

**TOWN OF WADESBORO, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2013**

**JBW**

**J. B. WATSON & Co., P.L.L.C.**  
Certified Public Accountants

**TOWN OF WADESBORO, NORTH CAROLINA  
LOCAL GOVERNMENT OFFICIALS  
June 30, 2013**

**Town Council Members**

Bill Thacker, Mayor

Bobby Usrey, Mayor Pro Tem

John Ballard

Jeremy Burr

Fred Davis

James David Lee

**Administrative and Financial Staff**

Alex Sewell, Town Manager/Finance Officer

Cindi Pope, 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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Town of Wadesboro ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina, as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

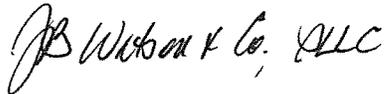
### *Supplementary and Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2014, 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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wadesboro's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "JB Wilson & Co. LLC".

February 11, 2014

## 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, 2013. 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

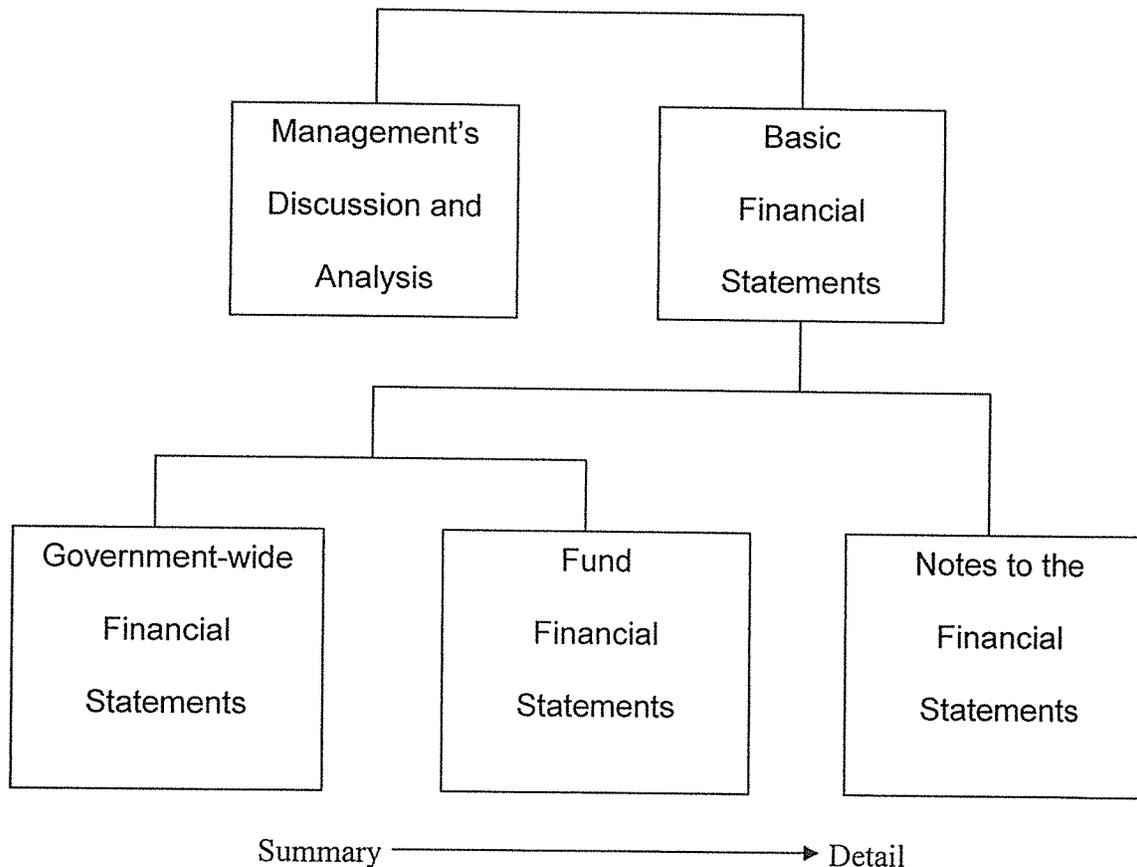
- The assets of the Town of Wadesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,422,725 (*net position*).
- The government's total net position decreased by \$249,543, primarily due to litigation settlement and use of fund balance in the General Fund.
- As of the close of the current fiscal year, the Town of Wadesboro's governmental funds reported combined ending fund balances of \$2,165,787 a decrease of \$263,330 in comparison with the prior year.
- The decrease in fund balance was due to falling revenues, increased costs, and the use of fund balance to fund capital replacement and operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$858,890 or 23% of total General Fund expenditures for the fiscal year.
- The Town of Wadesboro's total debt increased by \$826,501 (157%) during the current fiscal year. The key factor in this increase is due to an installment note for Uptown waterlines.
- The requirement to present the Town's liability regarding Other Pension Employee Benefits (health insurance for retirees) is also shown as an obligation of \$748,391.

### 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 position and how it has changed. Net position is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into 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 Position and the

Management's Discussion and Analysis  
Town of Wadesboro

Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

**Proprietary Funds** – Town of Wadesboro has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Wadesboro uses enterprise funds to account for its water and sewer activity and any related capital project funds. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 12 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wadesboro's progress in funding its obligation to provide pension benefits to employees. Required supplementary information can be found beginning on page 37 of this report.

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

Management's Discussion and Analysis  
Town of Wadesboro

**Government-Wide Financial Analysis**

*TOWN OF WADESBORO  
NET POSITION  
FIGURE 2*

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 2,598,665	\$ 2,812,985	\$ 2,339,187	\$ 1,589,645	\$ 4,937,852	\$ 4,402,630
Capital assets, net	<u>2,662,984</u>	<u>2,645,220</u>	<u>10,101,052</u>	<u>9,414,912</u>	<u>12,764,036</u>	<u>12,060,132</u>
Total Assets	<u>5,261,649</u>	<u>5,458,205</u>	<u>12,440,239</u>	<u>11,004,557</u>	<u>17,701,888</u>	<u>16,462,762</u>
<b>Liabilities</b>						
Current and other liabilities	235,255	117,404	543,070	220,243	778,325	337,647
Long-term liabilities:						
Due within one year	66,960	66,291	127,809	33,144	194,769	99,435
Due after one year	<u>1,076,964</u>	<u>997,471</u>	<u>1,197,963</u>	<u>331,011</u>	<u>2,274,927</u>	<u>1,328,482</u>
Total Liabilities	<u>1,379,179</u>	<u>1,181,166</u>	<u>1,868,842</u>	<u>584,398</u>	<u>3,248,021</u>	<u>1,765,564</u>
Deferred inflows of resources	<u>26,627</u>	<u>24,930</u>	<u>4,515</u>	<u>-</u>	<u>31,142</u>	<u>24,930</u>
<b>Net Position</b>						
Net investment in capital assets	2,419,884	2,431,463	8,989,524	9,215,003	11,409,408	11,646,466
Restricted	740,081	757,670	-	-	740,081	757,670
Unrestricted	<u>695,878</u>	<u>1,062,976</u>	<u>1,577,358</u>	<u>1,205,156</u>	<u>2,273,236</u>	<u>2,268,132</u>
Total Net Position	<u>\$ 3,855,843</u>	<u>\$ 4,252,109</u>	<u>\$ 10,566,882</u>	<u>\$ 10,420,159</u>	<u>\$ 14,422,725</u>	<u>\$ 14,672,268</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Wadesboro exceeded liabilities and deferred inflows by \$14,422,725 as of June 30, 2013. The Town's net position decreased by \$249,543 for the fiscal year ended June 30, 2013. However, the largest portion (79%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Wadesboro uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wadesboro's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wadesboro's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,273,236 is unrestricted.

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

- Ad valorem taxes met budget forecasts.
- Expenditure controls reduced the impact of decreasing revenues.

Management's Discussion and Analysis  
Town of Wadesboro

*TOWN OF WADESBORO  
CHANGES IN NET POSITION  
FIGURE 3*

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 228,685	\$ 229,125	\$ 2,267,758	\$ 2,178,170	\$ 2,496,443	\$ 2,407,295
Operating grants and contributions	349,601	402,832	-	-	349,601	402,832
Capital grants and contributions	165,893	96,634	218,347	-	384,240	96,634
<b>General Revenues:</b>						
Property taxes	1,598,194	1,600,450	-	-	1,598,194	1,600,450
Other taxes and licenses	1,396,501	1,322,414	-	-	1,396,501	1,322,414
Grants and contributions not restricted	17,500	23,750	-	-	17,500	23,750
Investment earnings, unrestricted	3,080	5,359	261	35	3,341	5,394
Miscellaneous, unrestricted	16,010	35,745	3,619	1,765	19,629	37,510
<b>Total Revenues</b>	<u>3,775,464</u>	<u>3,716,309</u>	<u>2,489,985</u>	<u>2,179,970</u>	<u>6,265,449</u>	<u>5,896,279</u>
<b>Expenses</b>						
<b>Program Expenses:</b>						
General government	624,279	693,819	-	-	624,279	693,819
Public safety	2,346,282	2,375,900	-	-	2,346,282	2,375,900
Transportation	439,781	494,957	-	-	439,781	494,957
Economic and physical development	32,618	20,049	-	-	32,618	20,049
Environmental protection	499,800	513,819	-	-	499,800	513,819
Culture and recreation	38,709	50,277	-	-	38,709	50,277
Interest on long-term debt	7,486	6,636	-	-	7,486	6,636
Water and sewer	-	-	2,386,037	2,330,211	2,386,037	2,330,211
<b>Total Expenses</b>	<u>3,988,955</u>	<u>4,155,457</u>	<u>2,386,037</u>	<u>2,330,211</u>	<u>6,374,992</u>	<u>6,485,668</u>
Change in net position before transfers and special item	(213,491)	(439,148)	103,948	(150,241)	(109,543)	(589,389)
Transfers	(42,775)	47,800	42,775	(47,800)	-	-
Special item - litigation settlement	(140,000)	-	-	65,880	(140,000)	65,880
Change in net position	(396,266)	(391,348)	146,723	(132,161)	(249,543)	(523,509)
Net Position, July 1	<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>
Net Position, June 30	<u>\$ 3,855,843</u>	<u>\$ 4,252,109</u>	<u>\$ 10,566,882</u>	<u>\$ 10,420,159</u>	<u>\$ 14,422,725</u>	<u>\$ 14,672,268</u>

**Governmental activities:** Governmental activities decreased the Town's net position by \$396,266. The key elements of this decrease are due to revenue shortfalls, general government and public safety expenditures, and litigation settlement.

**Business-type activities:** Business-type activities increased the Town of Wadesboro's net position by \$146,723. The major reason for the increase in water-sewer net position was due to increased revenues and capital grants and contributions.

### **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 \$1,748,525 while total fund balance was \$2,143,850. The Town currently has available fund balance of 45.8 percent of total General Fund expenditures, while total fund balance represents 56.2 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.

**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 \$1,577,358. The total increase in net assets for the fund was \$146,723. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

### **Capital Asset and Debt Administration**

**Capital assets:** The Town of Wadesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$12,764,036 (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 used grants to help fund approximately \$308,000 for the Cobb-Vantress economic development project.
- The Town used its own funds along with grant money to make approximately \$124,000 in water plant improvements.
- The Town is working with engineers to design and replace the East Wade Street Bridge. The project is funded through Town funds and a grant from the N.C. Department of Transportation.
- The Town acquired an installment note to finance Uptown waterline and valve replacement. Costs incurred in 2012/2013 totaled \$652,621.

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

Description	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land and construction in progress	\$ 849,375	\$ 696,830	\$ 164,855	\$ 161,742	\$ 1,014,230	\$ 858,572
Buildings	404,916	419,815	-	-	404,916	419,815
Land improvements	236,123	244,180	-	-	236,123	244,180
Infrastructure	144,226	147,535	-	-	144,226	147,535
Equipment	236,981	249,259	-	-	236,981	249,259
Vehicles and motorized equipment	791,363	887,601	216,823	234,836	1,008,186	1,122,437
Plant and distribution systems	-	-	9,719,374	9,018,334	9,719,374	9,018,334
	<u>\$ 2,662,984</u>	<u>\$ 2,645,220</u>	<u>\$ 10,101,052</u>	<u>\$ 9,414,912</u>	<u>\$ 12,764,036</u>	<u>\$ 12,060,132</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, 2013, the Town of Wadesboro had no bonded debt.

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

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
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 \$826,501 (157%) during the past fiscal year, primarily due to an installment note for Uptown waterline and valve replacement.

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

Management's Discussion and Analysis  
Town of Wadesboro

within that government's boundaries. The legal debt margin for Town of Wadesboro is \$25,566,902. The Town has no bonds authorized but un-issued at June 30, 2013.

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 economy kept the unemployment rate in double digits.
- New commercial development continues to be slow.
- Franchise tax revenue did not meet projections while property tax revenues are stable and sales taxes showed improvement.
- Interest in commercial and residential properties is relatively strong considering the economy, 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 financing to replace worn equipment and facilities.

### **Budget Highlights for the Fiscal Year Ending June 30, 2014**

**Governmental Activities:** Property taxes 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. The Town is pursuing a major economic development project that has the potential to dramatically increase the Town's taxable property value.

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

**Business-type Activities:** The Town's water plant was expected to be in full operation after its recent renovation. However, staff illness and training has delayed full operation. The Town anticipates once this occurs water costs purchased from the County will decline. The Town 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. Additionally, the Town entered into an installment purchase contract to finance the construction of Uptown waterlines for 10 annual installments of \$92,598.40 plus 2.19% interest.

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 Alex Sewell, Town Manager; PO Box 697; Wadesboro, NC 28170; 704-694-5171.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

Exhibit 1

	Primary Government			Town of Wadesboro ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,593,839	\$ 1,039,304	\$ 2,633,143	\$ 196,283
Receivables:				
Taxes receivable	262,675	-	262,675	-
Accounts receivable (net)	62,837	241,280	304,117	-
Accrued interest receivable	43,610	-	43,610	-
Due from other governments	277,668	10,237	287,905	-
Due from other funds	-	26,775	26,775	-
Inventories	31,731	120,752	152,483	80,755
Prepaid items	27,800	5,010	32,810	-
Note receivable	22,243	-	22,243	-
Restricted assets:				
Cash and cash equivalents	276,262	533,700	809,962	-
Due from other governments	-	280,076	280,076	-
Note receivable	-	82,053	82,053	-
Capital assets:				
Land and other nondepreciable assets	849,375	164,855	1,014,230	80,000
Other capital assets (net)	1,813,609	9,936,197	11,749,806	57,199
<b>TOTAL ASSETS</b>	<b>5,261,649</b>	<b>12,440,239</b>	<b>17,701,888</b>	<b>414,237</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	208,453	13,438	221,891	4,026
Accrued interest payable	-	10,834	10,834	-
Due to other governments	27	96,156	96,183	-
Due to other funds	26,775	-	26,775	-
Liabilities payable from restricted assets:				
Accounts payable	-	311,562	311,562	-
Customer deposits	-	111,080	111,080	-
Long-term liabilities:				
Due within one year	66,960	127,809	194,769	-
Due in more than one year	1,076,964	1,197,963	2,274,927	-
<b>TOTAL LIABILITIES</b>	<b>1,379,179</b>	<b>1,868,842</b>	<b>3,248,021</b>	<b>4,026</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>26,627</b>	<b>4,515</b>	<b>31,142</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,419,884	8,989,524	11,409,408	137,199
Restricted for:				
Stabilization by State statute	335,794	-	335,794	-
Streets - Powell Bill	273,822	-	273,822	-
Law enforcement	106,088	-	106,088	-
Economic and physical development	4,943	-	4,943	-
Capital outlay - park	16,994	-	16,994	-
USDA loan	2,440	-	2,440	-
Working capital	-	-	-	34,638
Unrestricted	695,878	1,577,358	2,273,236	238,374
<b>TOTAL NET POSITION</b>	<b>\$ 3,855,843</b>	<b>\$ 10,566,882</b>	<b>\$ 14,422,725</b>	<b>\$ 410,211</b>

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

TOWN OF WADESBORO, NORTH CAROLINA  
 STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2013

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating	Governmental	Primary Government	Town of
		Services	Grants and		Capital	
		Contributions	Contributions	Activities	Activities	ABC Board
<b>Governmental activities:</b>						
General government	\$ 624,279	\$ -	\$ -	\$ (624,279)	\$ -	\$ -
Public safety	2,346,282	7,766	159,112	(2,159,002)	-	-
Transportation	439,781	-	178,026	(116,264)	-	-
Economic and physical development	32,618	-	12,463	(20,155)	-	-
Environmental protection	499,800	220,919	-	(278,881)	-	-
Culture and recreation	38,709	-	-	(38,709)	-	-
Interest on long-term debt	7,486	-	-	(7,486)	-	-
Total governmental activities	<u>3,988,955</u>	<u>228,685</u>	<u>349,601</u>	<u>(3,244,776)</u>	<u>-</u>	<u>(3,244,776)</u>
<b>Business-type activities:</b>						
Water and sewer	2,386,037	2,267,758	-	-	100,068	-
<b>Component unit:</b>						
ABC Board	896,991	900,601	-	-	-	3,610
	<u>\$ 7,271,983</u>	<u>\$ 3,397,044</u>	<u>\$ 349,601</u>	<u>(3,244,776)</u>	<u>100,068</u>	<u>3,610</u>
<b>General revenues:</b>						
Taxes:						
Property taxes, levied for general purposes				1,598,194	-	-
Other taxes and licenses				1,396,501	-	-
Grants and contributions not restricted to specific programs				17,500	-	-
Investment earnings, unrestricted				3,080	261	176
Miscellaneous, unrestricted				16,010	3,619	-
Total general revenues excluding transfers and special items				<u>3,031,285</u>	<u>3,880</u>	<u>176</u>
Special item - litigation settlement				(140,000)	-	-
Transfers				(42,775)	42,775	-
Total general revenues, special items, and transfers				<u>2,848,510</u>	<u>46,655</u>	<u>176</u>
Change in net position				(396,266)	146,723	3,786
Net position, beginning				4,252,109	10,420,159	406,425
Net position, ending				<u>\$ 3,855,843</u>	<u>\$ 10,566,882</u>	<u>\$ 410,211</u>

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

**TOWN OF WADESBORO, NORTH CAROLINA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2013**

**Exhibit 3-1**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,571,902	\$ 21,937	\$ 1,593,839
Restricted cash and cash equivalents	276,262	-	276,262
Taxes receivable	262,675	-	262,675
Accounts receivable	62,837	-	62,837
Accrued interest receivable	521	-	521
Due from other governments	277,668	-	277,668
Due from component unit	-	-	-
Inventories	31,731	-	31,731
Prepaid items	27,800	-	27,800
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 2,511,396</b>	<b>\$ 21,937</b>	<b>\$ 2,533,333</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 68,453	\$ -	\$ 68,453
Due to other governments	27	-	27
Due to other funds	26,775	-	26,775
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>95,255</b>	<b>-</b>	<b>95,255</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<u>272,291</u>	<u>-</u>	<u>272,291</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventories	31,731	-	31,731
Prepaid items	27,800	-	27,800
Restricted:			
Stabilization by State statute	335,794	-	335,794
Streets - Powell Bill	273,822	-	273,822
Law enforcement	106,088	-	106,088
Economic and physical development	-	4,943	4,943
Capital outlay - park	-	16,994	16,994
USDA loan	2,440	-	2,440
Assigned:			
Fire department	8,693	-	8,693
Subsequent year's expenditures	498,592	-	498,592
Unassigned	858,890	-	858,890
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<b>2,143,850</b>	<b>21,937</b>	<b>2,165,787</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
	<u>\$ 2,511,396</u>	<u>\$ 21,937</u>	<u>\$ 2,533,333</u>

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**

**Exhibit 3-2**

**Fund balances - Total governmental funds (Exhibit 3-1)** \$ 2,165,787

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

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the fund statements. 2,662,984

Other long-term assets (accrued interest receivable from taxes) are not  
available to pay for current-period expenditures and, therefore, are  
inflows of resources in the funds. 43,089

Liabilities for earned revenues considered deferred inflows of resources  
in fund statements. 267,907

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

Accrued litigation settlement	(140,000)
Capital lease payable	(71,958)
Installment purchases payable	(171,142)
Compensated absences	(154,336)
Net pension obligation	(172,722)
Net OPEB obligation	<u>(573,766)</u>

**Net position of governmental activities (Exhibit 1)** \$ 3,855,843

**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 BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

Exhibit 4-1

	<u>General Fund</u>	<u>Total Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Ad valorem taxes	\$ 1,570,516	\$ -	\$ 1,570,516
Other taxes and licenses	196,590	-	196,590
Unrestricted intergovernmental	1,213,343	-	1,213,343
Restricted intergovernmental	352,916	12,463	365,379
Permits and fees	6,373	-	6,373
Sales and services	221,269	-	221,269
Investment earnings	3,080	-	3,080
Miscellaneous	31,053	-	31,053
<b>TOTAL REVENUES</b>	<u>3,595,140</u>	<u>12,463</u>	<u>3,607,603</u>
<b>EXPENDITURES:</b>			
Current:			
General government	658,927	-	658,927
Public safety	2,122,246	-	2,122,246
Transportation	435,937	-	435,937
Economic and physical development	20,098	12,520	32,618
Environmental protection	477,268	-	477,268
Culture and recreation	28,262	-	28,262
Debt service:			
Principal retirement	65,414	-	65,414
Interest and fees	7,486	-	7,486
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>3,815,638</u>	<u>12,520</u>	<u>3,828,158</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(220,498)</u>	<u>(57)</u>	<u>(220,555)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from other funds	-	5,000	5,000
Transfers to other funds	(47,775)	-	(47,775)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(47,775)</u>	<u>5,000</u>	<u>(42,775)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(268,273)	4,943	(263,330)
<b>FUND BALANCES, beginning</b>	<u>2,412,123</u>	<u>16,994</u>	<u>2,429,117</u>
<b>FUND BALANCES, ending</b>	<u>\$ 2,143,850</u>	<u>\$ 21,937</u>	<u>\$ 2,165,787</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, 2013**

**Exhibit 4-2**

**Net change in fund balances - total governmental funds (Exhibit 4-1)** \$ (263,330)

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)	99,105
Net book value of disposed capital assets not recorded in the fund statements	-
Depreciation expense for governmental funds	(220,602)

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	4,218
Change in unavailable revenue for tax revenues	24,382
Amount of donated assets	139,261

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

New debt issued during the year	-
Principal payments on debt owed	65,414

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 accrued litigation settlement	(140,000)
Change in compensated absences	7,046
Change in net pension obligation	1,533
Change in OPEB obligation	<u>(154,155)</u>

**Total change in net position of governmental activities (Exhibit 2)** \$ (396,266)

**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, 2013**

**Exhibit 5**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES:</b>				
Ad valorem taxes	\$ 1,543,000	\$ 1,543,000	\$ 1,570,516	\$ 27,516
Other taxes and licenses	141,000	141,000	196,590	55,590
Unrestricted intergovernmental	1,201,500	1,201,500	1,213,343	11,843
Restricted intergovernmental	901,680	901,680	352,916	(548,764)
Permits and fees	5,000	5,000	6,373	1,373
Sales and services	221,250	221,250	221,269	19
Investment earnings	8,000	8,000	3,080	(4,920)
Miscellaneous	38,540	52,540	31,053	(21,487)
<b>TOTAL REVENUES</b>	<u>4,059,970</u>	<u>4,073,970</u>	<u>3,595,140</u>	<u>(478,830)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	660,115	700,017	658,927	41,090
Public safety	2,265,593	2,269,593	2,122,246	147,347
Transportation	1,061,878	1,044,878	435,937	608,941
Economic and physical development	-	20,098	20,098	-
Environmental protection	467,292	508,792	477,268	31,524
Culture and recreation	48,251	38,251	28,262	9,989
Debt service:				
Principal retirement	52,109	51,229	65,414	(14,185)
Interest and fees	8,275	9,155	7,486	1,669
Contingency	75,000	55,000	-	55,000
<b>TOTAL EXPENDITURES</b>	<u>4,638,513</u>	<u>4,697,013</u>	<u>3,815,638</u>	<u>881,375</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(578,543)</u>	<u>(623,043)</u>	<u>(220,498)</u>	<u>402,545</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	49,000	49,000	-	(49,000)
Transfers to other funds	(21,000)	(21,000)	(47,775)	(26,775)
Sale of capital assets	2,000	2,000	-	(2,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>30,000</u>	<u>30,000</u>	<u>(47,775)</u>	<u>(77,775)</u>
<b>REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES</b>	<u>(548,543)</u>	<u>(593,043)</u>	<u>(268,273)</u>	<u>324,770</u>
<b>APPROPRIATED FUND BALANCE</b>	<u>548,543</u>	<u>593,043</u>	<u>-</u>	<u>(593,043)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(268,273)</u>	<u>\$ (268,273)</u>
<b>FUND BALANCE, beginning</b>			<u>2,412,123</u>	
<b>FUND BALANCE, ending</b>			<u>\$ 2,143,850</u>	

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

TOWN OF WADESBORO, NORTH CAROLINA  
 STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
 June 30, 2013

Exhibit 6

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,039,304
Accounts receivable (net)	241,280
Due from other governments	10,237
Due from other funds	26,775
Inventories	120,752
Prepaid items	5,010
Restricted assets:	
Cash and cash equivalents	533,700
Due from other governments	280,076
	<u>2,257,134</u>
<b>TOTAL CURRENT ASSETS</b>	

**NONCURRENT ASSETS**

Restricted note receivable	<u>82,053</u>
Capital assets:	
Land and other nondepreciable assets	164,855
Other capital assets (net)	9,936,197
Total capital assets	<u>10,101,052</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>10,183,105</u>

**TOTAL ASSETS** 12,440,239

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	13,438
Accrued interest payable	10,834
Due to other governments	96,156
Liabilities payable from restricted assets:	
Accounts payable	311,562
Customer deposits	111,080
Capital lease and installment purchases payable, current portion	127,809
<b>TOTAL CURRENT LIABILITIES</b>	<u>670,879</u>

**NONCURRENT LIABILITIES**

Accrued vacation pay	39,619
Capital lease and installment purchases payable, net of current portion	983,719
Net OPEB obligation	174,625
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>1,197,963</u>

**TOTAL LIABILITIES** 1,868,842

**DEFERRED INFLOWS OF RESOURCES**

4,515

**NET POSITION**

Net investment in capital assets	8,989,524
Unrestricted	1,577,358
	<u>1,577,358</u>

**TOTAL NET POSITION** \$ 10,566,882

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

**TOWN OF WADESBORO, NORTH CAROLINA**

**Exhibit 7**

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

**PROPRIETARY FUNDS**

**For the Year Ended June 30, 2013**

<b>OPERATING REVENUES</b>	
Water sales	\$ 1,023,889
Sewer charges	1,188,503
Other operating revenues	<u>55,366</u>
<b>TOTAL OPERATING REVENUES</b>	<u>2,267,758</u>
<b>OPERATING EXPENSES</b>	
Water department	1,063,489
Sewer department	999,423
Depreciation	<u>305,141</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,368,053</u>
<b>OPERATING LOSS</b>	<u>(100,295)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	261
Interest and fees	(17,984)
Other revenues	<u>3,619</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(14,104)</u>
<b>LOSS BEFORE CONTRIBUTIONS AND TRANSFERS</b>	(114,399)
<b>CAPITAL CONTRIBUTIONS</b>	218,347
<b>TRANSFERS</b>	<u>42,775</u>
<b>CHANGE IN NET POSITION</b>	146,723
<b>NET POSITION, beginning</b>	<u>10,420,159</u>
<b>NET POSITION, ending</b>	<u>\$ 10,566,882</u>

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 2,149,221
Cash paid for goods and services	(1,536,576)
Cash paid to employees for services	(481,572)
Customer deposits received	24,292
Customer deposits returned	(21,462)
Other operating revenues	<u>55,366</u>

**NET CASH PROVIDED BY  
OPERATING ACTIVITIES** 189,269

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Increase in due from other funds	(26,775)
Transfers from other funds	42,775
Other nonoperating revenues	<u>3,619</u>

**NET CASH PROVIDED BY  
NONCAPITAL FINANCING ACTIVITIES** 19,619

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

Acquisition and construction of capital assets	(827,915)
Loan proceeds	925,984
Capital contributions - State grants	83,447
Principal paid on debt	(34,069)
Interest paid on debt	<u>(7,150)</u>

**NET CASH PROVIDED BY CAPITAL AND  
RELATED FINANCING ACTIVITIES** 140,297

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment earnings	<u>261</u>
---------------------	------------

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 349,446

**CASH AND CASH EQUIVALENTS, beginning** 1,223,558

**CASH AND CASH EQUIVALENTS, ending** \$ 1,573,004

**TOWN OF WADESBORO, NORTH CAROLINA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2013**

**Exhibit 8  
Page 2 of 2**

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

Cash and cash equivalents in current assets	\$ 1,039,304
Cash and cash equivalents in restricted assets	<u>533,700</u>
	<u>\$ 1,573,004</u>

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

Operating loss	\$ (100,295)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	305,141
(Increase) decrease in:	
Accounts receivable	(67,686)
Due from other governments	(2,836)
Inventories	(17,713)
Prepaid items	(5,010)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(7,114)
Due to other governments	7,735
Customer deposits	2,830
Compensated absences payable	4,176
Net OPEB obligation	65,526
Deferred inflows of resources	<u>4,515</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 189,269</u>

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

**B. BASIS OF PRESENTATION**

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

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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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program

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expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. BUDGETARY DATA**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Funds and the Capital Projects Funds. The enterprise fund projects are consolidated with the Water and Sewer Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a department without limitations and without a report being required. He or she may also transfer appropriations between functional areas within a fund with an official report on such transfer at the next regular meeting of the Council. During the year, several amendments to the original budget were necessary. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**DEPOSITS AND INVESTMENTS**

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The 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.

**CASH AND CASH EQUIVALENTS**

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
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**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. Cash is also restricted for the portion required by USDA to be reserved for debt service requirements.

**AD VALOREM TAXES RECEIVABLE**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2012.

**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.

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

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

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

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – prepaid taxes and licenses, property taxes and licenses receivable, and unearned revenues on a promissory note receivable.

**LONG-TERM OBLIGATIONS**

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

**COMPENSATED ABSENCES**

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

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Employees of the ABC Board may accumulate up to 25 days of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**NET POSITION/FUND BALANCES**

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
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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.

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

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

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

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

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

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

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

**Restricted for USDA loan** – portion of fund balance restricted for debt service as required by the U.S. Department of Agriculture. This amount equals 10% of annual debt service to be set aside until one annual payment is held in reserve.

**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.

**TOWN OF WADESBORO, NORTH CAROLINA**  
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Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

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

**A. SIGNIFICANT VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS**

Noncompliance with North Carolina General Statutes

*Daily deposits:* During the year ended June 30, 2013, the Town did not make daily deposits as required by State law [G.S. 159-32] in two documented instances. Both instances involved water meter deposits. The Town plans to implement review procedures to ensure compliance with daily deposit requirements in the future.

*Debt service appropriations:* During the year ended June 30, 2013, the Town did not make appropriations for the full amount estimated for debt service for the year. The Town plans to implement procedures and controls to ensure appropriations adequate to cover the full amount estimated for debt service each year.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended June 30, 2013, the expenditures made exceeded the authorized appropriations made by the governing board in the Town's General Fund for principal retirement and transfers to other funds, in the Town's Water and Sewer Fund for principal retirement, interest and fees, and transfers to other funds, and in the Wadesboro Water Plant Disinfection By-Products Project Fund for inspection. The Town plans to implement review procedures in the future to ensure 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

**TOWN OF WADESBORO, NORTH CAROLINA**  
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deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2013, the Town's deposits had a carrying amount of \$3,383,325 and a bank balance of \$3,449,620. The carrying amount of deposits for the ABC Board was \$194,783 and the bank balance was \$266,821. 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, 2013, the Town's and ABC Board's bank balances exceeded federally insured limits by \$2,699,620 and \$16,821, respectively. All deposits of the Town and the ABC Board are insured or collateralized under the Pooling Method. At June 30, 2013, the Town's and the ABC Board's petty cash totaled \$500 and \$1,500, respectively.

**INVESTMENTS**

At June 30, 2013, the Town's investments consisted of \$59,280 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, 2013, the Town's investment balances were as follows:

	<u>Reported Value</u>	<u>Fair Value</u>
North Carolina Capital Management Trust Cash Portfolio	<u>\$ 59,280</u>	<u>\$ 59,280</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>104,500</u>
	<u>\$ 104,500</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
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**CAPITAL ASSETS**

**Primary Government:**

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><i>Governmental activities:</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 571,882	\$ -	\$ -	\$ 571,882
Construction in progress	<u>124,948</u>	<u>152,545</u>	<u>-</u>	<u>277,493</u>
Total capital assets not being depreciated	<u>696,830</u>	<u>152,545</u>	<u>-</u>	<u>849,375</u>
<b>Capital assets being depreciated:</b>				
Buildings	638,010	-	-	638,010
Land improvements	258,150	-	-	258,150
Infrastructure	165,443	-	-	165,443
Equipment	939,742	41,321	-	981,063
Vehicles and motorized equipment	<u>2,222,075</u>	<u>44,500</u>	<u>1,500</u>	<u>2,265,075</u>
Total capital assets being depreciated	<u>4,223,420</u>	<u>85,821</u>	<u>1,500</u>	<u>4,307,741</u>
Less accumulated depreciation for:				
Buildings	218,195	14,899	-	233,094
Land improvements	13,970	8,057	-	22,027
Infrastructure	17,908	3,309	-	21,217
Equipment	690,483	53,599	-	744,082
Vehicles and motorized equipment	<u>1,334,474</u>	<u>140,738</u>	<u>1,500</u>	<u>1,473,712</u>
Total accumulated depreciation	<u>2,275,030</u>	<u>220,602</u>	<u>1,500</u>	<u>2,494,132</u>
Total capital assets being depreciated, net	<u>1,948,390</u>			<u>1,813,609</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 2,645,220</u>			<u>\$ 2,662,984</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 6,450
Public safety	148,254
Transportation	19,744
Environmental protection	35,707
Culture and recreation	<u>10,447</u>
	<u>\$ 220,602</u>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><i>Business-type activities:</i></b>				
<b><i>Water and Sewer Fund:</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 21,552	\$ -	\$ -	\$ 21,552
Construction in progress	<u>140,190</u>	<u>128,645</u>	<u>125,532</u>	<u>143,303</u>
Total capital assets not being depreciated	<u>161,742</u>	<u>128,645</u>	<u>125,532</u>	<u>164,855</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	17,389,742	953,081	-	18,342,823
Vehicles and motorized equipment	<u>975,511</u>	<u>35,087</u>	-	<u>1,010,598</u>
Total capital assets being depreciated	<u>18,365,253</u>	<u>988,168</u>	-	<u>19,353,421</u>
Less accumulated depreciation for:				
Plant and distribution systems	8,371,408	252,041	-	8,623,449
Vehicles and motorized equipment	<u>740,675</u>	<u>53,100</u>	-	<u>793,775</u>
Total accumulated depreciation	<u>9,112,083</u>	<u>305,141</u>	-	<u>9,417,224</u>
Total capital assets being depreciated, net	<u>9,253,170</u>			<u>9,936,197</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 9,414,912</u>			<u>\$ 10,101,052</u>

Depreciation expense for the year ended June 30, 2013, was \$305,141.

**Construction commitments**

The Town had various active construction projects at June 30, 2013. The projects are to be funded largely by State grants. The Town's commitments with contractors, engineers, and administrators at June 30, 2013, were as follows:

East Wade Street bridge project	\$ 13,622
Uptown Wadesboro water project	142,937
Cobb Vantress infrastructure project	25,256
Lewis Street infrastructure project	46,000
Asset Management/Mapping project	<u>28,276</u>
	<u>\$ 256,091</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, 2013, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
<b>Capital assets being depreciated:</b>				
Land improvements	14,060	-	-	14,060
Building	248,883	32,142	-	281,025
Equipment	143,075	-	-	143,075
Total capital assets being depreciated	<u>406,018</u>	<u>32,142</u>	<u>-</u>	<u>438,160</u>
Less accumulated depreciation for:				
Land improvements	8,905	937	-	9,842
Building	248,883	379	-	249,262
Equipment	114,475	7,382	-	121,857
Total accumulated depreciation	<u>372,263</u>	<u>8,698</u>	<u>-</u>	<u>380,961</u>
Total capital assets being depreciated, net	<u>33,755</u>			<u>57,199</u>
<b>ABC capital assets, net</b>	<u>\$ 113,755</u>			<u>\$ 137,199</u>

Depreciation expense for the year ended June 30, 2013, was \$8,698.

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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 6.74% and 6.77%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.74% 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, 2013, 2012, and 2011, were \$153,277, \$158,120, and \$141,209, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011, were \$7,682, \$7,730, \$6,989, 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, 2012, the Separation Allowance's membership consisted of four retirees receiving benefits and 28 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, 2012, 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	\$ 41,648
Interest on net pension obligation	8,713
Adjustment to annual required contribution	<u>(10,844)</u>
Annual pension cost	39,517
Employer contributions made	<u>(41,050)</u>
Increase (decrease) in net pension obligation	(1,533)
Net pension obligation, beginning of year	<u>174,255</u>
Net pension obligation, end of year	<u>\$ 172,722</u>

*3 Year Trend Information*

Year Ended <u>June 30,</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2011	\$ 41,494	110.62%	\$ 176,477
2012	38,828	105.72%	174,255
2013	39,517	103.88%	172,722

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*Funded Status and Funding Progress:*

As of December 31, 2012, 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 \$353,923. The covered payroll (annual payroll of active employees covered by the plan) was \$1,019,901, and the ratio of the UAAL to the covered payroll was 34.70 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 and General Employees**

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

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013, were \$55,776, which consisted of \$48,616 from the Town and \$7,160 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, 2013, were \$74,564, which consisted of \$51,736 from the Town and \$22,828 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

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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

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covered payroll, respectively. Contributions from retirees total \$26,460. 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	\$ 293,532
Interest on net OPEB obligation	21,148
Adjustment to annual required contribution	<u>(20,203)</u>
Annual OPEB cost (expense)	294,477
Contributions made	<u>(74,796)</u>
Increase in net OPEB obligation	219,681
Net OPEB obligation, beginning of year	<u>528,710</u>
Net OPEB obligation, end of year	<u><u>\$ 748,391</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, 2013, were as follows:

Fiscal Year	Annual	Percentage	Net OPEB
<u>Ended</u>	<u>OPEB Cost</u>	<u>of AOC</u>	<u>Obligation</u>
	<u>Contributed</u>		
6/30/11	\$ 234,526	27.5%	\$ 352,897.
6/30/12	250,945	29.9%	528,710
6/30/13	294,477	25.4%	748,391

*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

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supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include 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.

**OTHER EMPLOYMENT BENEFITS**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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, 2013, the Town made contributions to the State for death benefits of \$-0-. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively. For the year ended June 30, 2013, the ABC Board made contributions to the State for death benefits of \$-0-, which represented 0.00% 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.

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**DEFERRED INFLOWS OF RESOURCES**

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (General)	\$ 262,675	\$ -
Licenses (General)	5,232	-
Promissory note receivable (General)	-	22,243
Prepaid licenses (General)	-	-
Prepaid taxes (General)	-	4,384
Prepaid utility payments (Water and Sewer)	-	4,515
Total	<u>\$ 267,907</u>	<u>\$ 31,142</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, 2013.

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 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.

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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.

**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, 2013, the Town leased equipment valued at:

Class of property:	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 142,752	\$ 34,019	\$ 108,733

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending		
<u>June 30,</u>		
2014		\$ 30,002
2015		30,002
2016		<u>30,002</u>
	Total minimum lease payments	90,006
	Less: amounts representing interest	<u>(3,349)</u>
	Present value of the minimum lease payments	<u>\$ 86,657</u>

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**2. Installment Purchases Payable**

Installment purchases payable consisted of the following at June 30, 2013:

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.	\$ 26,210
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.	170,845
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.	48,940
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.	95,992
On December 17, 2012, the Town entered into an installment purchase contract with Branch Banking and Trust Company to finance the construction of uptown water lines. The financing contract requires 10 annual installments of \$92,598.40 plus interest at 2.19%, beginning December 13, 2013. The contract is serviced by the Water and Sewer Fund.	<u>925,984</u>
<b>TOTAL INSTALLMENT PURCHASES PAYABLE</b>	<b><u>\$ 1,267,971</u></b>

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The future minimum payments of the installment purchases as of June 30, 2013, are as follows:

Year ending <u>June 30,</u>	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 43,723	\$ 4,575	\$ 122,708	\$ 25,988
2015	17,936	3,031	123,819	22,849
2016	18,372	2,595	124,972	19,668
2017	18,819	2,148	126,167	16,445
2018	72,292	3,794	127,406	13,179
2019-2023	-	-	471,757	30,608
	<u>\$ 171,142</u>	<u>\$ 16,143</u>	<u>\$ 1,096,829</u>	<u>\$ 128,737</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, 2013:

	Balance <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
Capital lease	\$ 94,757	\$ -	\$ 22,799	\$ 71,958	\$ 23,237
Installment purchases payable	213,757	-	42,615	171,142	43,723
Compensated absences	161,382	-	7,046	154,336	-
Net pension obligation	174,255	-	1,533	172,722	-
Net OPEB obligation	419,611	154,155	-	573,766	-
	<u>\$ 1,063,762</u>	<u>\$ 154,155</u>	<u>\$ 73,993</u>	<u>\$ 1,143,924</u>	<u>\$ 66,960</u>
<b>Business-type activities:</b>					
Capital lease	\$ 19,704	\$ -	\$ 5,005	\$ 14,699	\$ 5,101
Installment purchases payable	199,909	925,984	29,064	1,096,829	122,708
Compensated absences	35,443	4,176	-	39,619	-
Net OPEB obligation	109,099	65,526	-	174,625	-
	<u>\$ 364,155</u>	<u>\$ 995,686</u>	<u>\$ 34,069</u>	<u>\$ 1,325,772</u>	<u>\$ 127,809</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, 2013, Town of Wadesboro had a legal debt margin of \$25,566,902.

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**C. INTERFUND BALANCES AND ACTIVITY**

Transfers due to/from other funds at June 30, 2013, consist of the following:

	<u>From</u>	<u>To</u>
<b>General Fund:</b>		
To Cobb Vantress Infrastructure Project Fund	\$ -	\$ 42,775
To Gardenscape Building Re-Use Project Fund	-	5,000
<b>Special Revenue Funds:</b>		
Gardenscape Building Re-Use Project Fund:		
From General Fund	5,000	-
<b>Enterprise Funds:</b>		
Water and Sewer Fund:		
To Wadesboro Water Plant Disinfection Project Fund	-	50,000
To Uptown Wadesboro Water/Lennox Dr. Sewer Project Fund	-	10,000
To Cobb Vantress Infrastructure Project Fund	-	34,500
To Lewis Street Infrastructure Project Fund	-	25,000
Wadesboro Water Plant Disinfection Project Fund:		
From Water and Sewer Fund	50,000	-
Uptown Wadesboro Water/Lennox Dr. Sewer Project Fund:		
From Water and Sewer Fund	10,000	-
Cobb Vantress Infrastructure Project Fund:		
From General Fund	42,775	-
From Water and Sewer Fund	34,500	-
Lewis Street Infrastructure Project Fund:		
From Water and Sewer Fund	<u>25,000</u>	<u>-</u>
	<u>\$ 167,275</u>	<u>\$ 167,275</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.

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**D. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS**

For the fiscal year ended June 30, 2013, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$8,856 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, 2013, there were no such payments. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its discretion for eligible firemen or their departments.

**NOTE 4 – JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with 9 counties and approximately 70 other municipalities, is a member of the Centralina Council of Governments (Council). The Council coordinates various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,366 to the Council during the fiscal year ended June 30, 2013.

**NOTE 5 – JOINT VENTURES**

***Firemen's Relief Fund***

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2013, 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, 2013. 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.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

***Rocky River Rural Planning Organization***

The Town participates in a joint venture, Rocky River Rural Planning Organization (RPO), with 3 counties and 13 other municipalities to work cooperatively with each other and the North Carolina Department of Transportation to enhance transportation planning opportunities for rural areas in the region. Rocky River RPO is the only RPO in the State not housed in a Council of Governments. The RPO's fiscal agent is the County of Stanly. None of the participating governments have any equity interest in the RPO, so no equity interest has been reflected in the financial statements at June 30, 2013. In accordance with the agreement between the participating governments and the RPO, the Town paid \$400 to the RPO during the fiscal year ended June 30, 2013, for membership dues. Complete financial statements for the RPO may be obtained from the RPO's office at 1000 North First Street, Suite 17, Albemarle, North Carolina 28001.

**NOTE 6 – RELATED ORGANIZATIONS**

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

**NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**NOTE 8 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENT/SPECIAL ITEM**

On November 21, 2012, the Anson County Arts Council filed a complaint against the Town alleging negligence on the part of the Town in administering a HUD grant. The Arts Council and the Town went through mediation and reached a settlement on August 16, 2013, for \$140,000 plus a sponsorship of \$6,250. As of June 30, 2013, the Town has accrued the settlement of \$140,000 as a special item in the government-wide financial statements.

**NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES**

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position.

## **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 Payroll for Year Ending on Val Date (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (b)					
12/31/2006	\$ -	\$ 256,636	\$ 256,636	0.00%	\$ 806,226	31.83%	
12/31/2007	-	314,991	314,991	0.00%	855,081	36.84%	
12/31/2008	-	324,028	324,028	0.00%	797,835	40.61%	
12/31/2009	-	390,832	390,832	0.00%	935,975	41.76%	
12/31/2010	-	365,476	365,476	0.00%	958,992	38.11%	
12/31/2011	-	358,347	358,347	0.00%	965,409	37.12%	
12/31/2012	-	353,923	353,923	0.00%	1,019,901	34.70%	

**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%
2013	39,517	103.88%

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**Notes to the Required Schedules:**

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 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 Liability (AAL) - Projected Unit Credit (b)	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)
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>
2011	\$ 234,526	27.50%
2012	250,945	29.90%
2013	294,477	25.40%

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**Notes to the Required Schedules:**

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

Valuation date	12/31/2011
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, 2013**

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

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$ 1,467,000	\$ 1,551,122	\$ 84,122
Penalties and interest	76,000	19,394	(56,606)
Total	<u>1,543,000</u>	<u>1,570,516</u>	<u>27,516</u>
<b>Other taxes and licenses:</b>			
Gross receipts tax on short-term rental property	-	151	151
Privilege licenses	11,000	69,662	58,662
Wadesboro Fire District Tax	130,000	126,777	(3,223)
Total	<u>141,000</u>	<u>196,590</u>	<u>55,590</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales tax	802,000	824,081	22,081
Telecommunications sales tax	60,500	52,592	(7,908)
Transitional hold harmless	30,000	39,083	9,083
Utility franchise tax	210,000	191,329	(18,671)
Piped natural gas tax	-	19,437	19,437
Video programming fee	41,000	36,327	(4,673)
Beer and wine tax	24,000	22,545	(1,455)
ABC profit distribution	34,000	17,500	(16,500)
Payments in lieu of taxes	-	10,449	10,449
Total	<u>1,201,500</u>	<u>1,213,343</u>	<u>11,843</u>
<b>Restricted intergovernmental:</b>			
Powell Bill allocation	300,000	178,026	(121,974)
Public safety grants	91,500	47,835	(43,665)
Controlled substance tax	3,000	3,252	252
Contributions from school system	87,000	86,580	(420)
ABC revenue for law enforcement	4,000	4,000	-
Transportation grant	400,000	12,631	(387,369)
Solid waste disposal tax	4,000	3,146	(854)
Drug forfeitures	-	8,590	8,590
On-behalf payments - Fire and Rescue	12,180	8,856	(3,324)
Total	<u>901,680</u>	<u>352,916</u>	<u>(548,764)</u>
<b>Permits and fees:</b>			
Fire inspection fees	3,500	4,525	1,025
Rezoning and variance fees	1,500	1,848	348
Total	<u>5,000</u>	<u>6,373</u>	<u>1,373</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, 2013**

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

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES - CONTINUED:</b>			
<b>Sales and services:</b>			
Refuse collection	220,000	220,919	919
Rent received on property	1,250	350	(900)
Total	<u>221,250</u>	<u>221,269</u>	<u>19</u>
<b>Investment earnings</b>	<u>8,000</u>	<u>3,080</u>	<u>(4,920)</u>
<b>Miscellaneous</b>	<u>52,540</u>	<u>31,053</u>	<u>(21,487)</u>
<b>TOTAL REVENUES</b>	<u>4,073,970</u>	<u>3,595,140</u>	<u>(478,830)</u>
<b>EXPENDITURES:</b>			
<b>General government:</b>			
Governing body:			
Salaries and employee benefits	-	27,101	-
Professional services	-	52,519	-
Total	<u>96,101</u>	<u>79,620</u>	<u>16,481</u>
Administration:			
Salaries and employee benefits	-	326,336	-
Other operating expenditures	-	174,323	-
Capital outlay	-	6,703	-
Total	<u>523,093</u>	<u>507,362</u>	<u>15,731</u>
Garage:			
Salaries and employee benefits	-	46,783	-
Other operating expenditures	-	25,162	-
Total	<u>80,823</u>	<u>71,945</u>	<u>8,878</u>
<b>Total general government</b>	<u>700,017</u>	<u>658,927</u>	<u>41,090</u>
<b>Public safety:</b>			
Police:			
Salaries and employee benefits	-	1,561,439	-
Other operating expenditures	-	247,284	-
Capital outlay	-	1,666	-
Total	<u>1,930,539</u>	<u>1,810,389</u>	<u>120,150</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, 2013**

	Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES - CONTINUED:</b>			
Fire:			
Salaries and employee benefits	-	182,804	-
Other operating expenditures	-	106,197	-
Capital outlay	-	14,000	-
On-behalf payments - Fire and Rescue	-	8,856	-
Total	<u>339,054</u>	<u>311,857</u>	<u>27,197</u>
<b>Total public safety</b>	<u>2,269,593</u>	<u>2,122,246</u>	<u>147,347</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	75,588	-
Other operating expenditures	-	183,828	-
Capital outlay	-	12,550	-
Total	<u>297,428</u>	<u>271,966</u>	<u>25,462</u>
Powell Bill:			
Salaries and employee benefits	-	93,000	-
Other operating expenditures	-	51,285	-
Capital outlay	-	19,686	-
Total	<u>747,450</u>	<u>163,971</u>	<u>583,479</u>
<b>Total transportation</b>	<u>1,044,878</u>	<u>435,937</u>	<u>608,941</u>
<b>Economic and physical development:</b>			
Economic development incentives	<u>20,098</u>	<u>20,098</u>	<u>-</u>
<b>Environmental protection:</b>			
Sanitation:			
Salaries and employee benefits	-	351,401	-
Other operating expenditures	-	76,730	-
Contracted services	-	4,637	-
Capital outlay	-	44,500	-
<b>Total environmental protection</b>	<u>508,792</u>	<u>477,268</u>	<u>31,524</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, 2013

Exhibit A-1  
 Page 4 of 4

	Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES - CONTINUED:</b>			
<b>Culture and recreation:</b>			
Parks and recreation:			
Salaries and employee benefits	-	13,084	-
Other operating expenditures	-	15,178	-
<b>Total culture and recreation</b>	<u>38,251</u>	<u>28,262</u>	<u>9,989</u>
<b>Debt service:</b>			
Principal retirement	51,229	65,414	(14,185)
Interest and fees	9,155	7,486	1,669
<b>Total debt service</b>	<u>60,384</u>	<u>72,900</u>	<u>(12,516)</u>
Contingency	55,000	-	55,000
<b>TOTAL EXPENDITURES</b>	<u>4,697,013</u>	<u>3,815,638</u>	<u>881,375</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(623,043)</u>	<u>(220,498)</u>	<u>402,545</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	49,000	-	(49,000)
Transfers to other funds	(21,000)	(47,775)	(26,775)
Sale of capital assets	2,000	-	(2,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>30,000</u>	<u>(47,775)</u>	<u>(17,775)</u>
<b>REVENUES AND OTHER SOURCES UNDER     EXPENDITURES AND OTHER USES</b>	<u>(593,043)</u>	<u>(268,273)</u>	<u>324,770</u>
<b>APPROPRIATED FUND BALANCE</b>	<u>593,043</u>	-	<u>(593,043)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(268,273)</u>	<u>\$ (268,273)</u>
<b>FUND BALANCE, beginning</b>		<u>2,412,123</u>	
<b>FUND BALANCE, ending</b>		<u>\$ 2,143,850</u>	

**TOWN OF WADESBORO, NORTH CAROLINA**  
**BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

**Exhibit B-1**

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

**Exhibit B-2**

	Wadesboro Park Project Fund	Gardenscape Building Re-use Project Fund	Totals
	<u>        </u>	<u>        </u>	<u>        </u>
<b>REVENUES:</b>			
Restricted intergovernmental	\$ -	\$ 12,463	\$ 12,463
<b>EXPENDITURES:</b>			
Economic and physical development	-	12,520	12,520
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>12,520</u>	<u>12,520</u>
<b>REVENUES UNDER EXPENDITURES</b>	-	(57)	(57)
<b>OTHER FINANCING SOURCES:</b>			
Transfers from other funds	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	4,943	4,943
<b>FUND BALANCE, beginning</b>	<u>16,994</u>	<u>-</u>	<u>16,994</u>
<b>FUND BALANCE, ending</b>	<u>\$ 16,994</u>	<u>\$ 4,943</u>	<u>\$ 21,937</u>

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit B-3

WADESBORO PARK PROJECT FUND

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

From Inception and for the Year Ended June 30, 2013

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

TOWN OF WADESBORO, NORTH CAROLINA  
 GARDENSCAPE BUILDING RE-USE PROJECT FUND

Exhibit B-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2013

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND**  
**ACTUAL (NON-GAAP) - WATER AND SEWER FUND**  
**For the Year Ended June 30, 2013**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Operating Revenues:			
Water sales	\$ 960,000	\$ 1,023,889	\$ 63,889
Sewer charges	1,300,000	1,188,503	(111,497)
Other operating revenues	<u>54,000</u>	<u>55,366</u>	<u>1,366</u>
Total operating revenues	<u>2,314,000</u>	<u>2,267,758</u>	<u>(46,242)</u>
Nonoperating Revenues:			
State grant	79,200	-	(79,200)
Investment earnings	4,000	39	(3,961)
Miscellaneous	<u>1,000</u>	<u>3,619</u>	<u>2,619</u>
Total nonoperating revenues	<u>84,200</u>	<u>3,658</u>	<u>(80,542)</u>
<b>TOTAL REVENUES</b>	<u>2,398,200</u>	<u>2,271,416</u>	<u>(126,784)</u>
<b>EXPENDITURES:</b>			
Water Operations:			
Salaries and employee benefits	-	524,228	-
Water purchases	-	225,552	-
Repairs and maintenance	-	47,002	-
Other operating expenditures	<u>-</u>	<u>213,424</u>	<u>-</u>
Total	<u>1,013,066</u>	<u>1,010,206</u>	<u>2,860</u>
Sewer Operations:			
Salaries and employee benefits	-	123,128	-
Contracted services	-	782,235	-
Repairs and maintenance	-	13,621	-
Other operating expenditures	<u>-</u>	<u>68,196</u>	<u>-</u>
Total	<u>1,227,893</u>	<u>987,180</u>	<u>240,713</u>
Debt Service:			
Interest and fees	7,118	7,150	(32)
Principal retirement	<u>33,300</u>	<u>34,069</u>	<u>(769)</u>
Total	<u>40,418</u>	<u>41,219</u>	<u>(801)</u>
Capital outlay	<u>190,000</u>	<u>35,087</u>	<u>154,913</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, 2013**

	Final Budget	Actual	Variance Positive (Negative)
<b>TOTAL EXPENDITURES</b>	<u>2,471,377</u>	<u>2,073,692</u>	<u>397,685</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(73,177)</u>	<u>197,724</u>	<u>270,901</u>
<b>OTHER FINANCING USES:</b>			
Transfer to General Fund	(49,000)	-	49,000
Transfer to Enterprise Capital Project Funds	<u>(105,000)</u>	<u>(119,500)</u>	<u>(14,500)</u>
Total	<u>(154,000)</u>	<u>(119,500)</u>	<u>34,500</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(227,177)	78,224	305,401
<b>APPROPRIATED FUND BALANCE</b>	<u>227,177</u>	<u>-</u>	<u>(227,177)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 78,224</u>	<u>\$ 78,224</u>
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:</b>			
<b>NET CHANGE IN FUND BALANCE</b>		\$ 78,224	
<b>RECONCILING ITEMS:</b>			
Payment of debt principal		34,069	
Increase in interest expense accrual		(10,834)	
Capital outlay		35,087	
Depreciation		(305,141)	
Capital contributions		218,347	
Increase in net OPEB obligation		(65,526)	
Transactions from Wadesboro Water Plant Project Fund:			
Transfers		50,000	
Transactions from Uptown Wadesboro/Lennox Drive Sewer Fund:			
Investment earnings		222	
Transfers		10,000	
Transactions from Cobb Vantress Infrastructure Project Fund:			
Transfers		77,275	
Transactions from Lewis Street Infrastructure Project Fund:			
Transfers		<u>25,000</u>	
<b>CHANGE IN NET POSITION (EXHIBIT 7)</b>		<u>\$ 146,723</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, 2013

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

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-3

WADESBORO WATER PLANT DISINFECTION BY-PRODUCTS PROJECT FUND

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

From Inception and for the Year Ended June 30, 2013

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
NC Rural Center #2008-283-40101-112	\$ 500,000	\$ 366,916	\$ 101,898	\$ 468,814	\$ (31,186)
Investment earnings	-	832	-	832	832
<b>TOTAL REVENUES</b>	<u>500,000</u>	<u>367,748</u>	<u>101,898</u>	<u>469,646</u>	<u>(30,354)</u>
<b>EXPENDITURES:</b>					
Construction	794,534	642,863	118,402	761,265	33,269
Contingency	86,000	-	-	-	86,000
Engineering design	70,000	66,110	-	66,110	3,890
Inspection	46,000	46,000	4,250	50,250	(4,250)
Grant administration	28,000	21,040	1,040	22,080	5,920
Other	32,000	31,890	-	31,890	110
<b>TOTAL EXPENDITURES</b>	<u>1,056,534</u>	<u>807,903</u>	<u>123,692</u>	<u>931,595</u>	<u>124,939</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(556,534)</u>	<u>(440,155)</u>	<u>(21,794)</u>	<u>(461,949)</u>	<u>94,585</u>
<b>OTHER FINANCING SOURCES:</b>					
Loan proceeds	300,000	300,000	-	300,000	-
Transfers from other funds	256,534	201,821	50,000	251,821	(4,713)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>556,534</u>	<u>501,821</u>	<u>50,000</u>	<u>551,821</u>	<u>(4,713)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 61,666</u>	<u>28,206</u>	<u>\$ 89,872</u>	<u>\$ 89,872</u>
<b>FUND BALANCE, beginning</b>			<u>61,666</u>		
<b>FUND BALANCE, ending</b>			<u>\$ 89,872</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, 2013

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

## TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-5

## UPTOWN WADESBORO WATER/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, 2013

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
<i>Lennox Dr. sewer lines:</i>					
NC DENR funds	\$ 338,288	\$ -	\$ -	\$ -	\$ (338,288)
Investment earnings	-	-	222	222	222
<b>TOTAL REVENUES</b>	<b>338,288</b>	<b>-</b>	<b>222</b>	<b>222</b>	<b>(338,066)</b>
<b>EXPENDITURES:</b>					
<i>Uptown water lines:</i>					
Construction	1,493,468	450	577,787	578,237	915,231
Engineering/Design/Survey	89,000	89,000	-	89,000	-
Inspection	88,462	4,360	58,722	63,082	25,380
Grant administration	32,826	980	14,380	15,360	17,466
2% loan closing costs	33,879	-	1,700	1,700	32,179
Local	-	-	-	-	-
<i>Lennox Dr. sewer lines:</i>					
Construction	295,566	-	-	-	295,566
Engineering/Design/Survey	24,236	24,236	-	24,236	-
Inspection	25,123	-	-	-	25,123
Grant administration	25,000	-	32	32	24,968
Easements/Fees/Legal	10,000	-	-	-	10,000
2% loan closing costs	7,599	-	-	-	7,599
<b>TOTAL EXPENDITURES</b>	<b>2,125,159</b>	<b>119,026</b>	<b>652,621</b>	<b>771,647</b>	<b>1,353,512</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(1,786,871)</b>	<b>(119,026)</b>	<b>(652,399)</b>	<b>(771,425)</b>	<b>1,015,446</b>
<b>OTHER FINANCING SOURCES:</b>					
Loan proceeds	1,608,809	-	925,984	925,984	(682,825)
Transfers from other funds	178,062	123,362	10,000	133,362	(44,700)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,786,871</b>	<b>123,362</b>	<b>935,984</b>	<b>1,059,346</b>	<b>(727,525)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 4,336</b>	<b>283,585</b>	<b>\$ 287,921</b>	<b>\$ 287,921</b>
<b>FUND BALANCE, beginning</b>			<b>4,336</b>		
<b>FUND BALANCE, ending</b>			<b>\$ 287,921</b>		

TOWN OF WADESBORO, NORTH CAROLINA  
 COBB VANTRESS INFRASTRUCTURE PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
NC Rural Center #2012-188-40401-107	\$ 20,000	\$ -	\$ 10,831	\$ 10,831	\$ (9,169)
Community Development Block Grant	<u>260,000</u>	<u>-</u>	<u>234,478</u>	<u>234,478</u>	<u>(25,522)</u>
<b>TOTAL REVENUES</b>	<u>280,000</u>	<u>-</u>	<u>245,309</u>	<u>245,309</u>	<u>(34,691)</u>
<b>EXPENDITURES:</b>					
Construction	273,300	-	249,222	249,222	24,078
Engineering design	25,500	-	25,500	25,500	-
Inspection	15,800	-	14,000	14,000	1,800
Survey	4,400	-	2,500	2,500	1,900
Permits	1,000	-	680	680	320
Grant administration	<u>25,000</u>	<u>-</u>	<u>15,886</u>	<u>15,886</u>	<u>9,114</u>
<b>TOTAL EXPENDITURES</b>	<u>345,000</u>	<u>-</u>	<u>307,788</u>	<u>307,788</u>	<u>37,212</u>
<b>REVENUES UNDER EXPENDITURES</b>	(65,000)	-	(62,479)	(62,479)	2,521
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds	<u>65,000</u>	<u>-</u>	<u>77,275</u>	<u>77,275</u>	<u>12,275</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>14,796</u>	<u>\$ 14,796</u>	<u>\$ 14,796</u>
<b>FUND BALANCE, beginning</b>			<u>-</u>		
<b>FUND BALANCE, ending</b>			<u>\$ 14,796</u>		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-7

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

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

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
Community Development Block Grant	\$ 750,000	\$ -	\$ 4,000	\$ 4,000	\$ (746,000)
<b>EXPENDITURES:</b>					
Construction	662,300	-	135	135	662,165
Engineering design	57,200	-	-	-	57,200
Inspections	45,000	-	-	-	45,000
Survey	10,500	-	-	-	10,500
Administration	50,000	-	4,818	4,818	45,182
<b>TOTAL EXPENDITURES</b>	<b>825,000</b>	<b>-</b>	<b>4,953</b>	<b>4,953</b>	<b>820,047</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(75,000)</b>	<b>-</b>	<b>(953)</b>	<b>(953)</b>	<b>74,047</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds	75,000	-	25,000	25,000	(50,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>24,047</b>	<b>\$ 24,047</b>	<b>\$ 24,047</b>
<b>FUND BALANCE, beginning</b>			-		
<b>FUND BALANCE, ending</b>			<b>\$ 24,047</b>		

**OTHER SCHEDULES**

**TOWN OF WADESBORO, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2013**

**Exhibit D-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 1,585,206	\$ 1,459,886	\$ 125,320
2011-2012	122,075	381	68,539	53,917
2010-2011	42,556	-	9,669	32,887
2009-2010	31,291	-	10,172	21,119
2008-2009	15,151	-	5,566	9,585
2007-2008	8,598	-	2,069	6,529
2006-2007	5,148	-	785	4,363
2005-2006	3,993	-	707	3,286
2004-2005	4,345	-	411	3,934
2003-2004	2,017	-	282	1,735
2002-2003	4,041	-	4,041	-
	<u>\$ 239,215</u>	<u>\$ 1,585,587</u>	<u>\$ 1,562,127</u>	<u>\$ 262,675</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund \$ 1,570,516

Reconciling items:

Taxes written off 11,005  
Interest and penalties collected (19,394)

Total collections and credits \$ 1,562,127

**TOWN OF WADESBORO, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY**  
**For the Year Ended June 30, 2013**

**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	\$ 317,677,718	0.496	\$ 1,575,682	\$ 1,456,260	\$ 119,422
Registered motor vehicles taxed at prior year's rate	2,537,041	0.496	12,584	-	12,584
Penalties and adjustments	-		58	-	58
<b>Total</b>	<u>320,214,759</u>		<u>1,588,324</u>	<u>1,456,260</u>	<u>132,064</u>
Discoveries:					
Current year taxes	314,133	0.496	1,557	1,557	-
Prior year taxes	-		-	-	-
	<u>314,133</u>		<u>1,557</u>	<u>1,557</u>	<u>-</u>
Abatements	<u>(942,617)</u>		<u>(4,675)</u>	<u>(3,593)</u>	<u>(1,082)</u>
Total property valuation	<u>\$ 319,586,275</u>				
Net levy			1,585,206	1,454,224	130,982
Uncollected taxes at June 30, 2013			<u>(125,320)</u>	<u>(89,435)</u>	<u>(35,885)</u>
Current year's taxes collected			<u>\$ 1,459,886</u>	<u>\$ 1,364,789</u>	<u>\$ 95,097</u>
Current levy collection percentage			<u>92.09%</u>	<u>93.85%</u>	<u>72.60%</u>

**COMPLIANCE SECTION**

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

CERTIFIED PUBLIC ACCOUNTANTS

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P.O. BOX 341

WADESBORO, N.C. 28170

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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***

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 11, 2014.

Internal Control Over Financial Reporting

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

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

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

*Expertise in Financial Accounting and Reporting:*

The Town has engaged the independent auditors to prepare the basic financial statements due to lack of expertise in financial accounting and reporting. Even though the Town reviews these financial statements, we recommend the Town evaluate its present controls to ensure adequate controls are in place to prevent, identify, and correct misstatements in the financial statements.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

*Daily Deposit Violation:*

During the year ended June 30, 2013, the Town did not make daily deposits as required by State law [G.S. 159-32] in two documented instances for water meter deposits. The Town plans to implement review procedures to ensure compliance with daily deposit requirements in the future.

*Debt Service Appropriations:*

During the year ended June 30, 2013, the Town did not make appropriations for the full amount estimated for debt service for the year. The Town plans to implement procedures and controls to ensure appropriations adequate to cover the full amount estimated for debt service each year.

We noted certain other matters that we reported to management of Town of Wadesboro in a separate letter dated February 11, 2014.

Town of Wadesboro's Response to Findings

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

Purpose of this Report

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

*JB Weber & Co. LLC*

February 11, 2014

TOWN OF WADESBORO, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Grants:</b>					
<u>U.S. Department of Housing and Urban Development:</u>					
Passed-through N.C. Department of Commerce:					
CDBG - Entitlement Grants Cluster:					
Community Development Block Grant, State's Program and Non-Entitlement Grants in Hawaii					
	14.228	07-D-2390	\$ 234,478	\$ -	\$ 62,479
		11-C-2362	4,000	-	953
Total U.S. Department of Housing and Urban Development			<u>238,478</u>	<u>-</u>	<u>63,432</u>
<u>U.S. Department of Justice:</u>					
Direct Programs:					
Public Safety Partnership and Community Policing Grant					
	16.710	2009-RK-WX-0541	15,340	-	5,113
		2012-UM-WX-0122	20,698	-	6,899
Total U.S. Department of Justice			<u>36,038</u>	<u>-</u>	<u>12,012</u>
<u>U.S. Department of Transportation:</u>					
Passed-through N.C. Department of Transportation:					
Highway Planning, Research, & Construction Cluster:					
Highway Planning and Construction					
	20.205-1	B-5009	12,631	-	3,156
Highway Safety Cluster:					
State and Community Highway Safety					
	20.600	PT-2012-03-04-20	11,797	-	11,797
Total U.S. Department of Transportation			<u>24,428</u>	<u>-</u>	<u>14,953</u>
<b>Total assistance - Federal programs</b>			<u>298,944</u>	<u>-</u>	<u>90,397</u>
<b>State Grants:</b>					
<u>N.C. Department of Transportation:</u>					
Powell Bill					
		N/A	-	178,114	-
<u>N.C. General Assembly:</u>					
Passed-through The Rural Economic Development Center, Inc.:					
Clean Water Partners' Infrastructure Program					
		2008-283-40101-112	-	101,898	21,794
		2009-055-40101-112	-	-	-
			-	101,898	21,794
Economic Infrastructure Grant					
		2012-188-40401-107	-	10,831	-
Building Reuse & Restoration Grants Program					
		2012-206-60501-104	-	6,078	6,442
Total N.C. General Assembly			<u>-</u>	<u>118,807</u>	<u>28,236</u>
<b>Total assistance - State programs</b>			<u>-</u>	<u>296,921</u>	<u>28,236</u>
<b>TOTAL ASSISTANCE</b>			<u>\$ 298,944</u>	<u>\$ 296,921</u>	<u>\$ 118,633</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2013**

**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 \$2,234, to the U.S. Department of Agriculture as repayment on the loan during the year ended June 30, 2013. The unpaid balance of the loan was \$48,940 as of June 30, 2013.