

TOWN OF WADESBORO, NORTH CAROLINA
FINANCIAL STATEMENTS
Year Ended June 30, 2014

JBW

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

**TOWN OF WADESBORO, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2014**

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

**TOWN OF WADESBORO, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2014**

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

TOWN OF WADESBORO, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2014

	<u>Exhibit</u>	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION:		
Law Enforcement Officers' Special Separation Allowance:		
Schedule of Funding Progress		37
Schedule of Employer Contributions		38
Other Postemployment Benefits:		
Schedule of Funding Progress		39
Schedule of Employer Contributions		40
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-1	41
Balance Sheet - Non-major Governmental Funds	B-1	45
Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds	B-2	46
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Wadesboro Park Project Fund	B-3	47
Gardenscape Building Re-Use Project Fund	B-4	48
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	C-1	49
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Capacity Building Grant Fund	C-2	51
Wadesboro Water Plant Disinfection By-Products Project Fund	C-3	52

TOWN OF WADESBORO, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2014

	<u>Exhibit</u>	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued):		
White Store Road Water Project Fund	C-4	53
Uptown Wadesboro Water/Lennox Drive Sewer Project Fund	C-5	54
Cobb Vantress Infrastructure Project Fund	C-6	55
Lewis Street Infrastructure Project Fund - 11-C-2362	C-7	56
GrowGreen Power, Inc. Project Fund	C-8	57
 <u>OTHER SCHEDULES</u>		
Schedule of Ad Valorem Taxes Receivable	D-1	58
Analysis of Current Tax Levy - Town-wide Levy	D-2	59
 <u>COMPLIANCE SECTION</u>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		60
Schedule of Expenditures of Federal and State Awards		62

FINANCIAL SECTION

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina as of June 30, 2014, 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015, on our consideration of Town of Wadesboro, North Carolina'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, North Carolina's internal control over financial reporting and compliance.

JP Wilson & Co., PLLC

Wadesboro, North Carolina
January 29, 2015

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, 2014. 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

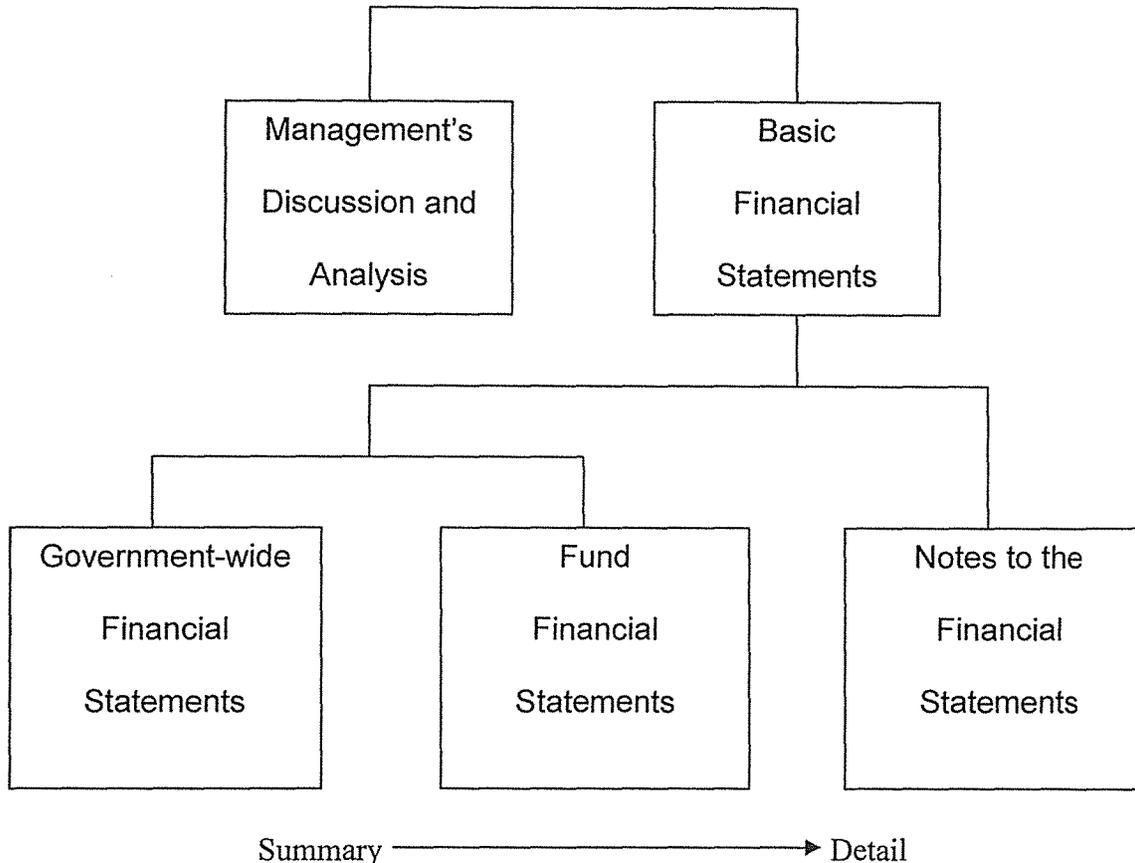
- The assets of the Town of Wadesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,530,425 (*net position*).
- The government's total net position increased by \$107,700, primarily due to aggressive measures designed to increase revenues while simultaneously cutting costs.
- As of the close of the current fiscal year, the Town of Wadesboro's governmental funds reported combined ending fund balances of \$2,111,697, a decrease of \$54,090 in comparison with the prior year.
- The decrease in fund balance was primarily due to long-term budget deficit trends 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 \$703,699 or 19% of total General Fund expenditures for the fiscal year.
- The Town of Wadesboro's total debt decreased by \$153,606 (11%) during the current fiscal year. The key factors in this decrease include the final payments on certain debt service obligations along with continued debt service payments on existing obligations.
- The requirement to present the Town's liability regarding Other Pension Employee Benefits (health insurance for retirees) is also shown as an obligation of \$986,808.

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	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 2,604,380	\$ 2,598,665	\$ 2,292,807	\$ 2,339,187	\$ 4,897,187	\$ 4,937,852
Capital assets, net	2,517,928	2,662,984	10,272,020	10,101,052	12,789,948	12,764,036
Total Assets	<u>5,122,308</u>	<u>5,261,649</u>	<u>12,564,827</u>	<u>12,440,239</u>	<u>17,687,135</u>	<u>17,701,888</u>
Liabilities						
Current and other liabilities	109,881	235,255	471,421	543,070	581,302	778,325
Long-term liabilities:						
Due within one year	41,619	66,960	151,367	127,809	192,986	194,769
Due after one year	1,238,072	1,076,964	1,121,052	1,197,963	2,359,124	2,274,927
Total Liabilities	<u>1,389,572</u>	<u>1,379,179</u>	<u>1,743,840</u>	<u>1,868,842</u>	<u>3,133,412</u>	<u>3,248,021</u>
Deferred inflows of resources	<u>20,019</u>	<u>26,627</u>	<u>3,279</u>	<u>4,515</u>	<u>23,298</u>	<u>31,142</u>
Net Position						
Net investment in capital assets	2,341,786	2,419,884	9,247,140	8,989,524	11,588,926	11,409,408
Restricted	762,738	740,081	-	-	762,738	740,081
Unrestricted	<u>608,193</u>	<u>695,878</u>	<u>1,570,568</u>	<u>1,577,358</u>	<u>2,178,761</u>	<u>2,273,236</u>
Total Net Position	<u>\$ 3,712,717</u>	<u>\$ 3,855,843</u>	<u>\$ 10,817,708</u>	<u>\$ 10,566,882</u>	<u>\$ 14,530,425</u>	<u>\$ 14,422,725</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 \$14,530,425 as of June 30, 2014. The Town's net position increased by \$107,700 for the fiscal year ended June 30, 2014. However, the largest portion (80%) 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 \$2,178,761 is unrestricted.

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

- Ad valorem taxes exceeded budget forecasts.
- Sales taxes exceeded budget forecasts.
- Sewer revenues exceeded budget forecasts.

Management's Discussion and Analysis
Town of Wadesboro

- Expenditure controls including delaying needed capital expenditures helped temper long-term deficits.

*TOWN OF WADESBORO
CHANGES IN NET POSITION
FIGURE 3*

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for services	\$ 371,789	\$ 228,685	\$ 2,636,941	\$ 2,267,758	\$ 3,008,730	\$ 2,496,443
Operating grants and contributions	348,433	349,601	18,638	-	367,071	349,601
Capital grants and contributions	35,259	165,893	309,037	218,347	344,296	384,240
General Revenues:						
Property taxes	1,702,306	1,598,194	-	-	1,702,306	1,598,194
Other taxes and licenses	1,391,733	1,396,501	-	-	1,391,733	1,396,501
Grants and contributions not restricted	20,000	17,500	-	-	20,000	17,500
Investment earnings, unrestricted	2,770	3,080	70	261	2,840	3,341
Miscellaneous, unrestricted	55,106	16,010	2,580	3,619	57,686	19,629
Total Revenues	3,927,396	3,775,464	2,967,266	2,489,985	6,894,662	6,265,449
Expenses						
Program Expenses:						
General government	696,335	624,279	-	-	696,335	624,279
Public safety	2,372,196	2,346,282	-	-	2,372,196	2,346,282
Transportation	427,505	439,781	-	-	427,505	439,781
Economic and physical development	22,322	32,618	-	-	22,322	32,618
Environmental protection	516,458	499,800	-	-	516,458	499,800
Culture and recreation	29,829	38,709	-	-	29,829	38,709
Interest on long-term debt	5,877	7,486	-	-	5,877	7,486
Water and sewer	-	-	2,716,440	2,386,037	2,716,440	2,386,037
Total Expenses	4,070,522	3,988,955	2,716,440	2,386,037	6,786,962	6,374,992
Change in net position before transfers and special item	(143,126)	(213,491)	250,826	103,948	107,700	(109,543)
Transfers	-	(42,775)	-	42,775	-	-
Special item - litigation settlement	-	(140,000)	-	-	-	(140,000)
Change in net position	(143,126)	(396,266)	250,826	146,723	107,700	(249,543)
Net Position, July 1	3,855,843	4,252,109	10,566,882	10,420,159	14,422,725	14,672,268
Net Position, June 30	\$ 3,712,717	\$ 3,855,843	\$ 10,817,708	\$ 10,566,882	\$ 14,530,425	\$ 14,422,725

Governmental activities: Governmental activities decreased the Town's net position by \$143,126. 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 \$250,826. The major reasons for the increase in water-sewer net position were utility rate increases and expense control methods including capital expenditure delays.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Wadesboro. At the end of the current fiscal year, available fund balance of the General Fund was \$1,695,571 while total fund balance was \$2,089,760. The Town currently has available fund balance of 45 percent of total General Fund expenditures, while total fund balance represents 55.5 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 \$1,570,568. The total increase in net assets for the fund was \$250,826. 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, 2014, totals \$12,789,948 (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 began funding its \$150,000 commitment for the Grow Green economic development project.
- The Town accepted a \$628,696 bid for the CDBG Lewis Street Water & Sewer Improvements Project.
- The Town continued to work 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 a \$45,000 installment note to finance Burns Street Sewer Pump Station Upgrades.

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

Description	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land and construction in progress	\$ 859,538	\$ 849,375	\$ 339,369	\$ 164,855	\$ 1,198,907	\$ 1,014,230
Buildings	390,172	404,916	-	-	390,172	404,916
Land improvements	228,066	236,123	-	-	228,066	236,123
Infrastructure	165,078	144,226	-	-	165,078	144,226
Equipment	201,088	236,981	-	-	201,088	236,981
Vehicles and motorized equipment	673,986	791,363	229,603	216,823	903,589	1,008,186
Plant and distribution systems	-	-	9,703,048	9,719,374	9,703,048	9,719,374
	<u>\$ 2,517,928</u>	<u>\$ 2,662,984</u>	<u>\$ 10,272,020</u>	<u>\$ 10,101,052</u>	<u>\$ 12,789,948</u>	<u>\$ 12,764,036</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, 2014, the Town of Wadesboro had no bonded debt.

TOWN OF WADESBORO
Outstanding Bond Debt
Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Wadesboro's Outstanding Debt

The Town of Wadesboro's total debt decreased by \$153,606 (11%) during the past fiscal year. The key factors in this decrease include the final payments on certain debt service obligations along with continued debt service payments on existing obligations.

Management's Discussion and Analysis
Town of Wadesboro

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Wadesboro is \$27,056,427. The Town has no bonds authorized but un-issued at June 30, 2014.

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 unemployment rate decreased in the single-digits.
- New commercial development continues to be slow.
- Franchise tax revenue met projections while property and sales tax revenues 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, 2015

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, training, and turnover has delayed full operation. The Town increased water rates in order to alleviate projected operating losses.

The Town has positioned itself to take advantage of potential infrastructure grants by providing preliminary engineering for several water and sewer projects.

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, 2014

Exhibit 1

	Primary Government			Town of Wadesboro ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,552,714	\$ 1,072,136	\$ 2,624,850	\$ 195,521
Receivables:				
Taxes receivable	288,411	-	288,411	-
Accounts receivable (net)	81,568	328,159	409,727	-
Accrued interest receivable	51,818	-	51,818	-
Due from other governments	303,904	14,534	318,438	-
Inventories	28,469	121,451	149,920	83,165
Prepaid items	2,802	-	2,802	-
Note receivable	20,019	-	20,019	-
Restricted assets:				
Cash and cash equivalents	274,675	400,016	674,691	-
Due from other governments	-	274,458	274,458	-
Note receivable	-	82,053	82,053	-
Capital assets:				
Land and other nondepreciable assets	859,538	339,369	1,198,907	80,000
Other capital assets (net)	1,658,390	9,932,651	11,591,041	49,527
TOTAL ASSETS	<u>5,122,308</u>	<u>12,564,827</u>	<u>17,687,135</u>	<u>408,213</u>
LIABILITIES				
Accounts payable and accrued liabilities	109,875	81,588	191,463	4,362
Accrued interest payable	-	9,751	9,751	-
Due to other governments	6	84,598	84,604	-
Liabilities payable from restricted assets:				
Accounts payable	-	181,554	181,554	-
Customer deposits	-	113,930	113,930	-
Long-term liabilities:				
Due within one year	41,619	151,367	192,986	-
Due in more than one year	1,238,072	1,121,052	2,359,124	-
TOTAL LIABILITIES	<u>1,389,572</u>	<u>1,743,840</u>	<u>3,133,412</u>	<u>4,362</u>
DEFERRED INFLOWS OF RESOURCES	<u>20,019</u>	<u>3,279</u>	<u>23,298</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	2,341,786	9,247,140	11,588,926	129,527
Restricted for:				
Stabilization by State statute	362,918	-	362,918	-
Streets - Powell Bill	271,422	-	271,422	-
Law enforcement	103,208	-	103,208	-
Economic and physical development	4,943	-	4,943	-
Capital outlay - park	16,994	-	16,994	-
USDA loan	3,253	-	3,253	-
Working capital	-	-	-	34,368
Unrestricted	608,193	1,570,568	2,178,761	239,956
TOTAL NET POSITION	<u>\$ 3,712,717</u>	<u>\$ 10,817,708</u>	<u>\$ 14,530,425</u>	<u>\$ 403,851</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Exhibit 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>			<u>Town of Wadesboro ABC Board</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Governmental activities:								
General government	\$ 696,335	\$ 180	\$ -	\$ -	\$ (696,155)	\$ -	\$ (696,155)	\$ -
Public safety	2,372,196	10,468	160,863	2,600	(2,198,265)	-	(2,198,265)	-
Transportation	427,505	-	187,570	32,659	(207,276)	-	(207,276)	-
Economic and physical development	22,322	-	-	-	(22,322)	-	(22,322)	-
Environmental protection	516,458	361,141	-	-	(155,317)	-	(155,317)	-
Culture and recreation	29,829	-	-	-	(29,829)	-	(29,829)	-
Interest on long-term debt	5,877	-	-	-	(5,877)	-	(5,877)	-
Total governmental activities	<u>4,070,522</u>	<u>371,789</u>	<u>348,433</u>	<u>35,259</u>	<u>(3,315,041)</u>	<u>-</u>	<u>(3,315,041)</u>	<u>-</u>
Business-type activities:								
Water and sewer	<u>2,716,440</u>	<u>2,636,941</u>	<u>18,638</u>	<u>309,037</u>	<u>-</u>	<u>248,176</u>	<u>248,176</u>	<u>-</u>
Component unit:								
ABC Board	<u>900,062</u>	<u>893,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,509)</u>
	<u>\$ 7,687,024</u>	<u>\$ 3,902,283</u>	<u>\$ 367,071</u>	<u>\$ 344,296</u>	<u>(3,315,041)</u>	<u>248,176</u>	<u>(3,066,865)</u>	<u>(6,509)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					1,702,306	-	1,702,306	-
Other taxes and licenses					1,391,733	-	1,391,733	-
Grants and contributions not restricted to specific programs					20,000	-	20,000	-
Investment earnings, unrestricted					2,770	70	2,840	149
Miscellaneous, unrestricted					55,106	2,580	57,686	-
Total general revenues excluding transfers					<u>3,171,915</u>	<u>2,650</u>	<u>3,174,565</u>	<u>149</u>
Transfers					<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>3,171,915</u>	<u>2,650</u>	<u>3,174,565</u>	<u>149</u>
Change in net position					(143,126)	250,826	107,700	(6,360)
Net position, beginning					<u>3,855,843</u>	<u>10,566,882</u>	<u>14,422,725</u>	<u>410,211</u>
Net position, ending					<u>\$ 3,712,717</u>	<u>\$ 10,817,708</u>	<u>\$ 14,530,425</u>	<u>\$ 403,851</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, 2014**

Exhibit 3-1

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,530,777	\$ 21,937	\$ 1,552,714
Restricted cash and cash equivalents	274,675	-	274,675
Taxes receivable	288,411	-	288,411
Accounts receivable	81,568	-	81,568
Accrued interest receivable	701	-	701
Due from other governments	303,904	-	303,904
Inventories	28,469	-	28,469
Prepaid items	2,802	-	2,802
	<u>2,511,307</u>	<u>21,937</u>	<u>2,533,244</u>
TOTAL ASSETS	\$ 2,511,307	\$ 21,937	\$ 2,533,244
LIABILITIES			
Accounts payable and accrued liabilities	\$ 109,875	\$ -	\$ 109,875
Due to other governments	6	-	6
	<u>109,881</u>	<u>-</u>	<u>109,881</u>
TOTAL LIABILITIES	109,881	-	109,881
DEFERRED INFLOWS OF RESOURCES	<u>311,666</u>	<u>-</u>	<u>311,666</u>
FUND BALANCES			
Nonspendable:			
Inventories	28,469	-	28,469
Prepaid items	2,802	-	2,802
Restricted:			
Stabilization by State statute	362,918	-	362,918
Streets - Powell Bill	271,422	-	271,422
Law enforcement	103,208	-	103,208
Economic and physical development	-	4,943	4,943
Capital outlay - park	-	16,994	16,994
USDA loan	3,253	-	3,253
Assigned:			
Fire department	8,693	-	8,693
Subsequent year's expenditures	605,296	-	605,296
Unassigned	703,699	-	703,699
	<u>2,089,760</u>	<u>21,937</u>	<u>2,111,697</u>
TOTAL FUND BALANCES	2,089,760	21,937	2,111,697
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,511,307	\$ 21,937	\$ 2,533,244

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, 2014

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1) \$ 2,111,697

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. 2,517,928

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. 51,117

Liabilities for earned revenues considered deferred inflows of resources in fund statements. 311,666

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

Capital lease payable	(48,720)
Installment purchases payable	(127,422)
Compensated absences	(159,004)
Net pension obligation	(171,546)
Net OPEB obligation	<u>(772,999)</u>

Net position of governmental activities (Exhibit 1) \$ 3,712,717

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

TOWN OF WADESBORO, NORTH CAROLINA **Exhibit 4-1**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Ad valorem taxes	\$ 1,668,541	\$ -	\$ 1,668,541
Other taxes and licenses	159,188	-	159,188
Unrestricted intergovernmental	1,248,784	-	1,248,784
Restricted intergovernmental	332,251	-	332,251
Permits and fees	8,095	-	8,095
Sales and services	361,516	-	361,516
Investment earnings	2,770	-	2,770
Miscellaneous	51,646	-	51,646
	<u>3,832,791</u>	<u>-</u>	<u>3,832,791</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	652,972	-	652,972
Public safety	2,110,071	-	2,110,071
Transportation	427,487	-	427,487
Economic and physical development	20,098	-	20,098
Environmental protection	461,976	-	461,976
Culture and recreation	19,382	-	19,382
Debt service:			
Principal retirement	66,958	-	66,958
Interest and fees	5,877	-	5,877
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>3,764,821</u>	<u>-</u>	<u>3,764,821</u>
REVENUES OVER EXPENDITURES	67,970	-	67,970
OTHER FINANCING SOURCES:			
Sale of capital assets	17,940	-	17,940
SPECIAL ITEM - Litigation settlement	<u>(140,000)</u>	<u>-</u>	<u>(140,000)</u>
NET CHANGE IN FUND BALANCES	(54,090)	-	(54,090)
FUND BALANCES, beginning	<u>2,143,850</u>	<u>21,937</u>	<u>2,165,787</u>
FUND BALANCES, ending	<u>\$ 2,089,760</u>	<u>\$ 21,937</u>	<u>\$ 2,111,697</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, 2014

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1) \$ (54,090)

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)	27,417
Net book value of disposed capital assets not recorded in the fund statements	(1,875)
Depreciation expense for governmental funds	(195,127)

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	8,028
Change in unavailable revenue for tax revenues	45,983
Amount of donated assets	24,529

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	66,958

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:

Amortization of note receivable	(2,224)
Change in accrued litigation settlement	140,000
Change in compensated absences	(4,668)
Change in net pension obligation	1,176
Change in OPEB obligation	<u>(199,233)</u>

Total change in net position of governmental activities (Exhibit 2) \$ (143,126)

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, 2014

Exhibit 5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
REVENUES:				
Ad valorem taxes	\$ 1,541,000	\$ 1,541,000	\$ 1,668,541	\$ 127,541
Other taxes and licenses	134,000	134,000	159,188	25,188
Unrestricted intergovernmental	1,159,617	1,159,617	1,248,784	89,167
Restricted intergovernmental	400,081	400,081	332,251	(67,830)
Permits and fees	5,000	5,000	8,095	3,095
Sales and services	365,100	365,100	361,516	(3,584)
Investment earnings	500	500	2,770	2,270
Miscellaneous	25,760	29,360	51,646	22,286
TOTAL REVENUES	<u>3,631,058</u>	<u>3,634,658</u>	<u>3,832,791</u>	<u>198,133</u>
EXPENDITURES:				
Current:				
General government	668,945	697,905	652,972	44,933
Public safety	2,114,712	2,185,076	2,110,071	75,005
Transportation	483,886	514,990	427,487	87,503
Economic and physical development	46,000	46,000	20,098	25,902
Environmental protection	468,466	486,073	461,976	24,097
Culture and recreation	26,740	26,740	19,382	7,358
Debt service:				
Principal retirement	69,686	67,320	66,958	362
Interest and fees	4,215	6,281	5,877	404
Contingency	255,000	39,000	-	39,000
TOTAL EXPENDITURES	<u>4,137,650</u>	<u>4,069,385</u>	<u>3,764,821</u>	<u>304,564</u>
REVENUES OVER (UNDER) EXPENDITURES	(506,592)	(434,727)	67,970	502,697
OTHER FINANCING SOURCES:				
Sale of capital assets	8,000	8,000	17,940	9,940
SPECIAL ITEM - Litigation settlement	<u>-</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND SPECIAL ITEM	(498,592)	(566,727)	(54,090)	512,637
APPROPRIATED FUND BALANCE	<u>498,592</u>	<u>566,727</u>	<u>-</u>	<u>(566,727)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(54,090)</u>	<u>\$ (54,090)</u>
FUND BALANCE, beginning			<u>2,143,850</u>	
FUND BALANCE, ending			<u>\$ 2,089,760</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, 2014

Exhibit 6

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,072,136
Accounts receivable (net)	328,159
Due from other governments	14,534
Inventories	121,451
Restricted assets:	
Cash and cash equivalents	400,016
Due from other governments	274,458
TOTAL CURRENT ASSETS	<u>2,210,754</u>

NONCURRENT ASSETS

Restricted note receivable	<u>82,053</u>
Capital assets:	
Land and other nondepreciable assets	339,369
Other capital assets (net)	<u>9,932,651</u>
Total capital assets	<u>10,272,020</u>
TOTAL NONCURRENT ASSETS	<u>10,354,073</u>

TOTAL ASSETS 12,564,827

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	81,588
Accrued interest payable	9,751
Due to other governments	84,598
Liabilities payable from restricted assets:	
Accounts payable	181,554
Customer deposits	113,930
Capital lease and installment purchases payable, current portion	<u>151,367</u>
TOTAL CURRENT LIABILITIES	<u>622,788</u>

NONCURRENT LIABILITIES

Accrued vacation pay	33,730
Capital lease and installment purchases payable, net of current portion	873,513
Net OPEB obligation	<u>213,809</u>
TOTAL NONCURRENT LIABILITIES	<u>1,121,052</u>

TOTAL LIABILITIES 1,743,840

DEFERRED INFLOWS OF RESOURCES 3,279

NET POSITION

Net investment in capital assets	9,247,140
Unrestricted	<u>1,570,568</u>
TOTAL NET POSITION	<u>\$ 10,817,708</u>

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

TOWN OF WADESBORO, NORTH CAROLINA **Exhibit 7**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

OPERATING REVENUES	
Water sales	\$ 1,153,004
Sewer charges	1,409,801
Other operating revenues	<u>74,136</u>
TOTAL OPERATING REVENUES	<u>2,636,941</u>
 OPERATING EXPENSES	
Water department	1,178,636
Sewer department	1,195,034
Depreciation	<u>317,575</u>
TOTAL OPERATING EXPENSES	<u>2,691,245</u>
OPERATING LOSS	<u>(54,304)</u>
 NONOPERATING REVENUES (EXPENSES)	
Investment earnings	70
Interest and fees	(25,195)
State grant	18,638
Other revenues	<u>2,580</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,907)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(58,211)
CAPITAL CONTRIBUTIONS	309,037
TRANSFERS	<u>-</u>
CHANGE IN NET POSITION	250,826
NET POSITION, beginning	<u>10,566,882</u>
NET POSITION, ending	<u>\$ 10,817,708</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, 2014

Exhibit 8
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,474,690
Cash paid for goods and services	(1,805,874)
Cash paid to employees for services	(477,895)
Customer deposits received	33,405
Customer deposits returned	(30,555)
Other operating revenues	<u>74,136</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

267,907

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Decrease in due from other funds	26,775
Transfers from other funds	-
Other nonoperating revenues	<u>2,580</u>

**NET CASH PROVIDED BY
NONCAPITAL FINANCING ACTIVITIES**

29,355

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

Acquisition and construction of capital assets	(637,466)
Loan proceeds	45,000
Capital contributions - State grants	352,208
Principal paid on debt	(131,648)
Interest paid on debt	<u>(26,278)</u>

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

(398,184)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>70</u>
---------------------	-----------

NET DECREASE IN CASH AND CASH EQUIVALENTS

(100,852)

CASH AND CASH EQUIVALENTS, beginning

1,573,004

CASH AND CASH EQUIVALENTS, ending

\$ 1,472,152

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

Cash and cash equivalents in current assets	\$ 1,072,136
Cash and cash equivalents in restricted assets	<u>400,016</u>

\$ 1,472,152

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit 8
Page 2 of 2

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

Operating loss	\$ (54,304)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	317,575
(Increase) decrease in:	
Accounts receivable	(86,879)
Due from other governments	(4,297)
Inventories	(699)
Prepaid items	5,010
Increase (decrease) in:	
Accounts payable and accrued liabilities	68,150
Due to other governments	(11,558)
Customer deposits	2,850
Compensated absences payable	(5,889)
Net OPEB obligation	39,184
Deferred inflows of resources	<u>(1,236)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 267,907</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, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION

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

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. BUDGETARY DATA

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

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

DEPOSITS AND INVESTMENTS

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The 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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013.

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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 four items that meet the criterion for this category – prepaid taxes and licenses, property taxes and licenses receivable, unavailable grant revenues, 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NET POSITION/FUND BALANCES

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

Restricted for 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Noncompliance with North Carolina General Statutes

Contingency Appropriation Violation: In the Fiscal Year 2013-2014 Budget Ordinance, the contingency appropriation in the General Fund exceeded 5% of all other appropriations in the General Fund in violation of G.S. 159-13(b)(3). The excess contingency appropriation was due to an anticipated settlement. The budget officer has procedures in place to avoid this in the future.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2014, the expenditures made exceeded the authorized appropriations made by the governing board in the Wadesboro Water Plant Disinfection By-Products Project Fund for inspection and in the Uptown Wadesboro Water/Lennox Drive Sewer Project Fund for engineering/design/survey. 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the Town's deposits had a carrying amount of \$3,232,174 and a bank balance of \$3,245,298. The carrying amount of deposits for the ABC Board was \$194,021 and the bank balance was \$278,083. 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, 2014, the Town's and ABC Board's bank balances exceeded federally insured limits by \$2,495,298 and \$-0-, respectively. All deposits of the Town and the ABC Board are insured or collateralized under the Pooling Method. At June 30, 2014, the Town's and the ABC Board's petty cash totaled \$500 and \$1,500, respectively.

INVESTMENTS

At June 30, 2014, the Town's investments consisted of \$65,788 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, 2014, the Town's investment balances were as follows:

	<u>Reported Value</u>	<u>Fair Value</u>
North Carolina Capital Management Trust Cash Portfolio	<u>\$ 65,788</u>	<u>\$ 65,788</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>85,100</u>
	<u>\$ 85,100</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

CAPITAL ASSETS

Primary Government:

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 571,882	\$ -	\$ -	\$ 571,882
Construction in progress	277,493	10,163	-	287,656
Total capital assets not being depreciated	<u>849,375</u>	<u>10,163</u>	<u>-</u>	<u>859,538</u>
Capital assets being depreciated:				
Buildings	638,010	-	-	638,010
Land improvements	258,150	-	-	258,150
Infrastructure	165,443	24,529	-	189,972
Equipment	981,063	17,254	27,385	970,932
Vehicles and motorized equipment	2,265,075	-	96,396	2,168,679
Total capital assets being depreciated	<u>4,307,741</u>	<u>41,783</u>	<u>123,781</u>	<u>4,225,743</u>
Less accumulated depreciation for:				
Buildings	233,094	14,744	-	247,838
Land improvements	22,027	8,057	-	30,084
Infrastructure	21,217	3,677	-	24,894
Equipment	744,082	51,272	25,510	769,844
Vehicles and motorized equipment	1,473,712	117,377	96,396	1,494,693
Total accumulated depreciation	<u>2,494,132</u>	<u>195,127</u>	<u>121,906</u>	<u>2,567,353</u>
Total capital assets being depreciated, net	<u>1,813,609</u>			<u>1,658,390</u>
Governmental activities capital assets, net	<u>\$ 2,662,984</u>			<u>\$ 2,517,928</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 7,280
Public safety	140,864
Transportation	10,412
Environmental protection	26,124
Culture and recreation	10,447
	<u>\$ 195,127</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Business-type activities:</i>				
<i>Water and Sewer Fund:</i>				
Capital assets not being depreciated:				
Land	\$ 21,552	\$ -	\$ -	\$ 21,552
Construction in progress	<u>143,303</u>	<u>428,208</u>	<u>253,694</u>	<u>317,817</u>
Total capital assets not being depreciated	<u>164,855</u>	<u>428,208</u>	<u>253,694</u>	<u>339,369</u>
Capital assets being depreciated:				
Plant and distribution systems	18,342,823	253,694	-	18,596,517
Vehicles and motorized equipment	<u>1,010,598</u>	<u>60,335</u>	<u>19,035</u>	<u>1,051,898</u>
Total capital assets being depreciated	<u>19,353,421</u>	<u>314,029</u>	<u>19,035</u>	<u>19,648,415</u>
Less accumulated depreciation for:				
Plant and distribution systems	8,623,449	270,020	-	8,893,469
Vehicles and motorized equipment	<u>793,775</u>	<u>47,555</u>	<u>19,035</u>	<u>822,295</u>
Total accumulated depreciation	<u>9,417,224</u>	<u>317,575</u>	<u>19,035</u>	<u>9,715,764</u>
Total capital assets being depreciated, net	<u>9,936,197</u>			<u>9,932,651</u>
Business-type activities capital assets, net	<u>\$ 10,101,052</u>			<u>\$ 10,272,020</u>

Depreciation expense for the year ended June 30, 2014, was \$317,575.

Construction commitments

The Town had various active construction projects at June 30, 2014. The projects are to be funded largely by State grants. The Town's commitments with contractors, engineers, and administrators at June 30, 2014, were as follows:

East Wade Street bridge project	\$ 3,459
Uptown Wadesboro water project	47,236
Cobb Vantress infrastructure project	1,000
Lewis Street infrastructure project	585,162
GrowGreen Power, Inc. project	<u>407,400</u>
	<u>\$ 1,044,257</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets being depreciated:				
Land improvements	14,060	-	-	14,060
Building	281,025	-	-	281,025
Equipment	143,075	-	-	143,075
Total capital assets being depreciated	<u>438,160</u>	<u>-</u>	<u>-</u>	<u>438,160</u>
Less accumulated depreciation for:				
Land improvements	9,842	937	-	10,779
Building	249,262	1,607	-	250,869
Equipment	121,857	5,128	-	126,985
Total accumulated depreciation	<u>380,961</u>	<u>7,672</u>	<u>-</u>	<u>388,633</u>
Total capital assets being depreciated, net	<u>57,199</u>			<u>49,527</u>
ABC capital assets, net	<u>\$ 137,199</u>			<u>\$ 129,527</u>

Depreciation expense for the year ended June 30, 2014, was \$7,672.

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TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

B. LIABILITIES

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

1. Local Governmental Employees' Retirement System

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

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 7.07% 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, 2014, 2013, and 2012, were \$161,873, \$153,277, and \$158,120, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012, were \$7,986, \$7,682, and \$7,730, 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, 2013, the Separation Allowance's membership consisted of three retirees receiving benefits and 28 active plan members.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2013, 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	\$ 43,481
Interest on net pension obligation	8,636
Adjustment to annual required contribution	<u>(14,072)</u>
Annual pension cost	38,045
Employer contributions made	<u>(39,221)</u>
Increase (decrease) in net pension obligation	(1,176)
Net pension obligation, beginning of year	<u>172,722</u>
Net pension obligation, end of year	<u>\$ 171,546</u>

3 Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>June 30,</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2012	\$ 38,828	105.72%	\$ 174,255
2013	39,517	103.88%	172,722
2014	38,045	103.09%	171,546

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Funded Status and Funding Progress:

As of December 31, 2013, 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 \$329,364. The covered payroll (annual payroll of active employees covered by the plan) was \$991,749, and the ratio of the UAAL to the covered payroll was 33.21 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, 2014, were \$56,260, which consisted of \$47,212 from the Town and \$9,048 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, 2014, were \$83,442, which consisted of \$54,813 from the Town and \$28,629 from the employees.

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

Plan Description: The State of North Carolina contributes, on behalf of Town of Wadesboro, to the Firefighter's and Rescue Squad Workers' Pension Fund (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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 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	Law
	<u>Employees</u>	<u>Enforcement</u> <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 covered payroll, respectively. Contributions from retirees total \$-0-. The Town's obligation to contribute to the HC Plan is established and may be amended by the Town Council.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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	\$ 302,338
Interest on net OPEB obligation	29,936
Adjustment to annual required contribution	<u>(28,598)</u>
Annual OPEB cost (expense)	303,676
Contributions made	<u>(65,259)</u>
Increase in net OPEB obligation	238,417
Net OPEB obligation, beginning of year	<u>748,391</u>
Net OPEB obligation, end of year	<u><u>\$ 986,808</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, 2014, 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>		
6/30/12	\$ 250,945	29.9%	\$ 528,710
6/30/13	294,477	25.4%	748,391
6/30/14	303,676	21.5%	986,808

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 information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

For the fiscal year ended June 30, 2014, 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, 2014, the ABC Board made contributions to the State for death benefits of \$-0-, which represented 0.00% of covered payroll.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010, was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10 – 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. Town of Wadesboro will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

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)	\$ 288,411	\$ -
Licenses (General)	5,500	-
Grants receivable (General)	17,755	-
Promissory note receivable (General)	-	20,019
Prepaid licenses (General)	-	-
Prepaid taxes (General)	-	-
Prepaid utility payments (Water and Sewer)	-	3,279
Total	<u>\$ 311,666</u>	<u>\$ 23,298</u>

COMMITMENTS

On July 20, 2010, the Town entered into a water tank management agreement. The agreement is for 12 months with automatic additional periods of 12 months. The annual payments the first 4 years are to be \$24,688 per year. The payment the fifth year is to be \$16,157. Additional payments are due should the Town cancel the agreement in the first four years. All subsequent year payments are to be the previous year plus a 1% change in the consumer price index. The Town paid and expensed \$24,688 in the year ended June 30, 2014.

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

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

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

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board carries commercial insurance for all risks of loss. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each board member and the employees designated as general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

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, 2014, the Town leased equipment valued at:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Class of property:			
Equipment	\$ 142,752	\$ 55,688	\$ 87,064

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Year Ending		
<u>June 30,</u>		
2015		\$ 30,002
2016		<u>30,002</u>
	Total minimum lease payments	60,004
	Less: amounts representing interest	<u>(1,686)</u>
	Present value of the minimum lease payments	<u>\$ 58,318</u>

2. Installment Purchases Payable

Installment purchases payable consisted of the following at June 30, 2014:

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.	\$ 140,578
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.	42,802
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.	84,620
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.	833,385
On April 9, 2014, the Town entered into an installment purchase contract with Uwharrie Bank to finance the purchase of 2 sewer pumps. The financing contract requires 24 monthly installments of \$1,914.72 including interest at 1.99%, beginning May 9, 2014. The contract is serviced by the Water and Sewer Fund.	<u>41,319</u>
TOTAL INSTALLMENT PURCHASES PAYABLE	<u>\$ 1,142,704</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

The future minimum payments of the installment purchases as of June 30, 2014, are as follows:

Year ending <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 17,936	\$ 3,031	\$ 146,168	\$ 23,477
2016	18,372	2,595	143,942	19,845
2017	18,819	2,148	126,167	16,446
2018	19,284	1,683	127,406	13,179
2019	44,861	1,776	101,206	10,486
2020-2023	8,150	332	370,393	20,279
	<u>\$ 127,422</u>	<u>\$ 11,565</u>	<u>\$ 1,015,282</u>	<u>\$ 103,712</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, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Capital lease	\$ 71,958	\$ -	\$ 23,238	\$ 48,720	\$ 23,683
Installment purchases payable	171,142	-	43,720	127,422	17,936
Compensated absences	154,336	4,668	-	159,004	-
Net pension obligation	172,722	-	1,176	171,546	-
Net OPEB obligation	573,766	199,233	-	772,999	-
	<u>\$ 1,143,924</u>	<u>\$ 203,901</u>	<u>\$ 68,134</u>	<u>\$ 1,279,691</u>	<u>\$ 41,619</u>
Business-type activities:					
Capital lease	\$ 14,699	\$ -	\$ 5,101	\$ 9,598	\$ 5,199
Installment purchases payable	1,096,829	45,000	126,547	1,015,282	146,168
Compensated absences	39,619	-	5,889	33,730	-
Net OPEB obligation	174,625	39,184	-	213,809	-
	<u>\$ 1,325,772</u>	<u>\$ 84,184</u>	<u>\$ 137,537</u>	<u>\$ 1,272,419</u>	<u>\$ 151,367</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, 2014, Town of Wadesboro had a legal debt margin of \$27,056,427.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

C. INTERFUND BALANCES AND ACTIVITY

Transfers due to/from other funds at June 30, 2014, consist of the following:

	<u>From</u>	<u>To</u>
<i>Enterprise Funds:</i>		
Water and Sewer Fund:		
To Wadesboro Water Plant Disinfection Project Fund	\$ -	\$ 24,058
To GrowGreen Power, Inc. Project Fund	-	30,000
Wadesboro Water Plant Disinfection Project Fund:		
From Water and Sewer Fund	24,058	-
GrowGreen Power, Inc. Project Fund:		
From Water and Sewer Fund	<u>30,000</u>	<u>-</u>
	<u>\$ 54,058</u>	<u>\$ 54,058</u>

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

D. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

For the fiscal year ended June 30, 2014, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$7,155 for the 16 volunteer and 4 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, 2014, 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 \$1,395 to the Council during the fiscal year ended June 30, 2014.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2014, 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, 2014. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Rocky River Rural Planning Organization

The Town participates in a joint venture, Rocky River Rural Planning Organization (RPO), with 3 counties and 13 other municipalities to work cooperatively with each other and the North Carolina Department of Transportation to enhance transportation planning opportunities for rural areas in the region. Rocky River RPO is the only RPO in the State not housed in a Council of Governments. The RPO's fiscal agent is the County of Stanly. None of the participating governments have any equity interest in the RPO, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the agreement between the participating governments and the RPO, the Town paid \$1,292 to the RPO during the fiscal year ended June 30, 2014, 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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – 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. At June 30, 2013, the Town accrued the settlement of \$140,000 as a special item in the government-wide financial statements. For the year ended June 30, 2014, the Town included the litigation settlement of \$140,000 as a special item and the sponsorship of \$6,250 as a current expense under general government in the modified accrual basis fund financial statements of the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

**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%
2014	38,045	103.09%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

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

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

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

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 250,945	29.90%
2013	294,477	25.40%
2014	303,676	21.50%

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, 2014

Exhibit A-1
Page 1 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 1,526,000	\$ 1,643,698	\$ 117,698
Penalties and interest	15,000	24,843	9,843
Total	<u>1,541,000</u>	<u>1,668,541</u>	<u>127,541</u>
Other taxes and licenses:			
Privilege licenses	9,000	23,795	14,795
Wadesboro Fire District Tax	125,000	135,393	10,393
Total	<u>134,000</u>	<u>159,188</u>	<u>25,188</u>
Unrestricted intergovernmental:			
Local option sales tax	830,000	867,094	37,094
Telecommunications sales tax	36,000	49,738	13,738
Transitional hold harmless	-	17,944	17,944
Utility franchise tax	200,000	199,484	(516)
Piped natural gas tax	-	21,549	21,549
Video programming fee	36,800	36,534	(266)
Beer and wine tax	26,492	25,008	(1,484)
ABC profit distribution	24,000	20,000	(4,000)
Payments in lieu of taxes	6,325	11,433	5,108
Total	<u>1,159,617</u>	<u>1,248,784</u>	<u>89,167</u>
Restricted intergovernmental:			
Powell Bill allocation	191,609	183,052	(8,557)
Public safety grants	91,681	30,246	(61,435)
Pedestrian Plan grant	-	4,517	4,517
Controlled substance tax	3,000	2,582	(418)
Contributions from school system	87,000	90,315	3,315
ABC revenue for law enforcement	4,000	4,000	-
Transportation grant	6,891	6,891	-
Solid waste disposal tax	3,500	3,493	(7)
On-behalf payments - Fire and Rescue	12,400	7,155	(5,245)
Total	<u>400,081</u>	<u>332,251</u>	<u>(67,830)</u>
Permits and fees:			
Fire inspection fees	3,500	5,115	1,615
Rezoning and variance fees	1,500	2,800	1,300
Golf cart permit	-	180	180
Total	<u>5,000</u>	<u>8,095</u>	<u>3,095</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES - CONTINUED:			
Sales and services:			
Refuse collection	365,000	361,141	(3,859)
Rent received on property	100	375	275
Total	<u>365,100</u>	<u>361,516</u>	<u>(3,584)</u>
Investment earnings	<u>500</u>	<u>2,770</u>	<u>2,270</u>
Miscellaneous	<u>29,360</u>	<u>51,646</u>	<u>22,286</u>
TOTAL REVENUES	<u>3,634,658</u>	<u>3,832,791</u>	<u>198,133</u>
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits	-	27,327	-
Professional services	-	52,315	-
Total	<u>86,772</u>	<u>79,642</u>	<u>7,130</u>
Administration:			
Salaries and employee benefits	-	326,448	-
Other operating expenditures	-	177,372	-
Total	<u>533,312</u>	<u>503,820</u>	<u>29,492</u>
Garage:			
Salaries and employee benefits	-	41,487	-
Other operating expenditures	-	25,915	-
Capital outlay	-	2,108	-
Total	<u>77,821</u>	<u>69,510</u>	<u>8,311</u>
Total general government	<u>697,905</u>	<u>652,972</u>	<u>44,933</u>
Public safety:			
Police:			
Salaries and employee benefits	-	1,549,695	-
Other operating expenditures	-	244,438	-
Capital outlay	-	6,480	-
Total	<u>1,848,482</u>	<u>1,800,613</u>	<u>47,869</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, 2014

Exhibit A-1
Page 3 of 4

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED:			
Fire:			
Salaries and employee benefits	-	183,079	-
Other operating expenditures	-	112,474	-
Capital outlay	-	6,750	-
On-behalf payments - Fire and Rescue	-	7,155	-
Total	<u>336,594</u>	<u>309,458</u>	<u>27,136</u>
Total public safety	<u>2,185,076</u>	<u>2,110,071</u>	<u>75,005</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	44,568	-
Other operating expenditures	-	188,068	-
Capital outlay	-	958	-
Total	<u>291,490</u>	<u>233,594</u>	<u>57,896</u>
Powell Bill:			
Salaries and employee benefits	-	95,000	-
Other operating expenditures	-	88,730	-
Capital outlay	-	10,163	-
Total	<u>223,500</u>	<u>193,893</u>	<u>29,607</u>
Total transportation	<u>514,990</u>	<u>427,487</u>	<u>87,503</u>
Economic and physical development:			
Economic development incentives	<u>46,000</u>	<u>20,098</u>	<u>25,902</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	-	348,861	-
Other operating expenditures	-	107,140	-
Contracted services	-	5,017	-
Capital outlay	-	958	-
Total environmental protection	<u>486,073</u>	<u>461,976</u>	<u>24,097</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	5,874	-
Other operating expenditures	-	13,508	-
Total culture and recreation	<u>26,740</u>	<u>19,382</u>	<u>7,358</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED:			
Debt service:			
Principal retirement	67,320	66,958	362
Interest and fees	<u>6,281</u>	<u>5,877</u>	<u>404</u>
Total debt service	<u>73,601</u>	<u>72,835</u>	<u>766</u>
Contingency	<u>39,000</u>	<u>-</u>	<u>39,000</u>
TOTAL EXPENDITURES	<u>4,069,385</u>	<u>3,764,821</u>	<u>304,564</u>
REVENUES OVER (UNDER) EXPENDITURES	(434,727)	67,970	502,697
OTHER FINANCING SOURCES:			
Sale of capital assets	8,000	17,940	9,940
SPECIAL ITEM - Litigation settlement	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND SPECIAL ITEM	(566,727)	(54,090)	512,637
APPROPRIATED FUND BALANCE	<u>566,727</u>	<u>-</u>	<u>(566,727)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(54,090)</u>	<u>\$ (54,090)</u>
FUND BALANCE, beginning		<u>2,143,850</u>	
FUND BALANCE, ending		<u>\$ 2,089,760</u>	

TOWN OF WADESBORO, NORTH CAROLINA
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

Exhibit B-1

	Wadesboro Park Project Fund	Gardenscape Building Re-use Project Fund	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 16,994	\$ 4,943	\$ 21,937
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Fund balances:			
Restricted for:			
Economic and physical development	-	4,943	4,943
Capital outlay - park	16,994	-	16,994
TOTAL FUND BALANCES	<u>16,994</u>	<u>4,943</u>	<u>21,937</u>
TOTAL LIABILITIES AND FUND BALANCES	<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, 2014

Exhibit B-2

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

TOWN OF WADESBORO, NORTH CAROLINA
 WADESBORO PARK PROJECT FUND

Exhibit B-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2014

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

TOWN OF WADESBORO, NORTH CAROLINA
GARDENSCAPE BUILDING RE-USE PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2014

Exhibit B-4

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
NC Rural Center #2012-206-60501-104	\$ 96,000	\$ 6,078	\$ -	\$ 6,078	\$ (89,922)
Gardenscape commitment	<u>96,000</u>	<u>6,385</u>	<u>-</u>	<u>6,385</u>	<u>(89,615)</u>
TOTAL REVENUES	<u>192,000</u>	<u>12,463</u>	<u>-</u>	<u>12,463</u>	<u>(179,537)</u>
EXPENDITURES:					
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>
TOTAL EXPENDITURES	<u>197,000</u>	<u>12,520</u>	<u>-</u>	<u>12,520</u>	<u>184,480</u>
REVENUES UNDER EXPENDITURES	(5,000)	(57)	-	(57)	4,943
OTHER FINANCING SOURCES:					
Transfers from other funds	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 4,943</u>	<u>-</u>	<u>\$ 4,943</u>	<u>\$ 4,943</u>
FUND BALANCE, beginning			<u>4,943</u>		
FUND BALANCE, ending			<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, 2014

Exhibit C-1
Page 1 of 2

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating Revenues:			
Water sales	\$ 1,180,000	\$ 1,153,004	\$ (26,996)
Sewer charges	1,350,000	1,409,801	59,801
Other operating revenues	56,000	74,136	18,136
Total operating revenues	<u>2,586,000</u>	<u>2,636,941</u>	<u>50,941</u>
Nonoperating Revenues:			
State grant	38,638	18,638	(20,000)
Investment earnings	50	13	(37)
Miscellaneous	2,000	2,580	580
Total nonoperating revenues	<u>40,688</u>	<u>21,231</u>	<u>(19,457)</u>
TOTAL REVENUES	<u>2,626,688</u>	<u>2,658,172</u>	<u>31,484</u>
EXPENDITURES:			
Water Operations:			
Salaries and employee benefits	-	534,243	-
Water purchases	-	238,960	-
Repairs and maintenance	-	33,945	-
Other operating expenditures	-	327,778	-
Total	<u>1,186,611</u>	<u>1,134,926</u>	<u>51,685</u>
Sewer Operations:			
Salaries and employee benefits	-	102,379	-
Contracted services	-	1,007,294	-
Repairs and maintenance	-	20,230	-
Other operating expenditures	-	69,657	-
Total	<u>1,267,164</u>	<u>1,199,560</u>	<u>67,604</u>
Debt Service:			
Interest and fees	26,446	26,278	168
Principal retirement	131,523	131,648	(125)
Total	<u>157,969</u>	<u>157,926</u>	<u>43</u>
Capital outlay	<u>61,960</u>	<u>29,150</u>	<u>32,810</u>
TOTAL EXPENDITURES	<u>2,673,704</u>	<u>2,521,562</u>	<u>152,142</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES OVER (UNDER) EXPENDITURES	(47,016)	136,610	183,626
OTHER FINANCING SOURCES (USES):			
Loan proceeds	45,000	45,000	-
Transfer to Enterprise Capital Project Funds	(103,058)	(54,058)	49,000
Sale of capital assets	1,000	-	(1,000)
Total	<u>(57,058)</u>	<u>(9,058)</u>	<u>48,000</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(104,074)	127,552	231,626
APPROPRIATED FUND BALANCE	<u>104,074</u>	<u>-</u>	<u>(104,074)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 127,552</u>	<u>\$ 127,552</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
NET CHANGE IN FUND BALANCE		\$ 127,552	
RECONCILING ITEMS:			
Payment of debt principal		131,648	
Decrease in interest expense accrual		1,083	
Capital outlay		29,150	
Depreciation		(317,575)	
Loan proceeds		(45,000)	
Capital contributions		309,037	
Increase in net OPEB obligation		(39,184)	
Transactions from Wadesboro Water Plant Project Fund:			
Transfers		24,058	
Transactions from Uptown Wadesboro/Lennox Drive Sewer Fund:			
Investment earnings		57	
Transactions from GrowGreen Power, Inc. Project Fund:			
Transfers		<u>30,000</u>	
CHANGE IN NET POSITION (EXHIBIT 7)		<u>\$ 250,826</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, 2014

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

WADESBORO WATER PLANT DISINFECTION BY-PRODUCTS PROJECT FUND

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

From Inception and for the Year Ended June 30, 2014

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
NC Rural Center #2008-283-40101-112	\$ 500,000	\$ 468,814	\$ 31,186	\$ 500,000	\$ -
Investment earnings	-	832	-	832	832
TOTAL REVENUES	<u>500,000</u>	<u>469,646</u>	<u>31,186</u>	<u>500,832</u>	<u>832</u>
EXPENDITURES:					
Construction	794,534	761,265	31,186	792,451	2,083
Contingency	86,000	-	-	-	86,000
Engineering design	70,000	66,110	-	66,110	3,890
Inspection	46,000	50,250	-	50,250	(4,250)
Grant administration	28,000	22,080	-	22,080	5,920
Other	32,000	31,890	-	31,890	110
TOTAL EXPENDITURES	<u>1,056,534</u>	<u>931,595</u>	<u>31,186</u>	<u>962,781</u>	<u>93,753</u>
REVENUES UNDER EXPENDITURES	<u>(556,534)</u>	<u>(461,949)</u>	<u>-</u>	<u>(461,949)</u>	<u>94,585</u>
OTHER FINANCING SOURCES:					
Loan proceeds	300,000	300,000	-	300,000	-
Transfers from other funds	256,534	251,821	24,058	275,879	19,345
TOTAL OTHER FINANCING SOURCES	<u>556,534</u>	<u>551,821</u>	<u>24,058</u>	<u>575,879</u>	<u>19,345</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 89,872</u>	<u>24,058</u>	<u>\$ 113,930</u>	<u>\$ 113,930</u>
FUND BALANCE, beginning			<u>89,872</u>		
FUND BALANCE, ending			<u>\$ 113,930</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, 2014

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
NC Rural Center #2009-055-40101-112	\$ 518,000	\$ 485,840	\$ -	\$ 485,840	\$ (32,160)
EXPENDITURES:					
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	-
TOTAL EXPENDITURES	<u>762,125</u>	<u>713,055</u>	<u>-</u>	<u>713,055</u>	<u>49,070</u>
REVENUES UNDER EXPENDITURES	(244,125)	(227,215)	-	(227,215)	16,910
OTHER FINANCING SOURCES:					
Transfers from other funds	<u>244,125</u>	<u>229,817</u>	<u>-</u>	<u>229,817</u>	<u>(14,308)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 2,602</u>	<u>-</u>	<u>\$ 2,602</u>	<u>\$ 2,602</u>
FUND BALANCE, beginning			<u>2,602</u>		
FUND BALANCE, ending			<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, 2014

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
<i>Lennox Dr. sewer lines:</i>					
NC DENR funds	\$ 338,288	\$ -	\$ -	\$ -	\$ (338,288)
Investment earnings	-	222	57	279	279
TOTAL REVENUES	338,288	222	57	279	(338,009)
EXPENDITURES:					
<i>Uptown water lines:</i>					
Construction	1,493,468	578,237	139,997	718,234	775,234
Engineering/Design/Survey	89,000	89,000	5,760	94,760	(5,760)
Inspection	88,462	63,082	960	64,042	24,420
Grant administration	32,826	15,360	12,220	27,580	5,246
2% loan closing costs	33,879	1,700	-	1,700	32,179
Local	-	-	-	-	-
<i>Lennox Dr. sewer lines:</i>					
Construction	295,566	-	-	-	295,566
Engineering/Design/Survey	24,236	24,236	-	24,236	-
Inspection	25,123	-	2,880	2,880	22,243
Grant administration	25,000	32	603	635	24,365
Easements/Fees/Legal	10,000	-	-	-	10,000
2% loan closing costs	7,599	-	-	-	7,599
TOTAL EXPENDITURES	2,125,159	771,647	162,420	934,067	1,191,092
REVENUES UNDER EXPENDITURES	(1,786,871)	(771,425)	(162,363)	(933,788)	853,083
OTHER FINANCING SOURCES:					
Loan proceeds	1,608,809	925,984	-	925,984	(682,825)
Transfers from other funds	178,062	133,362	-	133,362	(44,700)
TOTAL OTHER FINANCING SOURCES	1,786,871	1,059,346	-	1,059,346	(727,525)
NET CHANGE IN FUND BALANCE	\$ -	\$ 287,921	(162,363)	\$ 125,558	\$ 125,558
FUND BALANCE, beginning			287,921		
FUND BALANCE, ending			\$ 125,558		

**TOWN OF WADESBORO, NORTH CAROLINA
COBB VANTRESS INFRASTRUCTURE PROJECT FUND**

Exhibit C-6

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2014**

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
NC Rural Center #2012-188-40401-107	\$ 20,000	\$ 10,831	\$ 9,169	\$ 20,000	\$ -
Community Development Block Grant	260,000	234,478	15,087	249,565	(10,435)
TOTAL REVENUES	280,000	245,309	24,256	269,565	(10,435)
EXPENDITURES:					
Construction	273,620	249,222	12,228	261,450	12,170
Engineering design	25,500	25,500	-	25,500	-
Inspection	15,800	14,000	1,800	15,800	-
Survey	4,400	2,500	1,500	4,000	400
Permits	680	680	-	680	-
Grant administration	25,000	15,886	9,000	24,886	114
TOTAL EXPENDITURES	345,000	307,788	24,528	332,316	12,684
REVENUES UNDER EXPENDITURES	(65,000)	(62,479)	(272)	(62,751)	2,249
OTHER FINANCING SOURCES:					
Transfers from other funds	65,000	77,275	-	77,275	12,275
NET CHANGE IN FUND BALANCE	\$ -	\$ 14,796	(272)	\$ 14,524	\$ 14,524
FUND BALANCE, beginning			14,796		
FUND BALANCE, ending			\$ 14,524		

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, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Community Development Block Grant	\$ 750,000	\$ 4,000	\$ 203,124	\$ 207,124	\$ (542,876)
EXPENDITURES:					
Construction	662,300	135	100,984	101,119	561,181
Engineering design	57,200	-	57,200	57,200	-
Inspections	45,000	-	4,500	4,500	40,500
Survey	10,500	-	10,500	10,500	-
Administration	50,000	4,818	25,507	30,325	19,675
TOTAL EXPENDITURES	825,000	4,953	198,691	203,644	621,356
REVENUES OVER (UNDER) EXPENDITURES	(75,000)	(953)	4,433	3,480	78,480
OTHER FINANCING SOURCES:					
Transfers from other funds	75,000	25,000	-	25,000	(50,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ 24,047	4,433	\$ 28,480	\$ 28,480
FUND BALANCE, beginning			24,047		
FUND BALANCE, ending			\$ 28,480		

TOWN OF WADESBORO, NORTH CAROLINA
 GROWGREEN POWER, INC. PROJECT FUND

Exhibit C-8

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
NC Rural Center	\$ 2,000,000	\$ -	\$ -	\$ -	\$ (2,000,000)
Community Development Block Grant	1,000,000	-	-	-	(1,000,000)
Local Commitment - Anson County	150,000	-	75,000	75,000	(75,000)
Local Commitment - GrowGreen	750,000	-	-	-	(750,000)
TOTAL REVENUES	3,900,000	-	75,000	75,000	(3,825,000)
EXPENDITURES:					
Construction/Permits	3,550,300	-	98	98	3,550,202
Engineering design	234,300	-	48,000	48,000	186,300
Inspection	157,000	-	-	-	157,000
Survey	23,900	-	9,500	9,500	14,400
Geotechnical	9,500	-	9,500	9,500	-
Property acquisition/Legal	25,000	-	-	-	25,000
Grant administration	50,000	-	-	-	50,000
TOTAL EXPENDITURES	4,050,000	-	67,098	67,098	3,982,902
REVENUES OVER (UNDER) EXPENDITURES	(150,000)	-	7,902	7,902	157,902
OTHER FINANCING SOURCES:					
Transfers from other funds	150,000	-	30,000	30,000	(120,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	37,902	\$ 37,902	\$ 37,902
FUND BALANCE, beginning			-		
FUND BALANCE, ending			\$ 37,902		

OTHER SCHEDULES

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2014

Exhibit D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 1,677,714	\$ 1,555,455	\$ 122,259
2012-2013	125,320	561	60,916	64,965
2011-2012	53,917	-	14,515	39,402
2010-2011	32,887	-	12,045	20,842
2009-2010	21,119	-	5,347	15,772
2008-2009	9,585	-	1,391	8,194
2007-2008	6,529	-	758	5,771
2006-2007	4,363	-	298	4,065
2005-2006	3,286	-	42	3,244
2004-2005	3,934	-	37	3,897
2003-2004	1,735	-	1,735	-
	<u>\$ 262,675</u>	<u>\$ 1,678,275</u>	<u>\$ 1,652,539</u>	<u>\$ 288,411</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund

\$ 1,668,541

Reconciling items:

Taxes written off

8,841

Interest and penalties collected

(24,843)

Total collections and credits \$ 1,652,539

TOWN OF WADESBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2014

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	\$ 335,408,735	0.496	\$ 1,663,628	\$ 1,457,893	\$ 205,735
Registered motor vehicles taxed at prior year's rate	2,644,380	0.496	13,116	-	13,116
Penalties and adjustments	-		215	-	215
Total	<u>338,053,115</u>		<u>1,676,959</u>	<u>1,457,893</u>	<u>219,066</u>
Discoveries:					
Current year taxes	473,877	0.496	2,350	2,350	-
Prior year taxes	-		-	-	-
	<u>473,877</u>		<u>2,350</u>	<u>2,350</u>	<u>-</u>
Abatements	<u>(321,657)</u>		<u>(1,595)</u>	<u>(929)</u>	<u>(666)</u>
Total property valuation	<u>\$ 338,205,335</u>				
Net levy			1,677,714	1,459,314	218,400
Uncollected taxes at June 30, 2014			<u>(122,259)</u>	<u>(100,031)</u>	<u>(22,228)</u>
Current year's taxes collected			<u>\$ 1,555,455</u>	<u>\$ 1,359,283</u>	<u>\$ 196,172</u>
Current levy collection percentage			<u>92.71%</u>	<u>93.15%</u>	<u>89.82%</u>

COMPLIANCE SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

120 SOUTH RUTHERFORD STREET

P.O. BOX 341

WADESBORO, N.C. 28170

JAMES F. HANNA, CPA
DENEAL H. BENNETT, CPA
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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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 29, 2015. The financial statements of Town of Wadesboro ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified 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 Council 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

Contingency Appropriation Violation:

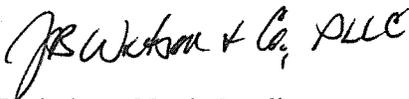
In the Fiscal Year 2013-2014 Budget Ordinance, the contingency appropriation in the General Fund exceeded 5% of all other appropriations in the General Fund in violation of G.S. 159-13(b)(3). The excess contingency appropriation was due to an anticipated settlement. The settlement was not reached until August 2013; therefore, the budget officer included the estimated settlement amount in the contingency appropriation. The budget officer is aware of the general statute requirement, and procedures are in place to avoid this in the future.

Town of Wadesboro's Response to Findings

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

Purpose of this Report

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



Wadesboro, North Carolina
January 29, 2015

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
<u>U.S. Department of Housing and Urban Development:</u>					
Passed-through N.C. Department of Commerce:					
<i>Division of Community Investment & Assistance:</i>					
CDBG - Entitlement Grants Cluster:					
Community Development Block Grant,					
State's Program and Non-Entitlement					
Grants in Hawaii					
	14.228	07-D-2390	\$ 15,088	\$ -	\$ 273
		11-C-2362	203,124	-	(4,434)
Total U.S. Department of Housing and Urban Development			218,212	-	(4,161)
<u>U.S. Department of Justice:</u>					
<i>Direct Programs:</i>					
Public Safety Partnership and Community					
Policing Grant					
	16.710	2012-UM-WX-0122	32,291	-	10,764
<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	8,130	-	2,033
<u>U.S. Department of Health and Human Services:</u>					
<i>Centers for Disease Control and Prevention:</i>					
Passed-through N.C. Department of Health and					
Human Services:					
Passed-through Cumberland County:					
Region 6 NC Community Transformation					
Grant Project					
	93.531		4,518	-	-
Total assistance - Federal programs			263,151	-	8,636
State Grants:					
<u>N.C. Dept. of Insurance:</u>					
<i>Office of State Fire Marshall:</i>					
Volunteer Fire Dept. Fund Program					
			-	14,470	-
<u>N.C. Department of Transportation:</u>					
Powell Bill					
		N/A	-	185,764	-
<u>N.C. General Assembly:</u>					
Passed-through N.C. Department of Commerce:					
<i>Rural Economic Development Division:</i>					
Clean Water Partners' Infrastructure Program					
		2008-283-40101-112	-	31,186	-
		2013-116-40101-102	-	18,638	18,638
			-	49,824	18,638
Economic Infrastructure Grant					
		2012-188-40401-107	-	9,169	-
Total N.C. General Assembly			-	58,993	18,638
Total assistance - State programs			-	259,227	18,638
TOTAL ASSISTANCE			\$ 263,151	\$ 259,227	\$ 27,274

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

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 \$1,994, to the U.S. Department of Agriculture as repayment on the loan during the year ended June 30, 2014. The unpaid balance of the loan was \$42,802 as of June 30, 2014.