,877.
- The Town is working with engineers to design and replace the East Wade Street bridge. The project is funded with a grant from the N.C. Department of Transportation.

TOWN OF WADESBORO
CAPITAL ASSETS (net of depreciation)

FIGURE 4

Description	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land and construction in progress	\$ 696,830	\$ 632,587	\$ 161,742	\$ 154,312	\$ 858,572	\$ 786,899
Buildings	419,815	434,715	-	-	419,815	434,715
Land improvements	244,180	241,212	-	-	244,180	241,212
Infrastructure	147,535	150,844	-	-	147,535	150,844
Equipment	249,259	264,863	-	-	249,259	264,863
Vehicles and motorized equipment	887,601	905,157	234,836	207,738	1,122,437	1,112,895
Plant and distribution systems	-	-	9,018,334	9,234,322	9,018,334	9,234,322
	<u>\$ 2,645,220</u>	<u>\$ 2,629,378</u>	<u>\$ 9,414,912</u>	<u>\$ 9,596,372</u>	<u>\$ 12,060,132</u>	<u>\$ 12,225,750</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, 2012, the Town of Wadesboro had no bonded debt.

TOWN OF WADESBORO

Outstanding Bond Debt

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Wadesboro's Outstanding Debt

The Town of Wadesboro's total debt increased by \$44,312 (9%) during the past fiscal year, primarily due to a capital lease for new equipment and vehicles.

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 \$25,583,477. The Town has no bonds authorized but un-issued at June 30, 2012.

Additional information regarding the Town of Wadesboro's long-term debt can be found in Note 3 beginning on page 31 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 recession kept the unemployment rate in double digits.
- New commercial development continues to be slow.
- Franchise tax revenues have declined though property tax revenues are stable and sales taxes showed improvement.
- Interest in commercial and residential properties is relatively strong considering the recession, but actual sales are slow.
- The Town has been able to maintain services by relying on reserves built up in previous years.
- The Town will continue to avail itself of low interest rates to replace worn equipment and facilities.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: Though the tax rate reduction, due to revaluation, turned out to be a little high, property tax revenues remain on target. This is largely due to collection of back taxes. The County's Tax Office has a relatively low rate of current year tax collection. Thus, we depend on back years' taxes to meet budget.

Budgeted expenditures in the General Fund are expected to stay at the rate of the prior year. We will continue to replace worn equipment with short term borrowing at very favorable interest rates. The Town gave employee raises and met increases in employee health insurance and pension costs. We balanced the budget with a large amount of fund balance but plan, as we did this year, to use substantially less than anticipated. The Town's remaining fund balance is very healthy.

Business-type Activities: The Town's water plant is now in full operation after its recent renovation. Water costs purchased from the County will continue to decline. The Town has increased water rates in order to fund a main water line replacement.

The Town has positioned itself to take advantage of potential infrastructure grants by providing preliminary engineering for several water and sewer projects. A \$750,000 CDBG grant for water and sewer lines has been approved subsequent to year end. Additionally, the State has approved financing of \$925,984 for uptown water line improvements.

Management's Discussion and Analysis
Town of Wadesboro

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2012

Exhibit 1

	Primary Government			Town of Wadesboro ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,859,991	\$ 1,037,513	\$ 2,897,504	\$ 215,409
Receivables:				
Taxes receivable	239,215	-	239,215	-
Accounts receivable (net)	57,374	173,594	230,968	-
Accrued interest receivable	40,980	-	40,980	-
Due from other governments	311,231	7,401	318,632	-
Due from component unit	2,250	-	2,250	-
Inventories	28,900	103,039	131,939	85,156
Restricted assets:				
Cash and cash equivalents	273,044	186,045	459,089	-
Note receivable	-	82,053	82,053	-
Capital assets:				
Land and other nondepreciable assets	696,830	161,742	858,572	80,000
Other capital assets (net)	<u>1,948,390</u>	<u>9,253,170</u>	<u>11,201,560</u>	<u>33,755</u>
TOTAL ASSETS	<u>5,458,205</u>	<u>11,004,557</u>	<u>16,462,762</u>	<u>414,320</u>
LIABILITIES				
Accounts payable and accrued liabilities	117,404	23,572	140,976	3,395
Due to primary government	-	-	-	2,250
Due to other governments	-	88,421	88,421	2,250
Unearned revenue	24,930	-	24,930	-
Customer deposits	-	108,250	108,250	-
Long-term liabilities:				
Due within one year	66,291	33,144	99,435	-
Due in more than one year	<u>997,471</u>	<u>331,011</u>	<u>1,328,482</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,206,096</u>	<u>584,398</u>	<u>1,790,494</u>	<u>7,895</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,431,463	9,215,003	11,646,466	113,755
Restricted for:				
Stabilization by State statute	368,654	-	368,654	-
Streets - Powell Bill	273,044	-	273,044	-
Law enforcement	98,978	-	98,978	-
Capital outlay - park	16,994	-	16,994	-
Working capital	-	-	-	37,232
Unrestricted	<u>1,062,976</u>	<u>1,205,156</u>	<u>2,268,132</u>	<u>255,438</u>
TOTAL NET ASSETS	<u>\$ 4,252,109</u>	<u>\$ 10,420,159</u>	<u>\$ 14,672,268</u>	<u>\$ 406,425</u>

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, 2012

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Town of
					Governmental Activities	Business-type Activities	Wadesboro ABC Board
Governmental activities:							
General government	\$ 693,819	\$ -	\$ -	\$ -	\$ (693,819)	\$ -	\$ -
Public safety	2,375,900	8,674	223,977	53,000	(2,090,249)	-	-
Transportation	494,957	-	178,855	43,634	(272,468)	-	-
Economic and physical development	20,049	-	-	-	(20,049)	-	-
Environmental protection	513,819	220,451	-	-	(293,368)	-	-
Culture and recreation	50,277	-	-	-	(50,277)	-	-
Interest on long-term debt	6,636	-	-	-	(6,636)	-	-
Total governmental activities	4,155,457	229,125	402,832	96,634	(3,426,866)	-	-
Business-type activities:							
Water and sewer	2,330,211	2,178,170	-	-	(152,041)	-	-
Component unit:							
ABC Board	950,539	968,037	-	-	-	-	17,498
	\$ 7,436,207	\$ 3,375,332	\$ 402,832	\$ 96,634	(3,426,866)	(152,041)	(3,578,907)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,600,450	-	-
Other taxes and licenses					1,322,414	-	-
Grants and contributions not restricted to specific programs					23,750	-	-
Investment earnings, unrestricted					5,359	35	295
Miscellaneous, unrestricted					35,745	1,765	-
Total general revenues excluding transfers and special items					2,987,718	1,800	2,989,518
Special item - Intergovernmental transfer of assets					-	65,880	-
Transfers					47,800	(47,800)	-
					3,035,518	19,880	3,055,398
					(391,348)	(132,161)	(523,509)
Change in net assets					4,643,457	10,552,320	15,195,777
Net assets, beginning					4,252,109	10,420,159	14,672,268
Net assets, ending					\$ 4,252,109	\$ 10,420,159	\$ 14,672,268

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

**TOWN OF WADESBORO, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

Exhibit 3-1

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,842,997	\$ 16,994	\$ 1,859,991
Restricted cash and cash equivalents	273,044	-	273,044
Taxes receivable	239,215	-	239,215
Accounts receivable	57,374	-	57,374
Accrued interest receivable	2,109	-	2,109
Due from other governments	311,231	-	311,231
Due from component unit	2,250	-	2,250
Inventories	28,900	-	28,900
	<u>28,900</u>	<u>-</u>	<u>28,900</u>
TOTAL ASSETS	<u>\$ 2,757,120</u>	<u>\$ 16,994</u>	<u>\$ 2,774,114</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 76,542	\$ -	\$ 76,542
Due to other governments	-	-	-
Deferred revenue	243,525	-	243,525
Unearned revenue	24,930	-	24,930
	<u>24,930</u>	<u>-</u>	<u>24,930</u>
TOTAL LIABILITIES	<u>344,997</u>	<u>-</u>	<u>344,997</u>
FUND BALANCES			
Nonspendable:			
Inventories	28,900	-	28,900
Restricted:			
Stabilization by State statute	368,654	-	368,654
Streets - Powell Bill	273,044	-	273,044
Law enforcement	98,978	-	98,978
Capital outlay - park	-	16,994	16,994
Assigned:			
Fire department	8,693	-	8,693
Subsequent year's expenditures	548,543	-	548,543
Unassigned	1,085,311	-	1,085,311
	<u>1,085,311</u>	<u>-</u>	<u>1,085,311</u>
TOTAL FUND BALANCES	<u>2,412,123</u>	<u>16,994</u>	<u>2,429,117</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,757,120</u>	<u>\$ 16,994</u>	<u>\$ 2,774,114</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2012

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1) \$ 2,429,117

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

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the fund statements. 2,645,220

Other long-term assets (accrued interest receivable from taxes) are not
available to pay for current-period expenditures and, therefore, are
deferred in the fund statements. 38,871

Liabilities for earned but deferred revenues in fund statements. 243,525

Some liabilities, including bonds payable, are not due and payable in
the current period and, therefore, are not reported in the fund statements.

Accrued termination benefits	(40,862)
Capital lease payable	(94,757)
Installment purchases payable	(213,757)
Compensated absences	(161,382)
Net pension obligation	(174,255)
Net OPEB obligation	<u>(419,611)</u>

Net assets of governmental activities (Exhibit 1) \$ 4,252,109

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, 2012

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES:			
Ad valorem taxes	\$ 1,603,528	\$ -	\$ 1,603,528
Other taxes and licenses	133,795	-	133,795
Unrestricted intergovernmental	1,208,105	-	1,208,105
Restricted intergovernmental	449,501	(14,146)	435,355
Permits and fees	5,650	-	5,650
Sales and services	220,887	-	220,887
Investment earnings	5,359	-	5,359
Miscellaneous	38,663	-	38,663
TOTAL REVENUES	<u>3,665,488</u>	<u>(14,146)</u>	<u>3,651,342</u>
EXPENDITURES:			
Current:			
General government	644,727	-	644,727
Public safety	2,258,771	-	2,258,771
Transportation	517,534	-	517,534
Economic and physical development	20,098	(49)	20,049
Environmental protection	462,272	-	462,272
Culture and recreation	36,479	-	36,479
Debt service:			
Principal retirement	62,613	-	62,613
Interest and fees	6,636	-	6,636
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>4,009,130</u>	<u>(49)</u>	<u>4,009,081</u>
REVENUES UNDER EXPENDITURES	<u>(343,642)</u>	<u>(14,097)</u>	<u>(357,739)</u>
OTHER FINANCING SOURCES:			
Transfers from other funds	47,800	-	47,800
Loan proceeds	115,257	-	115,257
Sale of capital assets	32,000	-	32,000
TOTAL OTHER FINANCING SOURCES	<u>195,057</u>	<u>-</u>	<u>195,057</u>
NET CHANGE IN FUND BALANCES	(148,585)	(14,097)	(162,682)
FUND BALANCES, beginning	<u>2,560,708</u>	<u>31,091</u>	<u>2,591,799</u>
FUND BALANCES, ending	<u>\$ 2,412,123</u>	<u>\$ 16,994</u>	<u>\$ 2,429,117</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, 2012

Exhibit 4-2

Net changes in fund balances - total governmental funds (Exhibit 4-1) \$ (162,682)

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)	238,884
Net book value of disposed capital assets not recorded in the fund statements	(31,391)
Depreciation expense for governmental funds	(244,651)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:

Change in accrued interest receivable on taxes	(74)
Change in deferred revenue	(2,714)
Amount of donated assets	53,000

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New debt issued during the year	(115,257)
Principal payments on debt owed	62,613

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund statements:

Change in accrued termination benefits	(40,862)
Change in compensated absences	(7,261)
Change in net pension obligation	2,222
Change in OPEB obligation	<u>(143,175)</u>

Total changes in net assets of governmental activities (Exhibit 2) \$ (391,348)

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

TOWN OF WADESBORO, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 ANNUAL BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2012

Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 1,535,000	\$ 1,535,000	\$ 1,603,528	\$ 68,528
Other taxes and licenses	140,000	140,000	133,795	(6,205)
Unrestricted intergovernmental	1,163,000	1,163,000	1,208,105	45,105
Restricted intergovernmental	879,800	910,294	449,501	(460,793)
Permits and fees	3,200	3,200	5,650	2,450
Sales and services	229,200	229,200	220,887	(8,313)
Investment earnings	8,000	8,000	5,359	(2,641)
Miscellaneous	40,400	41,340	38,663	(2,677)
TOTAL REVENUES	<u>3,998,600</u>	<u>4,030,034</u>	<u>3,665,488</u>	<u>(364,546)</u>
EXPENDITURES:				
Current:				
General government	601,581	640,506	644,727	(4,221)
Public safety	2,155,629	2,337,169	2,258,771	78,398
Transportation	1,100,752	1,107,952	517,534	590,418
Economic and physical development	20,098	20,098	20,098	-
Environmental protection	470,634	494,434	462,272	32,162
Culture and recreation	46,320	46,320	36,479	9,841
Debt service:				
Principal retirement	40,900	62,613	62,613	-
Interest and fees	7,740	6,978	6,636	342
Contingency	150,541	65,216	-	65,216
TOTAL EXPENDITURES	<u>4,594,195</u>	<u>4,781,286</u>	<u>4,009,130</u>	<u>772,156</u>
REVENUES UNDER EXPENDITURES	<u>(595,595)</u>	<u>(751,252)</u>	<u>(343,642)</u>	<u>407,610</u>
OTHER FINANCING SOURCES				
Transfers from other funds	47,000	47,000	47,800	800
Loan proceeds	-	126,651	115,257	(11,394)
Sale of capital assets	1,200	1,200	32,000	30,800
TOTAL OTHER FINANCING SOURCES	<u>48,200</u>	<u>174,851</u>	<u>195,057</u>	<u>20,206</u>
REVENUES AND OTHER SOURCES UNDER EXPENDITURES	<u>(547,395)</u>	<u>(576,401)</u>	<u>(148,585)</u>	<u>427,816</u>
APPROPRIATED FUND BALANCE	<u>547,395</u>	<u>576,401</u>	<u>-</u>	<u>(576,401)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(148,585)</u>	<u>\$ (148,585)</u>
FUND BALANCE, beginning			<u>2,560,708</u>	
FUND BALANCE, ending			<u>\$ 2,412,123</u>	

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

TOWN OF WADESBORO, NORTH CAROLINA
 STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
 June 30, 2012

Exhibit 6

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,037,513
Accounts receivable (net)	173,594
Due from other governments	7,401
Inventories	103,039
Restricted assets:	
Cash and cash equivalents	186,045
Due from other governments	-
TOTAL CURRENT ASSETS	<u>1,507,592</u>

NONCURRENT ASSETS

Restricted note receivable	<u>82,053</u>
Capital assets:	
Land and other nondepreciable assets	161,742
Other capital assets (net)	<u>9,253,170</u>
Total capital assets	<u>9,414,912</u>
TOTAL NONCURRENT ASSETS	<u>9,496,965</u>

TOTAL ASSETS 11,004,557

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	23,572
Due to other governments	88,421
Customer deposits	108,250
Capital lease, current portion	4,106
Installment purchase payable, current portion	<u>29,038</u>
TOTAL CURRENT LIABILITIES	<u>253,387</u>

NONCURRENT LIABILITIES

Accrued vacation pay	35,443
Capital lease, net of current portion	15,598
Installment purchase payable, net of current portion	170,871
Net OPEB obligation	<u>109,099</u>
TOTAL NONCURRENT LIABILITIES	<u>331,011</u>

TOTAL LIABILITIES 584,398

NET ASSETS

Invested in capital assets, net of related debt	9,215,003
Unrestricted	<u>1,205,156</u>
TOTAL NET ASSETS	<u>\$ 10,420,159</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 ASSETS -

PROPRIETARY FUNDS

For the Year Ended June 30, 2012

OPERATING REVENUES

Water sales	\$ 927,125
Sewer charges	1,197,197
Other operating revenues	<u>53,848</u>

TOTAL OPERATING REVENUES 2,178,170

OPERATING EXPENSES

Water department	1,033,422
Sewer department	971,511
Depreciation	<u>317,396</u>

TOTAL OPERATING EXPENSES 2,322,329

OPERATING LOSS (144,159)

NONOPERATING REVENUES (EXPENSES)

Investment earnings	35
Interest and fees	(7,882)
Other revenues	<u>1,765</u>

TOTAL NONOPERATING REVENUES (EXPENSES) (6,082)

**LOSS BEFORE CONTRIBUTIONS,
SPECIAL ITEM, AND TRANSFERS** (150,241)

CAPITAL CONTRIBUTIONS

-

SPECIAL ITEM - Intergovernmental transfer of assets 65,880

TRANSFERS (47,800)

CHANGE IN NET ASSETS (132,161)

NET ASSETS, beginning 10,552,320

NET ASSETS, ending \$ 10,420,159

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, 2012

Exhibit 8
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,139,944
Cash paid for goods and services	(1,480,167)
Cash paid to employees for services	(467,306)
Customer deposits received	26,600
Customer deposits returned	(23,799)
Other operating revenues	<u>53,848</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES** 249,120

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds	(47,800)
Other nonoperating revenues	<u>1,765</u>

**NET CASH USED BY
NONCAPITAL FINANCING ACTIVITIES** (46,035)

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

Acquisition and construction of capital assets	(37,730)
Principal paid on debt	(32,536)
Interest paid on debt	<u>(7,882)</u>

**NET CASH USED BY CAPITAL AND
RELATED FINANCING ACTIVITIES** (78,148)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>49</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 124,986

CASH AND CASH EQUIVALENTS, beginning 1,098,572

CASH AND CASH EQUIVALENTS, ending \$ 1,223,558

**TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2012**

**Exhibit 8
Page 2 of 2**

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

Cash and cash equivalents in current assets	\$ 1,037,513
Cash and cash equivalents in restricted assets	<u>186,045</u>
	<u>\$ 1,223,558</u>

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

Operating loss	\$ (144,159)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	317,396
(Increase) decrease in:	
Accounts receivable	15,622
Due from other governments	1,582
Inventories	19,367
Increase (decrease) in:	
Accounts payable and accrued liabilities	6,183
Due to other governments	(5,747)
Customer deposits	2,801
Compensated absences payable	3,437
Net OPEB obligation	<u>32,638</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 249,120</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING
ACTIVITIES:**

Borrowing under capital lease	\$ 24,204
Intergovernmental transfer of capital assets	\$ 65,880

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, 2012

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 assets 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, 2012

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

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

The Town reports the following major governmental funds:

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

Ansonia Theatre Project Fund. This fund accounts for grant funds restricted for improvements to the Ansonia Theatre.

The Town reports the following non-major governmental fund:

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

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, and the Uptown Wadesboro Water/Lennox Drive Sewer 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 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Anson County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including Town of Wadesboro. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Anson County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets

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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.

All governmental and business-type activities and enterprise funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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 departmental 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. 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, 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 securities of the NCCMT – Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

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CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

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

AD VALOREM TAXES RECEIVABLE

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2011.

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 are recorded at their estimated fair value at the date of donation. 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.

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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

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

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 assets. 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.

NET ASSETS/FUND BALANCES

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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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.

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

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). Any changes or removal of specific purpose requires majority action by the governing board. 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.

TOWN OF WADESBORO, NORTH CAROLINA
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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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2012, the expenditures made exceeded the authorized appropriations made by the governing board in the Town's General Fund for general government administration. The Town plans to implement review procedures in the future to insure compliance with board approved appropriations.

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.

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At June 30, 2012, the Town's deposits had a carrying amount of \$3,306,084 and a bank balance of \$3,356,854. The carrying amount of deposits for the ABC Board was \$213,909 and the bank balance was \$297,057. 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, 2012, the Town's and ABC Board's bank balances exceeded federally insured limits by \$1,653,918 and \$-0-, respectively. All deposits of the Town and the ABC Board are insured or collateralized under the Pooling Method. At June 30, 2012, the Town's and the ABC Board's petty cash totaled \$500 and \$1,500, respectively.

INVESTMENTS

At June 30, 2012, the Town's investments consisted of \$49,034 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.

At June 30, 2012, the Town's investment balances were as follows:

	<u>Reported Value</u>	<u>Fair Value</u>
North Carolina Capital Management Trust Cash Portfolio	<u>\$ 49,034</u>	<u>\$ 49,034</u>

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>160,250</u>
	<u>\$ 160,250</u>

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TOWN OF WADESBORO, NORTH CAROLINA
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CAPITAL ASSETS

Primary Government:

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 571,882	\$ -	\$ -	\$ 571,882
Construction in progress	60,705	64,243	-	124,948
Total capital assets not being depreciated	<u>632,587</u>	<u>64,243</u>	<u>-</u>	<u>696,830</u>
Capital assets being depreciated:				
Buildings	638,010	-	-	638,010
Land improvements	248,084	10,066	-	258,150
Infrastructure	165,443	-	-	165,443
Equipment	915,302	40,546	16,106	939,742
Vehicles and motorized equipment	2,170,981	177,029	125,935	2,222,075
Total capital assets being depreciated	<u>4,137,820</u>	<u>227,641</u>	<u>142,041</u>	<u>4,223,420</u>
Less accumulated depreciation for:				
Buildings	203,295	14,900	-	218,195
Land improvements	6,872	7,098	-	13,970
Infrastructure	14,599	3,309	-	17,908
Equipment	650,439	56,150	16,106	690,483
Vehicles and motorized equipment	1,265,824	163,194	94,544	1,334,474
Total accumulated depreciation	<u>2,141,029</u>	<u>244,651</u>	<u>110,650</u>	<u>2,275,030</u>
Total capital assets being depreciated, net	<u>1,996,791</u>			<u>1,948,390</u>
Governmental activities capital assets, net	<u>\$ 2,629,378</u>			<u>\$ 2,645,220</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 5,753
Public safety	150,914
Transportation	21,118
Environmental protection	57,148
Culture and recreation	9,718
	<u>\$ 244,651</u>

TOWN OF WADESBORO, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Business-type activities:</i>				
<i>Water and Sewer Fund:</i>				
Capital assets not being depreciated:				
Land	\$ 21,552	\$ -	\$ -	\$ 21,552
Construction in progress	<u>132,760</u>	<u>12,017</u>	<u>4,587</u>	<u>140,190</u>
Total capital assets not being depreciated	<u>154,312</u>	<u>12,017</u>	<u>4,587</u>	<u>161,742</u>
Capital assets being depreciated:				
Plant and distribution systems	17,351,575	38,167	-	17,389,742
Vehicles and motorized equipment	<u>863,114</u>	<u>112,397</u>	<u>-</u>	<u>975,511</u>
Total capital assets being depreciated	<u>18,214,689</u>	<u>150,564</u>	<u>-</u>	<u>18,365,253</u>
Less accumulated depreciation for:				
Plant and distribution systems	8,117,253	254,155	-	8,371,408
Vehicles and motorized equipment	<u>655,376</u>	<u>85,299</u>	<u>-</u>	<u>740,675</u>
Total accumulated depreciation	<u>8,772,629</u>	<u>339,454</u>	<u>-</u>	<u>9,112,083</u>
Total capital assets being depreciated, net	<u>9,442,060</u>			<u>9,253,170</u>
Business-type activities capital assets, net	<u>\$ 9,596,372</u>			<u>\$ 9,414,912</u>

Depreciation expense for the year ended June 30, 2012, was \$317,396.

Construction commitments

The Town had various active construction projects at June 30, 2012. The projects are to be funded largely by State grants. The Town's commitments with contractors, engineers, and administrators at June 30, 2012, were as follows:

East Wade Street bridge project	\$ 8,322
Water plant project	129,162
Uptown water project	<u>765,887</u>
	<u>\$ 903,371</u>

TOWN OF WADESBORO, NORTH CAROLINA
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Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2012, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets being depreciated:				
Land improvements	14,060	-	-	14,060
Building	248,883	-	-	248,883
Equipment	143,075	-	-	143,075
Total capital assets being depreciated	<u>406,018</u>	<u>-</u>	<u>-</u>	<u>406,018</u>
Less accumulated depreciation for:				
Land improvements	7,967	938	-	8,905
Building	248,883	-	-	248,883
Equipment	107,006	7,469	-	114,475
Total accumulated depreciation	<u>363,856</u>	<u>8,407</u>	<u>-</u>	<u>372,263</u>
Total capital assets being depreciated, net	<u>42,162</u>			<u>33,755</u>
ABC capital assets, net	<u>\$ 122,162</u>			<u>\$ 113,755</u>

Depreciation expense for the year ended June 30, 2012, was \$8,407.

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

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.01% and 7.05%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.99% of annual covered payroll. The contribution requirements of members and of the Town and the ABC Board are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010, were \$158,120, \$141,209, and \$104,236, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010, were \$7,730, \$6,989, \$5,329, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

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, 2011 the Separation Allowance's membership consisted of four retirees receiving benefits and 27 active plan members.

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A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

Method Used to Value Investments: No funds 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, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postemployment benefit increases.

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:

Employer annual required contribution	\$ 40,532
Interest on net pension obligation	8,824
Adjustment to annual required contribution	<u>(10,528)</u>
Annual pension cost	38,828
Employer contributions made	<u>(41,050)</u>
Increase (decrease) in net pension obligation	(2,222)
Net pension obligation, beginning of year	<u>176,477</u>
Net pension obligation, end of year	<u>\$ 174,255</u>

3 Year Trend Information

Year Ended	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
<u>June 30,</u> 2010	34,806	108.13%	180,884
2011	41,494	110.62%	176,477
2012	38,828	105.72%	174,255

TOWN OF WADESBORO, NORTH CAROLINA
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Funded Status and Funding Progress:

As of December 31, 2011, 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 \$358,347. The covered payroll (annual payroll of active employees covered by the plan) was \$965,409, and the ratio of the UAAL to the covered payroll was 37.12 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 liability for benefits.

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012, were \$57,186, which consisted of \$49,033 from the Town and \$8,153 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, 2012, were \$66,448, which consisted of \$48,092 from the Town and \$18,356 from the employees.

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

Plan Description: The State of North Carolina contributes, on behalf of Town of Wadesboro, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing, multiple-employer, defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and

TOWN OF WADESBORO, NORTH CAROLINA
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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 Firemen'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 or by calling (919) 981-5454.

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

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, 2011, the date of the latest actuarial valuation:

	General <u>Employees</u>	Law Enforcement <u>Employees</u>
Retirees receiving benefits	10	5
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>40</u>	<u>27</u>
Total	<u><u>50</u></u>	<u><u>32</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 ARC rate is 12.77% of annual covered payroll. For the current year, the Town contributed \$75,132 or 3.27% 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 3.58% and 2.84% of

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

covered payroll, respectively. Contributions from retirees total \$19,104. 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.

Annual OPEB Cost and Net OPEB Obligation: The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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	\$ 250,314
Interest on net OPEB obligation	14,116
Adjustment to annual required contribution	<u>(13,485)</u>
Annual OPEB cost (expense)	250,945
Contributions made	<u>(75,132)</u>
Increase in net OPEB obligation	175,813
Net OPEB obligation, beginning of year	<u>352,897</u>
Net OPEB obligation, end of year	<u><u>\$ 528,710</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, 2012, were as follows:

Fiscal Year	Annual	Percentage	Net OPEB
<u>Ended</u>	<u>OPEB Cost</u>	<u>of AOC</u>	<u>Obligation</u>
<u>6/30/10</u>	<u>\$ 234,199</u>	<u>21.9%</u>	<u>\$ 182,931</u>
6/30/11	\$ 234,526	27.5%	\$ 352,897
6/30/12	\$ 250,945	29.9%	\$ 528,710

Funded Status and Funding Progress: As of December 31, 2011, 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 \$3,530,635. The covered payroll (annual payroll of active employees covered by the plan) was \$2,298,414, and the ratio of the UAAL to the covered payroll was 153.6%. 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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011, 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 9.50% to 5.00% pre-Medicare and 7.00% 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, 2011, was 30 years.

Termination Benefits

The Town may offer termination benefits to employees upon separation from the Town. In the fund financial statements, the Town recognizes the cost of providing these benefits as expenditures when paid. In the government-wide financial statements, the liability and expense are recorded when the employee accepts the offer. On May 15, 2012, the Town entered into an agreement with the then retiring Town manager for severance pay and continued health insurance and travel benefits. For the year ended June 30, 2012, the cost recognized in the government-wide financial statements for providing these benefits for voluntary termination totaled \$40,862. The liability for the accrued voluntary termination benefits payable at June 30, 2012, was also \$40,862 and is included in accounts payable and accrued liabilities for governmental activities in the Statement of Net Assets. These termination benefits will be paid beginning July 1, 2012, and will be paid in full in the year ending June 30, 2013.

OTHER EMPLOYMENT BENEFIT

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, the Town made contributions to the State for death benefits of \$3,024. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .13% and .14% of covered payroll, respectively. For the year ended June 30, 2012, the ABC Board made contributions to the State for death benefits of \$122, which represented 0.11% of covered payroll. 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. The Town considers these contributions to be immaterial.

DEFERRED/UNEARNED REVENUES

The balance in deferred/unearned revenues at year-end is composed of the following:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (General)	\$ 239,215	\$ -
Licenses (General)	4,310	-
Prepaid licenses (General)	-	21,000
Prepaid taxes not yet earned (General)	-	3,930
Total	<u>\$ 243,525</u>	<u>\$ 24,930</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. All subsequent year payments are to be the previous year plus a 1% change in the consumer price index. The Town paid and expensed \$24,688 in the year ended June 30, 2012.

The ABC Board has elected to pay direct costs of employment security benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees.

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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.

CLAIMS AND JUDGMENTS

In November 2012, the Town was named as a defendant in a complaint involving the Anson County Arts Council and the administration of a HUD grant. The complaint has been forwarded to the Town's liability insurance carrier. The Town intends to contest the case vigorously. At this point, any effect on the Town's financial statements cannot be determined.

LONG - TERM OBLIGATIONS

1. Capital Lease

The Town has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been 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 requires an initial payment of \$25,000 and 4 annual payments of \$30,002. Title passes to the Town at the end of the lease term.

At June 30, 2012, the Town leased equipment valued at:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Class of property:			
Equipment	\$ 142,753	\$ 12,351	\$ 130,402

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending <u>June 30,</u>	
2013	\$ 30,002
2014	30,002
2015	30,002
2016	<u>30,002</u>
	Total minimum lease payments 120,008
	Less: amounts representing interest <u>(5,547)</u>
	Present value of the minimum lease payments <u>\$ 114,461</u>

2. Installment Purchases Payable

Installment purchases payable consisted of the following at June 30, 2012:

On May 20, 2004, the Town entered into an installment purchase contract with RBC Centura Bank to finance the purchase of a new fire truck. The financing contract requires 10 annual installments of \$27,331.67, including interest at 3.54%, beginning May 20, 2005. The contract is serviced by the General Fund.	\$ 51,727
On September 18, 2008, the Town entered into an installment purchase contract with RBC Centura 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.	199,909
On February 17, 2010, the Town entered into an installment purchase contract with the U.S. Department of Agriculture to finance the purchase of equipment for the fire department. The financing contract requires 10 annual installments of \$8,132, including interest at 4%, beginning February 17, 2011. The contract is serviced by the General Fund.	54,838
On December 13, 2010, the Town entered into an installment purchase contract with Anson Bank & Trust Co. 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.	<u>107,192</u>
TOTAL INSTALLMENT PURCHASES PAYABLE	<u>\$ 413,666</u>

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

June 30, 2012

The future minimum payments of the installment purchases as of June 30, 2012, are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 42,593	\$ 5,706	\$ 29,038	\$ 6,781
2014	43,746	4,553	30,110	5,709
2015	17,936	3,031	31,221	4,598
2016	18,372	2,595	32,373	3,445
2017	18,819	2,148	33,568	2,250
2018-2022	<u>72,291</u>	<u>3,795</u>	<u>43,599</u>	<u>1,174</u>
	<u>\$ 213,757</u>	<u>\$ 21,828</u>	<u>\$ 199,909</u>	<u>\$ 23,957</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, 2012:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Capital lease	\$ -	\$ 115,257	\$ 20,500	\$ 94,757	\$ 23,698
Installment purchases payable	255,870	-	42,113	213,757	42,593
Compensated absences	154,121	7,261	-	161,382	-
Net pension obligation	176,477	-	2,222	174,255	-
Net OPEB obligation	<u>276,436</u>	<u>143,175</u>	<u>-</u>	<u>419,611</u>	<u>-</u>
	<u>\$ 862,904</u>	<u>\$ 265,693</u>	<u>\$ 64,835</u>	<u>\$ 1,063,762</u>	<u>\$ 66,291</u>
Business-type activities:					
Capital lease	\$ -	\$ 24,204	\$ 4,500	\$ 19,704	\$ 4,106
Installment purchases payable	227,945	-	28,036	199,909	29,038
Compensated absences	32,006	3,437	-	35,443	-
Net OPEB obligation	<u>76,461</u>	<u>32,638</u>	<u>-</u>	<u>109,099</u>	<u>-</u>
	<u>\$ 336,412</u>	<u>\$ 60,279</u>	<u>\$ 32,536</u>	<u>\$ 364,155</u>	<u>\$ 33,144</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, 2012, Town of Wadesboro had a legal debt margin of \$25,583,477.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

C. INTERFUND BALANCES AND ACTIVITY

Transfers due to/from other funds at June 30, 2012, consist of the following:

	<u>From</u>	<u>To</u>
General Fund:		
From Water and Sewer Fund	\$ 47,800	\$ -
Enterprise Funds:		
Water and Sewer Fund:		
To General Fund	-	47,800
White Store Road Water Project Fund:		
To Uptown Wadesboro Water/Lennox Drive Sewer Project Fund	-	9,826
Uptown Wadesboro Water/Lennox Drive Sewer Project Fund:		
From White Store Road Water Project Fund	<u>9,826</u>	<u>-</u>
	<u>\$ 57,626</u>	<u>\$ 57,626</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, 2012, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$9,172 for the 19 volunteer and 5 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. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries for 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, 2012, there were no such payments. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its discretion for eligible firemen or their departments.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 membership fees of \$1,366 to the Council during the fiscal year ended June 30, 2012.

NOTE 5 – JOINT VENTURES

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, 2012, 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, 2012. 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.

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 Employer Contributions 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

**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	UAAL as a
		Liability (AAL) - Projected Unit Credit (b)	Payroll for			% of Covered	
						Year Ending on Val Date (c)	Payroll ((b-a)/c)
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%

**TOWN OF WADESBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 30,283	66.88%
2008	29,953	86.19%
2009	35,056	107.96%
2010	34,806	108.13%
2011	41,494	110.62%
2012	38,828	105.72%

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	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

**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 for Year Ending on Val Date (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (b)					
12/31/2009	-	\$ 2,916,700	\$ 2,916,700	0.00%	\$ 2,097,055	139.10%	
12/31/2010	-	3,037,965	3,037,965	0.00%	2,109,483	144.00%	
12/31/2011	-	3,530,635	3,530,635	0.00%	2,298,414	153.60%	

**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>
2010	\$ 234,199	21.90%
2011	234,526	27.50%
2012	250,945	29.90%

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	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate:	
Pre-Medicare trend rate	9.50% - 5.00%
Post-Medicare trend rate	7.00% - 5.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%

**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, 2012

Exhibit A-1
Page 1 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 1,470,000	\$ 1,577,485	\$ 107,485
Penalties and interest	65,000	26,043	(38,957)
Total	<u>1,535,000</u>	<u>1,603,528</u>	<u>68,528</u>
Other taxes and licenses:			
Privilege licenses	10,000	10,354	354
Wadesboro Fire District Tax	130,000	123,441	(6,559)
Total	<u>140,000</u>	<u>133,795</u>	<u>(6,205)</u>
Unrestricted intergovernmental:			
Local option sales tax	751,000	821,516	70,516
Telecommunications sales tax	58,000	55,996	(2,004)
Transitional hold harmless	28,000	31,379	3,379
Utility franchise tax	238,000	189,641	(48,359)
Piped natural gas tax	-	15,326	15,326
Video programming fee	40,000	38,956	(1,044)
Beer and wine tax	8,000	25,216	17,216
ABC profit distribution	40,000	23,750	(16,250)
Payments in lieu of taxes	-	6,325	6,325
Total	<u>1,163,000</u>	<u>1,208,105</u>	<u>45,105</u>
Restricted intergovernmental:			
Powell Bill allocation	168,000	178,855	10,855
Public safety grants	114,194	113,877	(317)
Salary reimbursement - USDOJ	10,000	-	(10,000)
Controlled substance tax	1,500	9,409	7,909
Contributions from school system	82,300	86,580	4,280
ABC revenue for law enforcement	4,000	4,000	-
Transportation grant	520,000	43,634	(476,366)
Solid waste disposal tax	4,000	3,974	(26)
On-behalf payments - Fire and Rescue	6,300	9,172	2,872
Total	<u>910,294</u>	<u>449,501</u>	<u>(460,793)</u>
Permits and fees:			
Fire inspection fees	2,200	3,710	1,510
Rezoning and variance fees	1,000	1,940	940
Total	<u>3,200</u>	<u>5,650</u>	<u>2,450</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, 2012

Exhibit A-1
Page 2 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES - CONTINUED:			
Sales and services:			
Refuse collection	228,000	220,451	(7,549)
Rent received on property	1,200	436	(764)
Total	<u>229,200</u>	<u>220,887</u>	<u>(8,313)</u>
Investment earnings	<u>8,000</u>	<u>5,359</u>	<u>(2,641)</u>
Miscellaneous	<u>41,340</u>	<u>38,663</u>	<u>(2,677)</u>
TOTAL REVENUES	<u>4,030,034</u>	<u>3,665,488</u>	<u>(364,546)</u>
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits	-	26,440	-
Professional services	-	33,238	-
Total	<u>79,300</u>	<u>59,678</u>	<u>19,622</u>
Administration:			
Salaries and employee benefits	-	312,393	-
Other operating expenditures	-	190,209	-
Capital outlay	-	10,703	-
Total	<u>487,327</u>	<u>513,305</u>	<u>(25,978)</u>
Garage:			
Salaries and employee benefits	-	47,296	-
Other operating expenditures	-	24,448	-
Total	<u>73,879</u>	<u>71,744</u>	<u>2,135</u>
Total general government	<u>640,506</u>	<u>644,727</u>	<u>(4,221)</u>
Public safety:			
Police:			
Salaries and employee benefits	-	1,580,341	-
Other operating expenditures	-	236,677	-
Capital outlay	-	71,156	-
Total	<u>1,945,258</u>	<u>1,888,174</u>	<u>57,084</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, 2012

Exhibit A-1
Page 3 of 4

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED:			
Fire:			
Salaries and employee benefits	-	193,051	-
Other operating expenditures	-	104,706	-
Capital outlay	-	63,668	-
On-behalf payments - Fire and Rescue	-	9,172	-
Total	<u>391,911</u>	<u>370,597</u>	<u>21,314</u>
Total public safety	<u>2,337,169</u>	<u>2,258,771</u>	<u>78,398</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	66,512	-
Other operating expenditures	-	193,933	-
Capital outlay	-	503	-
Total	<u>286,452</u>	<u>260,948</u>	<u>25,504</u>
Powell Bill:			
Salaries and employee benefits	-	93,000	-
Other operating expenditures	-	108,671	-
Capital outlay	-	54,915	-
Total	<u>821,500</u>	<u>256,586</u>	<u>564,914</u>
Total transportation	<u>1,107,952</u>	<u>517,534</u>	<u>590,418</u>
Economic and physical development:			
Economic development incentives	<u>20,098</u>	<u>20,098</u>	<u>-</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	-	345,235	-
Other operating expenditures	-	81,824	-
Contracted services	-	7,340	-
Capital outlay	-	27,873	-
Total environmental protection	<u>494,434</u>	<u>462,272</u>	<u>32,162</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, 2012

Exhibit A-1
Page 4 of 4

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED:			
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	12,949	-
Other operating expenditures	-	13,464	-
Capital outlay	-	10,066	-
	<u> </u>	<u> </u>	<u> </u>
Total culture and recreation	<u>46,320</u>	<u>36,479</u>	<u>9,841</u>
Debt service:			
Principal retirement	62,613	62,613	-
Interest and fees	6,978	6,636	342
	<u> </u>	<u> </u>	<u> </u>
Total debt service	<u>69,591</u>	<u>69,249</u>	<u>342</u>
Contingency	<u>65,216</u>	<u> </u>	<u>65,216</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>4,781,286</u>	<u>4,009,130</u>	<u>772,156</u>
REVENUES UNDER EXPENDITURES	<u>(751,252)</u>	<u>(343,642)</u>	<u>407,610</u>
OTHER FINANCING SOURCES			
Transfers from other funds	47,000	47,800	800
Loan proceeds	126,651	115,257	(11,394)
Sale of capital assets	1,200	32,000	30,800
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES	<u>174,851</u>	<u>195,057</u>	<u>20,206</u>
REVENUES AND OTHER SOURCES UNDER EXPENDITURES	<u>(576,401)</u>	<u>(148,585)</u>	<u>427,816</u>
APPROPRIATED FUND BALANCE	<u>576,401</u>	<u> </u>	<u>(576,401)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(148,585)</u>	<u>\$ (148,585)</u>
FUND BALANCE, beginning		<u>2,560,708</u>	
FUND BALANCE, ending		<u>\$ 2,412,123</u>	

TOWN OF WADESBORO, NORTH CAROLINA
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012

Exhibit B-1

	Ansonia Theatre Project Fund	Wadesboro Park Project Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 16,994	\$ 16,994
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 16,994</u></u>	<u><u>\$ 16,994</u></u>
LIABILITIES AND FUND BALANCE			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Fund balance:			
Restricted for:			
Capital outlay - park	<u>-</u>	<u>16,994</u>	<u>16,994</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ 16,994</u></u>	<u><u>\$ 16,994</u></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, 2012

Exhibit B-2

	Ansonia Theatre Project Fund	Wadesboro Park Project Fund	Totals
REVENUES:			
Restricted intergovernmental	\$ (14,146)	\$ -	\$ (14,146)
EXPENDITURES:			
Economic and physical development	(49)	-	(49)
Capital outlay	-	-	-
	<u>(49)</u>	<u>-</u>	<u>(49)</u>
TOTAL EXPENDITURES	<u>(49)</u>	<u>-</u>	<u>(49)</u>
REVENUES UNDER EXPENDITURES	(14,097)	-	(14,097)
OTHER FINANCING SOURCES:			
Transfers from other funds	-	-	-
NET CHANGE IN FUND BALANCE	(14,097)	-	(14,097)
FUND BALANCE, beginning	<u>14,097</u>	<u>16,994</u>	<u>31,091</u>
FUND BALANCE, ending	<u>\$ -</u>	<u>\$ 16,994</u>	<u>\$ 16,994</u>

ANSONIA THEATRE PROJECT FUND

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Restricted intergovernmental:					
Anson County Arts Council	\$ 1,027,993	\$ 1,226,569	\$ (14,146)	\$ 1,212,423	\$ 184,430
EDI Grant Funds	198,820	-	-	-	(198,820)
TOTAL REVENUES	<u>1,226,813</u>	<u>1,226,569</u>	<u>(14,146)</u>	<u>1,212,423</u>	<u>(14,390)</u>
EXPENDITURES:					
Economic and physical development:					
General conditions	24,000	23,905	-	23,905	95
Demolition	20,250	20,250	-	20,250	-
Structural	188,303	188,214	-	188,214	89
Mechanical	163,500	163,338	-	163,338	162
Plumbing	43,800	43,747	-	43,747	53
Electrical	134,100	122,873	-	122,873	11,227
Fire protection	47,411	47,411	-	47,411	-
Finishes (interior and exterior)	376,000	375,384	-	375,384	616
Theatrical lighting	9,857	9,924	(49)	9,875	(18)
Sound system	28,592	28,742	-	28,742	(150)
Fees/contingency	191,000	188,684	-	188,684	2,316
TOTAL EXPENDITURES	<u>1,226,813</u>	<u>1,212,472</u>	<u>(49)</u>	<u>1,212,423</u>	<u>14,390</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 14,097</u>	<u>(14,097)</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE, beginning			<u>14,097</u>		
FUND BALANCE, ending			<u>\$ -</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, 2012

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Restricted intergovernmental:					
NCPRA Trust Fund	\$ 174,798	\$ 156,173	\$ -	\$ 156,173	\$ (18,625)
EXPENDITURES:					
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	-
TOTAL EXPENDITURES	<u>349,596</u>	<u>320,780</u>	<u>-</u>	<u>320,780</u>	<u>28,816</u>
REVENUES UNDER EXPENDITURES	(174,798)	(164,607)	-	(164,607)	10,191
OTHER FINANCING SOURCES:					
Transfers from other funds	174,798	181,601	-	181,601	6,803
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 16,994</u>	<u>-</u>	<u>\$ 16,994</u>	<u>\$ 16,994</u>
FUND BALANCE, beginning			16,994		
FUND BALANCE, ending			<u>\$ 16,994</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, 2012

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating Revenues:			
Water sales	\$ 960,000	\$ 927,125	\$ (32,875)
Sewer charges	1,300,000	1,197,197	(102,803)
Other operating revenues	61,000	53,848	(7,152)
Total operating revenues	<u>2,321,000</u>	<u>2,178,170</u>	<u>(142,830)</u>
Nonoperating Revenues:			
Investment earnings	4,000	35	(3,965)
Disposal of capital assets	-	-	-
Miscellaneous	3,000	1,765	(1,235)
Total nonoperating revenues	<u>7,000</u>	<u>1,800</u>	<u>(5,200)</u>
TOTAL REVENUES	<u>2,328,000</u>	<u>2,179,970</u>	<u>(148,030)</u>
EXPENDITURES:			
Water Operations:			
Salaries and employee benefits	-	496,433	-
Water purchases	-	233,911	-
Repairs and maintenance	-	37,265	-
Other operating expenditures	-	240,707	-
Total	<u>1,015,075</u>	<u>1,008,316</u>	<u>6,759</u>
Sewer Operations:			
Salaries and employee benefits	-	135,271	-
Contracted services	-	754,357	-
Repairs and maintenance	-	14,570	-
Other operating expenditures	-	59,781	-
Total	<u>1,245,792</u>	<u>963,979</u>	<u>281,813</u>
Debt Service:			
Interest and fees	7,914	7,882	32
Principal retirement	32,505	32,536	(31)
Total	<u>40,419</u>	<u>40,418</u>	<u>1</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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Capital outlay	<u>168,704</u>	<u>58,038</u>	<u>110,666</u>
Contingency	<u>9,660</u>	<u>-</u>	<u>9,660</u>
TOTAL EXPENDITURES	<u>2,479,650</u>	<u>2,070,751</u>	<u>408,899</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(151,650)</u>	<u>109,219</u>	<u>260,869</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	24,204	24,204	-
Transfer to General Fund	(47,800)	(47,800)	-
Transfer to Enterprise Capital Project Funds	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Total	<u>(33,596)</u>	<u>(23,596)</u>	<u>10,000</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(185,246)</u>	<u>85,623</u>	<u>270,869</u>
APPROPRIATED FUND BALANCE	<u>185,246</u>	<u>-</u>	<u>(185,246)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 85,623</u>	<u>\$ 85,623</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
NET CHANGE IN FUND BALANCE		\$ 85,623	
RECONCILING ITEMS:			
Payment of debt principal		32,536	
Capital outlay		58,038	
Depreciation		(317,396)	
Loan proceeds		(24,204)	
Capital contributions		-	
Intergovernment transfer of assets		65,880	
Increase in net OPEB obligation		<u>(32,638)</u>	
CHANGE IN NET ASSETS (EXHIBIT 7)		<u>\$ (132,161)</u>	

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-2

CAPACITY BUILDING GRANT FUND

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
NC Rural Center #02-67-42	\$ 40,000	\$ 15,325	\$ -	\$ 15,325	\$ (24,675)
Anson Community Hospital	2,000	2,000	-	2,000	-
TOTAL REVENUES	<u>42,000</u>	<u>17,325</u>	<u>-</u>	<u>17,325</u>	<u>(24,675)</u>
EXPENDITURES:					
Sewer study	44,000	19,325	-	19,325	24,675
Local	-	-	-	-	-
TOTAL EXPENDITURES	<u>44,000</u>	<u>19,325</u>	<u>-</u>	<u>19,325</u>	<u>24,675</u>
REVENUES UNDER EXPENDITURES	(2,000)	(2,000)	-	(2,000)	-
OTHER FINANCING SOURCES:					
Transfers from other funds	2,000	4,100	-	4,100	2,100
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 2,100</u>	<u>-</u>	<u>\$ 2,100</u>	<u>\$ 2,100</u>
FUND BALANCE, beginning			<u>2,100</u>		
FUND BALANCE, ending			<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, 2012

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
NC Rural Center Funds	\$ 500,000	\$ 366,916	\$ -	\$ 366,916	\$ (133,084)
Interest income	-	832	-	832	832
TOTAL REVENUES	<u>500,000</u>	<u>367,748</u>	<u>-</u>	<u>367,748</u>	<u>(132,252)</u>
EXPENDITURES:					
Construction	794,534	642,863	-	642,863	151,671
Contingency	86,000	-	-	-	86,000
Engineering design	70,000	65,310	800	66,110	3,890
Inspection	46,000	46,000	-	46,000	-
Grant administration	28,000	20,000	1,040	21,040	6,960
Other	32,000	31,890	-	31,890	110
TOTAL EXPENDITURES	<u>1,056,534</u>	<u>806,063</u>	<u>1,840</u>	<u>807,903</u>	<u>248,631</u>
REVENUES UNDER EXPENDITURES	<u>(556,534)</u>	<u>(438,315)</u>	<u>(1,840)</u>	<u>(440,155)</u>	<u>116,379</u>
OTHER FINANCING SOURCES:					
Loan proceeds	300,000	300,000	-	300,000	-
Transfers from other funds	256,534	201,821	-	201,821	(54,713)
TOTAL OTHER FINANCING SOURCES	<u>556,534</u>	<u>501,821</u>	<u>-</u>	<u>501,821</u>	<u>(54,713)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 63,506</u>	<u>(1,840)</u>	<u>\$ 61,666</u>	<u>\$ 61,666</u>
FUND BALANCE, beginning			<u>63,506</u>		
FUND BALANCE, ending			<u>\$ 61,666</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, 2012

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
NC Rural Center Funds	\$ 518,000	\$ 485,840	\$ -	\$ 485,840	\$ (32,160)
EXPENDITURES:					
Construction	660,125	606,738	4,167	610,905	49,220
Engineering design	47,000	47,150	-	47,150	(150)
Inspection	30,000	29,960	40	30,000	-
Grant administration	25,000	24,620	380	25,000	-
TOTAL EXPENDITURES	<u>762,125</u>	<u>708,468</u>	<u>4,587</u>	<u>713,055</u>	<u>49,070</u>
REVENUES UNDER EXPENDITURES	(244,125)	(222,628)	(4,587)	(227,215)	16,910
OTHER FINANCING SOURCES:					
Transfers from (to) other funds	244,125	239,643	(9,826)	229,817	(14,308)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 17,015</u>	<u>(14,413)</u>	<u>\$ 2,602</u>	<u>\$ 2,602</u>
FUND BALANCE, beginning			<u>17,015</u>		
FUND BALANCE, ending			<u>\$ 2,602</u>		

TOWN OF WADESBORO, NORTH CAROLINA
 UPTOWN WADESBORO WATER/LENNOX DRIVE SEWER PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
<i>Uptown water lines:</i>					
NC DENR funds	\$ 1,608,809	\$ -	\$ -	\$ -	\$ (1,608,809)
<i>Lennox Dr. sewer lines:</i>					
NC DENR funds	338,288	-	-	-	(338,288)
TOTAL REVENUES	<u>1,947,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,947,097)</u>
EXPENDITURES:					
<i>Uptown water lines:</i>					
Construction	1,493,468	-	450	450	1,493,018
Engineering/Design/Survey	89,000	89,000	-	89,000	-
Inspection	81,462	-	4,360	4,360	77,102
Grant administration	30,000	200	780	980	29,020
2% loan closing costs	33,879	-	-	-	33,879
Local	-	-	-	-	-
<i>Lennox Dr. sewer lines:</i>					
Construction	295,566	-	-	-	295,566
Engineering/Design/Survey	24,236	24,236	-	24,236	-
Inspection	25,123	-	-	-	25,123
Grant administration	25,000	-	-	-	25,000
Easements/Fees/Legal	10,000	-	-	-	10,000
2% loan closing costs	7,599	-	-	-	7,599
TOTAL EXPENDITURES	<u>2,115,333</u>	<u>113,436</u>	<u>5,590</u>	<u>119,026</u>	<u>1,996,307</u>
REVENUES UNDER EXPENDITURES	(168,236)	(113,436)	(5,590)	(119,026)	49,210
OTHER FINANCING SOURCES:					
Transfers from other funds	168,236	113,536	9,826	123,362	(44,874)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 100</u>	4,236	<u>\$ 4,336</u>	<u>\$ 4,336</u>
FUND BALANCE, beginning			<u>100</u>		
FUND BALANCE, ending			<u>\$ 4,336</u>		

OTHER SCHEDULES

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2012

Exhibit D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 1,586,291	\$ 1,464,216	\$ 122,075
2010-2011	118,777	345	76,566	42,556
2009-2010	51,379	-	20,088	31,291
2008-2009	30,161	-	15,010	15,151
2007-2008	14,377	-	5,779	8,598
2006-2007	7,694	-	2,546	5,148
2005-2006	4,242	-	249	3,993
2004-2005	6,470	-	2,125	4,345
2003-2004	3,832	-	1,815	2,017
2002-2003	4,310	-	269	4,041
2001-2002	977	-	977	-
	<u>\$ 242,219</u>	<u>\$ 1,586,636</u>	<u>\$ 1,589,640</u>	<u>\$ 239,215</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 1,603,528
Reconciling items:	
Taxes written off	12,155
Interest and penalties collected	<u>(26,043)</u>
Total collections and credits	<u>\$ 1,589,640</u>

TOWN OF WADESBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2012

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 year's rate	\$ 317,787,540	0.496	\$ 1,576,226	\$ 1,461,306	\$ 114,920
Registered motor vehicles taxed at prior year's rate	2,483,091	0.496	12,316	-	12,316
Penalties and adjustments	<u>-</u>		<u>115</u>	<u>-</u>	<u>115</u>
Total	<u>320,270,631</u>		<u>1,588,657</u>	<u>1,461,306</u>	<u>127,351</u>
Discoveries:					
Current year taxes	84,597	0.496	420	420	-
Prior year taxes	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
	<u>84,597</u>		<u>420</u>	<u>420</u>	<u>-</u>
Abatements	<u>(561,760)</u>		<u>(2,786)</u>	<u>(39)</u>	<u>(2,747)</u>
Total property valuation	<u>\$ 319,793,468</u>				
Net levy			1,586,291	1,461,687	124,604
Uncollected taxes at June 30, 2012			<u>(122,075)</u>	<u>(89,697)</u>	<u>(32,378)</u>
Current year's taxes collected			<u>\$ 1,464,216</u>	<u>\$ 1,371,990</u>	<u>\$ 92,226</u>
Current levy collection percentage			<u>92.30%</u>	<u>93.86%</u>	<u>74.02%</u>

COMPLIANCE SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

120 SOUTH RUTHERFORD STREET

P.O. BOX 341

WADESBORO, N.C. 28170

JAMES F. HANNA, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 28, 2012. 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.

Internal Control Over Financial Reporting

Management of Town of Wadesboro is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Wadesboro's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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:

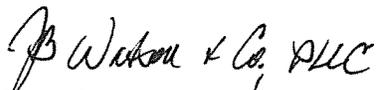
In an organization such as Town of Wadesboro with a limited number of personnel for certain functions, there are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among the Town personnel. We therefore recommend the Town separate duties as much as possible and provide alternative controls, including involvement of the Town board 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.

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*.

We noted certain other matters that we reported to management of Town of Wadesboro in a separate letter dated November 28, 2012.

This report is intended solely for the information and use of management, others within the entity, members of the Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


November 28, 2012

TOWN OF WADESBORO, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2012

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
<u>U.S. Department of Housing and Urban Development:</u>					
Special Purpose Economic Development Initiative Ansonia Theatre Project	14.246	B-04-SP-NC-0573	\$ -	\$ -	\$ (49)
<u>U.S. Department of Justice:</u>					
Direct Programs:					
Bulletproof Vest Partnership Program ARRA - Public Safety Partnership & Community Policing Grant	16.607	2009-BU-BX-09048263	465	-	465
	16.710	2009-RK-WX-0541	40,663	-	-
Total U.S. Department of Justice			41,128	-	465
<u>U.S. Department of Transportation:</u>					
Passed-through N.C. Department of Transportation:					
Highway Planning, Research, & Construction Cluster	20.205-1	B-5009	43,634	-	10,909
Governor's Highway Safety Program	20.600	PT-2011-03-04-20	14,605	-	8,059
	20.600	PT-2012-03-04-20	34,262	-	34,262
Total U.S. Department of Transportation			92,501	-	53,230
<u>U.S. Department of Health & Human Services:</u>					
Passed-through N.C. Dept. of Health & Human Services:					
Injury Prevention & Control Research	93.136	02584-11	1,812	-	-
		25572-12	6,000	-	-
Total U.S. Department of Health & Human Services			7,812	-	-
Total assistance - Federal programs			141,441	-	53,646
State Grants:					
<u>N.C. Department of Transportation:</u>					
Powell Bill		N/A	-	211,236	-
<u>N.C. Department of Insurance:</u>					
Office of State Fire Marshall:					
2011 Volunteer Fire Dept. Fund Program		11/8213	-	11,069	11,069

TOWN OF WADESBORO, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2012

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
<u>N.C. General Assembly:</u>					
Passed-through The Rural Economic Development Center, Inc.:					
Clean Water Partners' Infrastructure Program		2008-283-40101-112	-	-	1,840
		2009-055-40101-112	-	-	4,587
			-	-	6,427
		Total assistance - State programs	-	222,305	17,496
TOTAL ASSISTANCE			\$ 141,441	\$ 222,305	\$ 71,142

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Town of Wadesboro and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Loans Outstanding

During 2010, Town of Wadesboro received \$65,950 in a loan from the U.S. Department of Agriculture under the Community Facilities Loans and Grants Program. The loan was for the purchase of equipment for the Town's fire department. The Town remitted \$8,132, including interest of \$2,465, to the U.S. Department of Agriculture as repayment on the loan during the year ended June 30, 2012. The unpaid balance of the loan was \$54,838 as of June 30, 2012.