

**TOWN OF WADESBORO, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2015**

**JBW**

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

Certified Public Accountants

**TOWN OF WADESBORO, NORTH CAROLINA  
LOCAL GOVERNMENT OFFICIALS  
June 30, 2015**

**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

Bebe Gaddy, Tax Collector

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**FINANCIAL SECTION**

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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, 2015, 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, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of the Net Pension Liability be presented to supplement the basic financial statements. Such information, although not a 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, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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.

Handwritten signature in cursive script that reads "J.B. Watson & Co., PLLC".

Wadesboro, North Carolina  
November 17, 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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

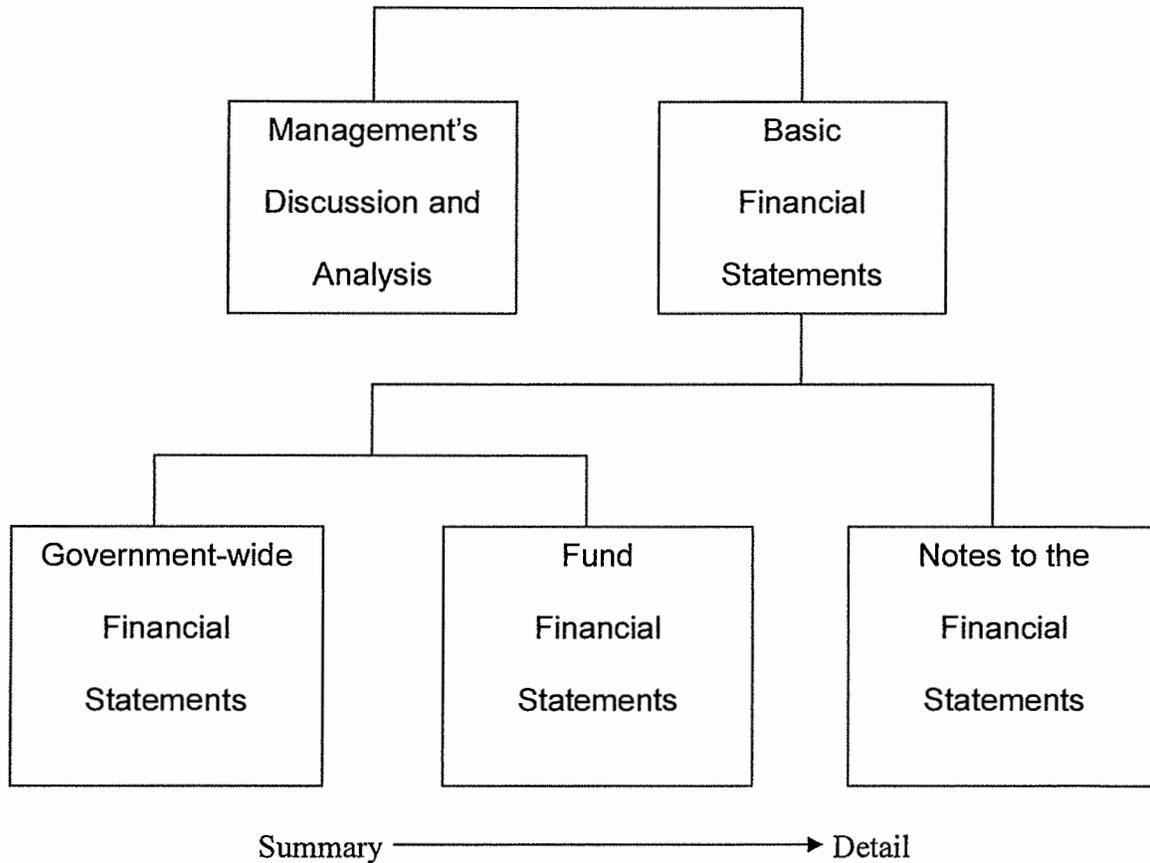
- The assets and deferred outflows of resources of the Town of Wadesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$16,462,279 (*net position*).
- The government's total net position increased by \$2,270,269, primarily due to the intergovernmental transfer of assets, capital contributions, higher than anticipated revenues, and lower than anticipated expenditures.
- As of the close of the current fiscal year, the Town of Wadesboro's governmental funds reported combined ending fund balances of \$2,590,778, an increase of \$479,081 in comparison with the prior year.
- The increase in fund balance was primarily due to an ad valorem property tax rate increase, higher than anticipated revenues, and lower than anticipated expenditures for reasons including personnel turnover, the delay of the East Wade Bridge replacement project, and frugal spending oversight.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,104,131 or 30% of total General Fund expenditures for the fiscal year.
- The Town of Wadesboro's capital lease and installment purchases payable decreased by \$211,985 (18%) 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 \$1,203,664.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Wadesboro's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Wadesboro.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3-1 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is **required supplementary information**. This section contains funding information about the Town's pension plans. Also after the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary

## Management's Discussion and Analysis Town of Wadesboro

information required by the General Statutes also can be found in this part of the statements.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town. The final category is the component unit. Although legally separate from the Town, the Wadesboro ABC Board is important to the Town because the Town exercises control over the Board by appointing two of its three members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Wadesboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Wadesboro can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give

Management's Discussion and Analysis  
Town of Wadesboro

the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wadesboro's progress in funding its obligation to provide pension benefits and postemployment benefits to employees. Required supplementary information can be found beginning on page 43 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	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 3,196,655	\$ 2,604,380	\$ 2,323,590	\$ 2,292,807	\$ 5,520,245	\$ 4,897,187
Capital assets, net	<u>2,473,800</u>	<u>2,517,928</u>	<u>11,754,523</u>	<u>10,272,020</u>	<u>14,228,323</u>	<u>12,789,948</u>
Total Assets	<u>5,670,455</u>	<u>5,122,308</u>	<u>14,078,113</u>	<u>12,564,827</u>	<u>19,748,568</u>	<u>17,687,135</u>
Deferred inflows of resources	<u>121,398</u>	<u>-</u>	<u>29,183</u>	<u>-</u>	<u>150,581</u>	<u>-</u>
<b>Liabilities</b>						
Current and other liabilities	35,001	109,881	224,079	471,421	259,080	581,302
Long-term liabilities:						
Due within one year	43,409	41,619	129,372	151,367	172,781	192,986
Due after one year	<u>1,397,938</u>	<u>1,238,072</u>	<u>987,311</u>	<u>1,121,052</u>	<u>2,385,249</u>	<u>2,359,124</u>
Total Liabilities	<u>1,476,348</u>	<u>1,389,572</u>	<u>1,340,762</u>	<u>1,743,840</u>	<u>2,817,110</u>	<u>3,133,412</u>
Deferred inflows of resources	<u>491,872</u>	<u>20,019</u>	<u>127,888</u>	<u>3,279</u>	<u>619,760</u>	<u>23,298</u>
<b>Net Position</b>						
Net investment in capital assets	2,339,275	2,341,786	10,900,011	9,247,140	13,239,286	11,588,926
Restricted	923,625	762,738	-	-	923,625	762,738
Unrestricted	<u>560,733</u>	<u>608,193</u>	<u>1,738,635</u>	<u>1,570,568</u>	<u>2,299,368</u>	<u>2,178,761</u>
Total Net Position	<u>\$ 3,823,633</u>	<u>\$ 3,712,717</u>	<u>\$ 12,638,646</u>	<u>\$ 10,817,708</u>	<u>\$ 16,462,279</u>	<u>\$ 14,530,425</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Wadesboro exceeded liabilities and deferred inflows by \$16,462,279 as of June 30, 2015. The Town's net position increased by \$2,270,269 for the fiscal year ended June 30, 2015. 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 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,299,368 (14%) is unrestricted. Also, the Town of Wadesboro implemented GASB Statement No. 68 this year. With the new reporting change, the Town has allocated its proportionate share of the Local Governmental Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$338,415. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Wadesboro's management.

Management's Discussion and Analysis  
Town of Wadesboro

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

- Ad valorem tax rate was increased.
- Ad valorem taxes exceeded budget forecasts.
- Sales taxes exceeded budget forecasts.
- Water and Sewer revenues exceeded budget forecasts.
- Personnel turnover and the delayed East Wade Bridge project helped reduce expenditures.
- Expenditure controls including delaying needed capital expenditures helped reduce expenditures.

*TOWN OF WADESBORO  
CHANGES IN NET POSITION  
FIGURE 3*

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 365,678	\$ 371,789	\$ 2,611,456	\$ 2,636,941	\$ 2,977,134	\$ 3,008,730
Operating grants and contributions	362,129	348,433	-	18,638	362,129	367,071
Capital grants and contributions	24,717	35,259	617,876	309,037	642,593	344,296
<b>General Revenues:</b>						
Property taxes	1,831,957	1,702,306	-	-	1,831,957	1,702,306
Other taxes and licenses	1,515,978	1,391,733	-	-	1,515,978	1,391,733
Grants and contributions not restricted	20,500	20,000	-	-	20,500	20,000
Investment earnings, unrestricted	1,679	2,770	28	70	1,707	2,840
Miscellaneous, unrestricted	70,419	55,106	1,929	2,580	72,348	57,686
<b>Total Revenues</b>	<u>4,193,057</u>	<u>3,927,396</u>	<u>3,231,289</u>	<u>2,967,266</u>	<u>7,424,346</u>	<u>6,894,662</u>
<b>Expenses</b>						
<b>Program Expenses:</b>						
General government	665,360	696,335	-	-	665,360	696,335
Public safety	2,235,145	2,372,196	-	-	2,235,145	2,372,196
Transportation	433,950	427,505	-	-	433,950	427,505
Economic and physical development	2,224	22,322	-	-	2,224	22,322
Environmental protection	352,279	516,458	-	-	352,279	516,458
Culture and recreation	30,864	29,829	-	-	30,864	29,829
Interest on long-term debt	3,990	5,877	-	-	3,990	5,877
Water and sewer	-	-	2,488,681	2,716,440	2,488,681	2,716,440
<b>Total Expenses</b>	<u>3,723,812</u>	<u>4,070,522</u>	<u>2,488,681</u>	<u>2,716,440</u>	<u>6,212,493</u>	<u>6,786,962</u>
Change in net position before special item and transfers	469,245	(143,126)	742,608	250,826	1,211,853	107,700
Special item - intergovernmental transfer of assets	-	-	1,058,416	-	1,058,416	-
Transfers	(90,000)	-	90,000	-	-	-
<b>Change in net position</b>	<u>379,245</u>	<u>(143,126)</u>	<u>1,891,024</u>	<u>250,826</u>	<u>2,270,269</u>	<u>107,700</u>
Net Position, July 1	3,712,717	3,855,843	10,817,708	10,566,882	14,530,425	14,422,725
Restatement	(268,329)	-	(70,086)	-	(338,415)	-
<b>Net Position, July 1, as restated</b>	<u>3,444,388</u>	<u>3,855,843</u>	<u>10,747,622</u>	<u>10,566,882</u>	<u>14,192,010</u>	<u>14,422,725</u>
<b>Net Position, June 30</b>	<u>\$ 3,823,633</u>	<u>\$ 3,712,717</u>	<u>\$ 12,638,646</u>	<u>\$ 10,817,708</u>	<u>\$ 16,462,279</u>	<u>\$ 14,530,425</u>

Management's Discussion and Analysis  
Town of Wadesboro

**Governmental activities:** Governmental activities increased the Town's net position by \$379,245. The key elements of this increase are primarily due to an ad valorem property tax rate increase, higher than anticipated revenues, and lower than anticipated expenditures for reasons including personnel turnover, the delay of the East Wade Bridge replacement project, and frugal spending oversight.

**Business-type activities:** Business-type activities increased the Town of Wadesboro's net position by \$1,891,024. The major reasons for the increase in water-sewer net position were lower than anticipated expenditures, capital expenditure delays, capital contributions, and an intergovernmental transfer of assets.

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

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

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

The General Fund is the chief operating fund of the Town of Wadesboro. At the end of the current fiscal year, available fund balance of the General Fund was \$2,130,055 while total fund balance was \$2,568,841. The Town currently has available fund balance of 58.7 percent of total General Fund expenditures, while total fund balance represents 70.8 percent of General Fund expenditures.

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

Most of the budget amendments during the year were minor.

**Proprietary Funds:** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the consolidated Water and Sewer Fund at the end of the fiscal year amounted to \$1,738,635. The total increase in net position for the fund was \$1,891,024. 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, 2015, totals \$14,228,323 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

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

- Anson County transferred Richmond Street sewer lines to the Town per a grant agreement. The net book value of the assets transferred totaled \$1,058,416.
- The Town continued to work with engineers to design and replace the East Wade Bridge project. The project is funded through Town funds and from a grant through the State and federal governments.
- The Town continued to work with engineers on the Anson Greenhouse economic development project.
- The Town acquired approximately \$808,605 in utilities infrastructure assets related to the CDBG Lewis Street Water & Sewer Infrastructure Project.

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

Description	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land and construction in progress	\$ 863,386	\$ 859,538	\$ 235,126	\$ 339,369	\$ 1,098,512	\$ 1,198,907
Deposits	29,004	-	-	-	29,004	-
Buildings	375,644	390,172	-	-	375,644	390,172
Land improvements	244,968	228,066	-	-	244,968	228,066
Infrastructure	161,279	165,078	-	-	161,279	165,078
Equipment	239,716	201,088	-	-	239,716	201,088
Vehicles and motorized equipment	559,803	673,986	11,248,729	229,603	11,808,532	903,589
Plant and distribution systems	-	-	270,668	9,703,048	270,668	9,703,048
	<u>\$ 2,473,800</u>	<u>\$ 2,517,928</u>	<u>\$ 11,754,523</u>	<u>\$ 10,272,020</u>	<u>\$ 14,228,323</u>	<u>\$ 12,789,948</u>

Additional information on the Town's capital assets can be found in Note 3 of the Basic Financial Statements.

Management's Discussion and Analysis  
Town of Wadesboro

**Long-term Debt:** As of June 30, 2015, the Town of Wadesboro had no bonded debt.

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

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Capital lease	\$ 25,037	\$ 48,720	\$ 4,400	\$ 9,598	\$ 29,437	\$ 58,318
Installment purchases payable	109,488	127,422	850,112	1,015,282	959,600	1,142,704
Compensated absences	148,362	159,004	25,737	33,730	174,099	192,734
Net pension liability (LGRS)	-	396,636	-	103,598	-	500,234
Net pension obligation (LEO)	191,230	171,546	-	-	191,230	171,546
Net OPEB obligation	967,230	772,999	236,434	213,809	1,203,664	986,808
Total	<u>\$ 1,441,347</u>	<u>\$ 1,676,327</u>	<u>\$ 1,116,683</u>	<u>\$ 1,376,017</u>	<u>\$ 2,558,030</u>	<u>\$ 3,052,344</u>

**Town of Wadesboro's Outstanding Debt**

The Town of Wadesboro's total debt decreased by \$494,314 (16%) during the past fiscal year. The key factors in this decrease include the final payments on certain debt service obligations, continued debt service payments on existing obligations, the net pension liability (LGRS) becoming a net pension asset in the current year, and compensated absences due to employee turnover.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Wadesboro is \$26,579,154. The Town has no bonds authorized but un-issued at June 30, 2015.

Additional information regarding the Town of Wadesboro's long-term debt can be found in Note 3 beginning on page 37 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the Town.

- The unemployment rate showed a slight decrease from June 2014 to June 2015.
- New commercial development continues to be slow.
- Franchise tax, ad valorem tax, 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 will continue to avail itself of financing, grants, and reserves to replace worn equipment and facilities.

## **Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities:** Property tax collections are behind last year's pace. The County's Tax Office has a relatively low rate of current year tax collection and the Town depends on back years' taxes to meet budget needs. Franchise and sales tax revenues exceed last year's pace. The Town is pursuing a major economic development project that has the potential to dramatically increase the Town's taxable property value and utility revenues.

Budgeted expenditures in the General Fund are expected to increase in comparison to the prior fiscal year for reasons including purchasing automated trash equipment, increased health insurance costs (especially for retirees), East Wade Bridge construction project, reduced personnel turnover, and the purchase of needed capital items. The Town will continue in the future to replace worn equipment with grants, reserves, and short term borrowing at favorable interest rates. The Town met increases in related employee costs including health insurance. The Town balanced the budget with a large amount of fund balance but anticipate using less than budgeted. The Town's remaining fund balance is healthy.

**Business-type Activities:** The Town instituted a water rate increase. Water revenues are ahead of last year's pace and sewer revenues are slightly ahead of last year's pace. As discussed above, the Town is pursuing a major economic development project that has the potential to dramatically increase the Town's utility revenues.

Expenditures are expected to remain about the same even with increased health insurance costs and planned purchases of needed capital items. Also, the plan was to use the revenues from increased water rates to partially fund preliminary engineering work necessary to apply for grants for infrastructure improvements identified in the Capital Improvement/Asset Management Plan created with LKC Engineers. The Town is analyzing whether to wait on applying for these grants while the major economic development project's situation develops because this project would require infrastructure improvements. The Town is conducting an alternatives analysis to determine whether to purchase water from Anson County full-time instead of supplementing Town water plant operations with Anson County water purchases. In the meantime, the Town has purchased water from Anson County full-time since August 2014.

### **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, 2015**

**Exhibit 1**

	Primary Government			Town of Wadesboro ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,810,443	\$ 1,270,457	\$ 3,080,900	\$ 211,909
Receivables:				
Taxes receivable	296,986	-	296,986	-
Accounts receivable (net)	104,896	330,192	435,088	-
Accrued interest receivable	58,593	-	58,593	-
Due from other governments	321,794	10,651	332,445	-
Inventories	11,940	148,181	160,121	85,298
Prepaid items	3,599	-	3,599	-
Note receivable	17,795	-	17,795	-
Restricted assets:				
Cash and cash equivalents	377,018	420,167	797,185	-
Due from other governments	-	11,324	11,324	-
Note receivable	-	82,053	82,053	-
Net pension asset	193,591	50,565	244,156	9,082
Capital assets:				
Land and other nondepreciable assets	892,390	235,126	1,127,516	80,000
Other capital assets (net)	1,581,410	11,519,397	13,100,807	43,361
<b>TOTAL ASSETS</b>	<b>5,670,455</b>	<b>14,078,113</b>	<b>19,748,568</b>	<b>429,650</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>121,398</b>	<b>29,183</b>	<b>150,581</b>	<b>7,888</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	35,001	6,252	41,253	4,697
Accrued interest payable	-	8,667	8,667	-
Due to other governments	-	89,516	89,516	-
Liabilities payable from restricted assets:				
Customer deposits	-	119,644	119,644	-
Long-term liabilities:				
Due within one year	43,409	129,372	172,781	-
Due in more than one year	1,397,938	987,311	2,385,249	-
<b>TOTAL LIABILITIES</b>	<b>1,476,348</b>	<b>1,340,762</b>	<b>2,817,110</b>	<b>4,697</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>491,872</b>	<b>127,888</b>	<b>619,760</b>	<b>21,188</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,339,275	10,900,011	13,239,286	123,361
Restricted for:				
Stabilization by State statute	423,247	-	423,247	-
Streets - Powell Bill	372,952	-	372,952	-
Law enforcement	101,423	-	101,423	-
USDA loan	4,066	-	4,066	-
Other purposes	21,937	-	21,937	-
Working capital	-	-	-	36,320
Unrestricted	560,733	1,738,635	2,299,368	251,972
<b>TOTAL NET POSITION</b>	<b>\$ 3,823,633</b>	<b>\$ 12,638,646</b>	<b>\$ 16,462,279</b>	<b>\$ 411,653</b>

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of Wadesboro ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 665,360	\$ 80	\$ -	\$ -	\$ (665,280)	\$ -	\$ (665,280)	\$ -
Public safety	2,235,145	8,710	159,096	18,932	(2,048,407)	-	(2,048,407)	-
Transportation	433,950	-	203,033	5,785	(225,132)	-	(225,132)	-
Economic and physical development	2,224	-	-	-	(2,224)	-	(2,224)	-
Environmental protection	352,279	356,888	-	-	4,609	-	4,609	-
Culture and recreation	30,864	-	-	-	(30,864)	-	(30,864)	-
Interest on long-term debt	3,990	-	-	-	(3,990)	-	(3,990)	-
Total governmental activities	<u>3,723,812</u>	<u>365,678</u>	<u>362,129</u>	<u>24,717</u>	<u>(2,971,288)</u>	<u>-</u>	<u>(2,971,288)</u>	<u>-</u>
<b>Business-type activities:</b>								
Water and sewer	<u>2,488,681</u>	<u>2,611,456</u>	<u>-</u>	<u>617,876</u>	<u>-</u>	<u>740,651</u>	<u>740,651</u>	<u>-</u>
<b>Component unit:</b>								
ABC Board	<u>925,292</u>	<u>944,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,027</u>
	<u>\$ 7,137,785</u>	<u>\$ 3,921,453</u>	<u>\$ 362,129</u>	<u>\$ 642,593</u>	<u>(2,971,288)</u>	<u>740,651</u>	<u>(2,230,637)</u>	<u>19,027</u>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					1,831,957	-	1,831,957	-
Other taxes and licenses					1,515,978	-	1,515,978	-
Grants and contributions not restricted to specific programs					20,500	-	20,500	-
Investment earnings, unrestricted					1,679	28	1,707	75
Miscellaneous, unrestricted					70,419	1,929	72,348	-
Total general revenues excluding transfers					3,440,533	1,957	3,442,490	75
Special item - Intergovernmental transfer of assets					-	1,058,416	1,058,416	-
Transfers					(90,000)	90,000	-	-
Total general revenues and transfers					<u>3,350,533</u>	<u>1,150,373</u>	<u>4,500,906</u>	<u>75</u>
Change in net position					<u>379,245</u>	<u>1,891,024</u>	<u>2,270,269</u>	<u>19,102</u>
Net position, beginning, as previously reported					3,712,717	10,817,708	14,530,425	403,851
Restatement					(268,329)	(70,086)	(338,415)	(11,300)
Net position, beginning, as restated					<u>3,444,388</u>	<u>10,747,622</u>	<u>14,192,010</u>	<u>392,551</u>
Net position, ending					<u>\$ 3,823,633</u>	<u>\$ 12,638,646</u>	<u>\$ 16,462,279</u>	<u>\$ 411,653</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, 2015**

**Exhibit 3-1**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,788,506	\$ 21,937	\$ 1,810,443
Restricted cash and cash equivalents	377,018	-	377,018
Taxes receivable	296,986	-	296,986
Accounts receivable	104,896	-	104,896
Accrued interest receivable	377	-	377
Due from other governments	321,794	-	321,794
Inventories	11,940	-	11,940
Prepaid items	3,599	-	3,599
	<u>3,599</u>	<u>-</u>	<u>3,599</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,905,116</u></b>	<b><u>\$ 21,937</u></b>	<b><u>\$ 2,927,053</u></b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 35,001	\$ -	\$ 35,001
Due to other governments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>35,001</u></b>	<b><u>-</u></b>	<b><u>35,001</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b><u>301,274</u></b>	<b><u>-</u></b>	<b><u>301,274</u></b>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventories	11,940	-	11,940
Prepaid items	3,599	-	3,599
Restricted:			
Stabilization by State statute	423,247	-	423,247
Streets - Powell Bill	372,952	-	372,952
Law enforcement	101,423	-	101,423
Economic and physical development	-	4,943	4,943
Capital outlay - park	-	16,994	16,994
USDA loan	4,066	-	4,066
Assigned:			
Fire department	8,693	-	8,693
Subsequent year's expenditures	538,790	-	538,790
Unassigned	1,104,131	-	1,104,131
	<u>1,104,131</u>	<u>-</u>	<u>1,104,131</u>
<b>TOTAL FUND BALANCES</b>	<b><u>2,568,841</u></b>	<b><u>21,937</u></b>	<b><u>2,590,778</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 2,905,116</u></b>	<b><u>\$ 21,937</u></b>	<b><u>\$ 2,927,053</u></b>

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2015**

**Exhibit 3-2**

<b>Fund balances - Total governmental funds (Exhibit 3-1)</b>	<b>\$ 2,590,778</b>
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.	2,473,800
Net pension asset	193,591
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position	121,398
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.	58,216
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	300,806
Pension related deferrals	(473,609)
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	(25,037)
Installment purchases payable	(109,488)
Compensated absences	(148,362)
Net pension obligation (LEO)	(191,230)
Net OPEB obligation	<u>(967,230)</u>
<b>Net position of governmental activities (Exhibit 1)</b>	<b><u>\$ 3,823,633</u></b>

**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, 2015**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES:</b>			
Ad valorem taxes	\$ 1,816,283	\$ -	\$ 1,816,283
Other taxes and licenses	184,246	-	184,246
Unrestricted intergovernmental	1,350,238	-	1,350,238
Restricted intergovernmental	388,433	-	388,433
Permits and fees	6,205	-	6,205
Sales and services	357,523	-	357,523
Investment earnings	1,679	-	1,679
Miscellaneous	<u>75,482</u>	<u>-</u>	<u>75,482</u>
<b>TOTAL REVENUES</b>	<u>4,180,089</u>	<u>-</u>	<u>4,180,089</u>
<b>EXPENDITURES:</b>			
Current:			
General government	694,987	-	694,987
Public safety	2,107,153	-	2,107,153
Transportation	414,512	-	414,512
Economic and physical development	-	-	-
Environmental protection	346,656	-	346,656
Culture and recreation	20,417	-	20,417
Debt service:			
Principal retirement	41,617	-	41,617
Interest and fees	3,990	-	3,990
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>3,629,332</u>	<u>-</u>	<u>3,629,332</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>550,757</u>	<u>-</u>	<u>550,757</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer to Enterprise Capital Project Fund	(90,000)	-	(90,000)
Sale of capital assets	<u>18,324</u>	<u>-</u>	<u>18,324</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(71,676)</u>	<u>-</u>	<u>(71,676)</u>
<b>NET CHANGE IN FUND BALANCES</b>	479,081	-	479,081
<b>FUND BALANCES, beginning</b>	<u>2,089,760</u>	<u>21,937</u>	<u>2,111,697</u>
<b>FUND BALANCES, ending</b>	<u>\$ 2,568,841</u>	<u>\$ 21,937</u>	<u>\$ 2,590,778</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, 2015**

**Exhibit 4-2**

**Net change in fund balances - total governmental funds (Exhibit 4-1)** \$ 479,081

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)	152,334
Net book value of disposed capital assets not recorded in the fund statements	(1,635)
Depreciation expense for governmental funds	(194,827)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities	121,398
--------------------------------------------------------------------------------------------------------------	---------

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	7,099
Change in unavailable revenues	(8,636)

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

Principal payments on long-term debt	41,617
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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 compensated absences	10,642
Pension expense	(11,689)
Change in net pension obligation (LEO)	(19,684)
Change in net OPEB obligation	<u>(194,231)</u>

**Total change in net position of governmental activities (Exhibit 2)** \$ 379,245

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

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit 5

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

ANNUAL BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES:</b>				
Ad valorem taxes	\$ 1,676,000	\$ 1,676,000	\$ 1,816,283	\$ 140,283
Other taxes and licenses	134,000	134,000	184,246	50,246
Unrestricted intergovernmental	1,167,700	1,167,700	1,350,238	182,538
Restricted intergovernmental	720,128	738,128	388,433	(349,695)
Permits and fees	7,040	7,040	6,205	(835)
Sales and services	355,150	355,150	357,523	2,373
Investment earnings	200	200	1,679	1,479
Miscellaneous	30,605	48,195	75,482	27,287
<b>TOTAL REVENUES</b>	<u>4,090,823</u>	<u>4,126,413</u>	<u>4,180,089</u>	<u>53,676</u>
<b>EXPENDITURES:</b>				
Current:				
General government	713,691	747,689	694,987	52,702
Public safety	2,228,061	2,275,873	2,107,153	168,720
Transportation	980,593	1,003,593	414,512	589,081
Economic and physical development	-	-	-	-
Environmental protection	389,193	387,585	346,656	40,929
Culture and recreation	30,483	30,483	20,417	10,066
Debt service:				
Principal retirement	41,642	41,640	41,617	23
Interest and fees	3,956	3,996	3,990	6
Contingency	220,000	167,350	-	167,350
<b>TOTAL EXPENDITURES</b>	<u>4,607,619</u>	<u>4,658,209</u>	<u>3,629,332</u>	<u>1,028,877</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(516,796)</u>	<u>(531,796)</u>	<u>550,757</u>	<u>1,082,553</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer to Enterprise Capital Project Fund	(90,000)	(90,000)	(90,000)	-
Sale of capital assets	1,500	13,500	18,324	4,824
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(88,500)</u>	<u>(76,500)</u>	<u>(71,676)</u>	<u>4,824</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(605,296)</u>	<u>(608,296)</u>	<u>479,081</u>	<u>1,087,377</u>
<b>APPROPRIATED FUND BALANCE</b>	<u>605,296</u>	<u>608,296</u>	<u>-</u>	<u>(608,296)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>479,081</u>	<u>\$ 479,081</u>
<b>FUND BALANCE, beginning</b>			<u>2,089,760</u>	
<b>FUND BALANCE, ending</b>			<u>\$ 2,568,841</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, 2015**

**Exhibit 6**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,270,457
Accounts receivable (net)	330,192
Due from other governments	10,651
Inventories	148,181
Restricted assets:	
Cash and cash equivalents	420,167
Due from other governments	<u>11,324</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>2,190,972</b></u>

**NONCURRENT ASSETS**

Restricted note receivable	82,053
Net pension asset - restricted	50,565
Capital assets:	
Land and other nondepreciable assets	235,126
Other capital assets (net)	<u>11,519,397</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u><b>11,887,141</b></u>

**TOTAL ASSETS** **14,078,113**

**DEFERRED OUTFLOWS OF RESOURCES** **29,183**

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	6,252
Accrued interest payable	8,667
Due to other governments	89,516
Liabilities payable from restricted assets:	
Customer deposits	119,644
Capital lease and installment purchases payable, current portion	<u>129,372</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u><b>353,451</b></u>

**NONCURRENT LIABILITIES**

Accrued vacation pay	25,737
Capital lease and installment purchases payable, net of current portion	725,140
Net OPEB obligation	<u>236,434</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u><b>987,311</b></u>

**TOTAL LIABILITIES** **1,340,762**

**DEFERRED INFLOWS OF RESOURCES** **127,888**

**NET POSITION**

Net investment in capital assets	10,900,011
Unrestricted	<u>1,738,635</u>
<b>TOTAL NET POSITION</b>	<u><u><b>\$ 12,638,646</b></u></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, 2015**

**OPERATING REVENUES**

Water sales	\$ 1,101,808
Sewer charges	1,416,590
Other operating revenues	<u>93,058</u>

**TOTAL OPERATING REVENUES** 2,611,456

**OPERATING EXPENSES**

Water department	967,741
Sewer department	1,158,834
Depreciation	<u>339,713</u>

**TOTAL OPERATING EXPENSES** 2,466,288

**OPERATING INCOME** 145,168

**NONOPERATING REVENUES (EXPENSES)**

Investment earnings	28
Interest and fees	(22,393)
Other revenues	<u>1,929</u>

**TOTAL NONOPERATING REVENUES (EXPENSES)** (20,436)

**INCOME BEFORE CONTRIBUTIONS,  
SPECIAL ITEM, AND TRANSFERS** 124,732

**CAPITAL CONTRIBUTIONS** 617,876

**SPECIAL ITEM - Intergovernmental transfer of assets** 1,058,416

**TRANSFERS** 90,000

**CHANGE IN NET POSITION** 1,891,024

**NET POSITION, beginning, as previously stated** 10,817,708

Restatement (70,086)

**NET POSITION, beginning, as restated** 10,747,622

**NET POSITION, ending** \$ 12,638,646

**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, 2015**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 2,517,270
Cash paid for goods and services	(1,811,230)
Cash paid to employees for services	(420,108)
Customer deposits received	30,091
Customer deposits returned	(24,377)
Other operating revenues	<u>93,058</u>

**NET CASH PROVIDED BY  
OPERATING ACTIVITIES** 384,704

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers from other funds	90,000
Other nonoperating revenues	<u>1,929</u>

**NET CASH PROVIDED BY  
NONCAPITAL FINANCING ACTIVITIES** 91,929

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

Acquisition and construction of capital assets	(949,976)
Loan proceeds	-
Capital contributions - State and local grants	885,632
Principal paid on debt	(170,368)
Interest paid on debt	<u>(23,477)</u>

**NET CASH USED BY CAPITAL AND  
RELATED FINANCING ACTIVITIES** (258,189)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment earnings	<u>28</u>
---------------------	-----------

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 218,472

**CASH AND CASH EQUIVALENTS, beginning** 1,472,152

**CASH AND CASH EQUIVALENTS, ending** \$ 1,690,624

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

Cash and cash equivalents in current assets	\$ 1,270,457
Cash and cash equivalents in restricted assets	<u>420,167</u>

\$ 1,690,624

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

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

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

Operating income	\$ 145,168
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	339,713
Pension expense	3,053
(Increase) decrease in:	
Accounts receivable	(2,033)
Due from other governments	3,883
Inventories	(26,730)
Deferred outflows of resources for pensions	(29,183)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(75,336)
Due to other governments	4,918
Customer deposits	5,714
Compensated absences payable	(7,993)
Net OPEB obligation	22,625
Deferred inflows of resources for utility payments	905
	<u>905</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 384,704</u></b>

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**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, 2015**

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

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

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

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for Town of Wadesboro because the tax is levied by Anson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures

**TOWN OF WADESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015**

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

**D. BUDGETARY DATA**

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

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

**DEPOSITS AND INVESTMENTS**

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The 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, 2015**

**RESTRICTED ASSETS**

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

**AD VALOREM TAXES RECEIVABLE**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2014.

**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, 2015**

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

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

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has five items that meet the criterion for this category – prepaid taxes, licenses, and utility payments; property taxes and licenses receivable; unavailable grant revenues; unearned revenues on a promissory note receivable; and deferrals of pension expense that result from the implementation of GASB Statement No. 68.

**LONG-TERM OBLIGATIONS**

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

**COMPENSATED ABSENCES**

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

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

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**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-

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town does not have any committed fund balance this fiscal year.

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

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

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

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

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

**PENSIONS**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Town of Wadesboro's employer contributions are recognized when due and Town of Wadesboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

As of June 30, 2015, the project-to-date expenditures made exceeded the authorized appropriations made by the governing board in the Wadesboro Water Plant Disinfection By-Products Project Fund for inspection and in the Uptown Wadesboro Water/Lennox Drive Sewer Project Fund for engineering/design/survey. Both of these have been reported in previous audits. The Town plans to implement review procedures in the future to ensure compliance with board approved appropriations.

**NOTE 3 – DETAIL NOTES ON ALL FUNDS**

**A. ASSETS**

**DEPOSITS**

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing 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, 2015, the Town's deposits had a carrying amount of \$3,805,025 and a bank balance of \$3,896,299. The carrying amount of deposits for the ABC Board was \$210,409 and the bank balance was \$292,412. 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, 2015, the Town's and ABC Board's bank balances exceeded federally insured limits by \$3,146,299 and \$-0-, respectively. All deposits of the Town and the ABC Board are insured or collateralized under the Pooling Method. At June 30, 2015, the Town's and the ABC Board's petty cash totaled \$500 and \$1,500, respectively.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**INVESTMENTS**

At June 30, 2015, the Town's investments consisted of \$71,485 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, 2015, the Town's investment balances were as follows:

	<u>Reported Value</u>	<u>Fair Value</u>
North Carolina Capital Management Trust Cash Portfolio	\$ 71,485	\$ 71,485

**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>89,650</u>
	<u>\$ 89,650</u>

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

**Primary Government:**

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><i>Governmental activities:</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 571,882	\$ -	\$ -	\$ 571,882
Construction in progress	287,656	3,848	-	291,504
Deposits	-	29,004	-	29,004
Total capital assets not being depreciated	<u>859,538</u>	<u>32,852</u>	<u>-</u>	<u>892,390</u>
<b>Capital assets being depreciated:</b>				
Buildings	638,010	-	-	638,010
Land improvements	258,150	25,000	-	283,150
Infrastructure	189,972	-	-	189,972
Equipment	970,932	94,482	111,483	953,931
Vehicles and motorized equipment	2,168,679	-	118,346	2,050,333
Total capital assets being depreciated	<u>4,225,743</u>	<u>119,482</u>	<u>229,829</u>	<u>4,115,396</u>
Less accumulated depreciation for:				
Buildings	247,838	14,528	-	262,366
Land improvements	30,084	8,098	-	38,182
Infrastructure	24,894	3,799	-	28,693
Equipment	769,844	54,219	109,848	714,215
Vehicles and motorized equipment	1,494,693	114,183	118,346	1,490,530
Total accumulated depreciation	<u>2,567,353</u>	<u>194,827</u>	<u>228,194</u>	<u>2,533,986</u>
Total capital assets being depreciated, net	<u>1,658,390</u>			<u>1,581,410</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 2,517,928</u>			<u>\$ 2,473,800</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 8,059
Public safety	139,998
Transportation	11,878
Environmental protection	24,445
Culture and recreation	10,447
	<u>\$ 194,827</u>

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	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<b><i>Business-type activities:</i></b>				
<b><i>Water and Sewer Fund:</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 21,552	\$ 1,500	\$ -	\$ 23,052
Construction in progress	<u>317,817</u>	<u>702,862</u>	<u>808,605</u>	<u>212,074</u>
Total capital assets not being depreciated	<u>339,369</u>	<u>704,362</u>	<u>808,605</u>	<u>235,126</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	18,596,517	1,836,097	-	20,432,614
Vehicles and motorized equipment	<u>1,051,898</u>	<u>90,362</u>	<u>-</u>	<u>1,142,260</u>
Total capital assets being depreciated	<u>19,648,415</u>	<u>1,926,459</u>	<u>-</u>	<u>21,574,874</u>
Less accumulated depreciation for:				
Plant and distribution systems	8,893,469	290,416	-	9,183,885
Vehicles and motorized equipment	<u>822,295</u>	<u>49,297</u>	<u>-</u>	<u>871,592</u>
Total accumulated depreciation	<u>9,715,764</u>	<u>339,713</u>	<u>-</u>	<u>10,055,477</u>
Total capital assets being depreciated, net	<u>9,932,651</u>			<u>11,519,397</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 10,272,020</u>			<u>\$ 11,754,523</u>

Depreciation expense for the year ended June 30, 2015, was \$339,713.

**Construction commitments**

The Town had various active construction projects at June 30, 2015. The projects are to be funded largely by State grants. The Town's commitments with contractors, engineers, and administrators at June 30, 2015, were as follows:

East Wade Street bridge project	\$ 535,039
Uptown Wadesboro water project	47,236
GrowGreen Power, Inc. project	<u>309,500</u>
	<u>\$ 891,775</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
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**Discretely Presented Component Unit:**

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
<b>Capital assets being depreciated:</b>				
Land improvements	14,060	-	-	14,060
Building	281,025	-	-	281,025
Equipment	143,075	-	-	143,075
Total capital assets being depreciated	<u>438,160</u>	<u>-</u>	<u>-</u>	<u>438,160</u>
Less accumulated depreciation for:				
Land improvements	10,779	937	-	11,716
Building	250,869	1,607	-	252,476
Equipment	126,985	3,622	-	130,607
Total accumulated depreciation	<u>388,633</u>	<u>6,166</u>	<u>-</u>	<u>394,799</u>
Total capital assets being depreciated, net	<u>49,527</u>			<u>43,361</u>
<b>ABC capital assets, net</b>	<u>\$ 129,527</u>			<u>\$ 123,361</u>

Depreciation expense for the year ended June 30, 2015, was \$6,166.

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

**PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS**

**1. Local Governmental Employees' Retirement System**

*Plan Description:* Town of Wadesboro and the ABC Board are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided:* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains on the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

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*Contributions:* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Wadesboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Wadesboro's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Town of Wadesboro were \$150,581 for the year ended June 30, 2015.

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

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Town reported an asset of \$244,156 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability (asset) was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.04140%, which was a decrease of 0.00010% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$14,742. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 26,678
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	568,387
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	2,248
Town's contributions subsequent to the measurement date	<u>150,581</u>	<u>-</u>
Total	<u>\$ 150,581</u>	<u>\$ 597,313</u>

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\$150,581 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2016	\$ 149,347
2017	149,347
2018	149,347
2019	149,272
2020	-
Thereafter	-

*Actuarial Assumptions:* The total pension liability in the December 31, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2013, valuation were based on the results of an actuarial experience study for the period January 1, 2005, through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

**TOWN OF WADESBORO, NORTH CAROLINA**  
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014, to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

*Discount Rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 828,767	\$ (244,156)	\$ (1,147,521)

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*Pension Plan Fiduciary Net Position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**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, 2014, the Separation Allowance's membership consisted of three retirees receiving benefits and 24 active plan members.

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies:*

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

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

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

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

*Contributions:*

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

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The annual required contribution for the current year was determined as part of the December 31, 2014, 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:

Annual required contribution	\$ 47,643
Interest on net pension obligation	8,577
Adjustment to annual required contribution	<u>(14,491)</u>
Annual pension cost	41,729
Contributions made	<u>(22,045)</u>
Increase (decrease) in net pension obligation	19,684
Net pension obligation, beginning of year	<u>171,546</u>
Net pension obligation, end of year	<u><u>\$ 191,230</u></u>

*3 Year Trend Information*

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 39,517	103.88%	\$ 172,722
2014	38,045	103.09%	171,546
2015	41,729	52.83%	191,230

*Funded Status and Funding Progress:*

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$331,461. The covered payroll (annual payroll of active employees covered by the plan) was \$961,825, and the ratio of the UAAL to the covered payroll was 34.67 percent.

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

**3. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees**

*Plan Description:* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North

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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, 2015, were \$52,955, which consisted of \$45,175 from the Town and \$7,780 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, 2015, were \$73,108, which consisted of \$50,210 from the Town and \$22,898 from the employees.

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

*Plan Description:* The State of North Carolina contributes, on behalf of Town of Wadesboro, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing, multiple-employer, defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided:* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad member. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions:* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ended June 30, 2014, the State

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contributed \$14,627,000 to the plan. Town of Wadesboro's proportionate share of the State's contribution is \$4,392.

*Refunds of Contributions:* Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$11,682. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2013, was 0%.

For the year ended June 30, 2015, the Town recognized pension expense of \$4,392 and revenue of \$4,392 for support provided by the State. At June 30, 2015, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions:* The total pension liability in the December 31, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate or return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section 1. of this note.

*Discount Rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit

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payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Pension Plan Fiduciary Net Position:* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**5. Other Postemployment Benefits**

**Health Care Benefits**

*Plan Description:* Under the terms of a Town resolution, the Town administers a single-employer, defined benefit Health Care Plan (the HC Plan). The HC Plan provides postemployment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System) and have at least 20 years of continuous service with the Town or 30 years of service with the System with the last 10 of those 30 years of continuous service with the Town. The retiree is responsible for paying the portion of the premium cost that is in excess of what the Town pays for active employees. Health care and prescription drug coverage are provided by the Town. Dependent coverage may be paid by the retired employee and ceases at the death of the retired employee. The Town may amend the benefit provisions. A separate report was not issued for the HC Plan.

Membership of the HC Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

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

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

The current annual required contribution (ARC) rate is 13.97% of annual covered payroll. For the current year, the Town contributed \$74,799 or 3.57% 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 5.40% and 3.47% of covered payroll, respectively. The Town’s contributions totaled \$95,176 in fiscal year 2015. There were no contributions made by employees, except for \$2,664 from employees under 65 years of age. The Town’s obligation to contribute to the HC Plan is established and may be amended by the Town Council.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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

Annual required contribution	\$ 310,268
Interest on net OPEB obligation	39,472
Adjustment to annual required contribution	<u>(37,708)</u>
Annual OPEB cost (expense)	312,032
Contributions made	<u>(95,176)</u>
Increase in net OPEB obligation	216,856
Net OPEB obligation, beginning of year	<u>986,808</u>
Net OPEB obligation, end of year	<u>\$1,203,664</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, 2015, were as follows:

Fiscal Year	Annual	Percentage	Net OPEB
<u>Ended</u>	<u>OPEB Cost</u>	<u>of AOC</u>	<u>Contribution</u>
6/30/13	\$ 294,477	25.4%	\$ 748,391
6/30/14	303,676	21.5%	986,808
6/30/15	312,032	30.5%	1,203,664

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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

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

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

**OTHER EMPLOYMENT BENEFITS**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan made by the Town and the ABC Board cannot be separated between the postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2015, 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, 2015, 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, 2015**

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>
10 – 20	2	2015
20 or more	3	2016

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

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

Contributions to pension plan in current fiscal year           \$ 150,581

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (General)	\$ 296,986	\$ -
Licenses (General)	3,820	-
Grants receivable (General)	-	-
Prepaid taxes (General)	-	468
Prepaid utility payments (Water and Sewer)	-	4,184
Promissory note receivable (General)	-	17,795
Pension deferrals (General)	-	473,609
Pension deferral (Water and Sewer)	-	123,704
Total	<u>\$ 300,806</u>	<u>\$ 619,760</u>

**COMMITMENTS**

On July 20, 2010, the Town entered into a water tank management agreement. The agreement is for 12 months with automatic additional periods of 12 months. The annual payments the first 4 years are to be \$24,688 per year. The payment the fifth year is to be \$16,157. Additional payments are due should the Town cancel the agreement in the first four years. All subsequent year payments are to be the previous year plus a 1% change in the consumer price index. The Town paid and expensed \$16,157 in the year ended June 30, 2015.

**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.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

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

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, 2015, the Town leased equipment valued at:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Class of property:			
Equipment	\$ 142,752	\$ 77,356	\$ 65,396

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending	
<u>June 30,</u>	
2016	\$ 30,002
Less: amounts representing interest	<u>(565)</u>
Present value of the minimum lease payments	<u>\$ 29,437</u>

**2. Installment Purchases Payable**

Installment purchases payable consisted of the following at June 30, 2015:

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.	\$ 109,325
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.	36,414
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.	73,074
On December 17, 2012, the Town entered into an installment purchase contract with Branch Banking and Trust Company to finance the construction of uptown water lines. The financing contract requires 10 annual installments of \$92,598.40 plus interest at 2.19%, beginning December 13, 2013. The contract is serviced by the Water and Sewer Fund.	<u>740,787</u>
<b>TOTAL INSTALLMENT PURCHASES PAYABLE</b>	<u>\$ 959,600</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

The future minimum payments of the installment purchases as of June 30, 2015, are as follows:

Year ending <u>June 30,</u>	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 18,372	\$ 2,595	\$ 124,972	\$ 19,668
2017	18,819	2,148	126,167	16,446
2018	19,284	1,683	127,406	13,179
2019	19,761	1,206	101,174	10,518
2020	20,604	714	92,598	8,112
2021-2023	12,648	193	277,795	12,167
	<u>\$ 109,488</u>	<u>\$ 8,539</u>	<u>\$ 850,112</u>	<u>\$ 80,090</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, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
<b>Governmental activities:</b>					
Capital lease	\$ 48,720	\$ -	\$ 23,683	\$ 25,037	\$ 25,037
Installment purchases payable	127,422	-	17,934	109,488	18,372
Compensated absences	159,004	-	10,642	148,362	-
Net pension liability (LGERS)	396,636	-	396,636	-	-
Net pension obligation (LEO)	171,546	19,684	-	191,230	-
Net OPEB obligation	772,999	194,231	-	967,230	-
	<u>\$ 1,676,327</u>	<u>\$ 213,915</u>	<u>\$ 448,895</u>	<u>\$ 1,441,347</u>	<u>\$ 43,409</u>
<b>Business-type activities:</b>					
Capital lease	\$ 9,598	\$ -	\$ 5,198	\$ 4,400	\$ 4,400
Installment purchases payable	1,015,282	-	165,170	850,112	124,972
Compensated absences	33,730	-	7,993	25,737	-
Net pension liability (LGERS)	103,598	-	103,598	-	-
Net OPEB obligation	213,809	22,625	-	236,434	-
	<u>\$ 1,376,017</u>	<u>\$ 22,625</u>	<u>\$ 281,959</u>	<u>\$ 1,116,683</u>	<u>\$ 129,372</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. The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

At June 30, 2015, Town of Wadesboro had a legal debt margin of \$26,579,154.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**C. INTERFUND BALANCES AND ACTIVITY**

Transfers due to/from other funds at June 30, 2015, consist of the following:

	<u>From</u>	<u>To</u>
<b>General Fund:</b>		
To Anson Greenhouse, LLC Project Fund	\$ -	\$ 90,000
<b>Enterprise Funds:</b>		
Water and Sewer Fund:		
From Wadesboro Water Plant Disinfection Project Fund	95,127	-
To Lewis Street Infrastructure Project Fund	-	50,000
To Anson Greenhouse, LLC Project Fund	-	30,000
Wadesboro Water Plant Disinfection Project Fund:		
To Water and Sewer Fund	-	95,127
Lewis Street Infrastructure Project Fund:		
From Water and Sewer Fund	50,000	-
Anson Greenhouse, LLC Project Fund:		
From General Fund	90,000	-
From Water and Sewer Fund	<u>30,000</u>	<u>-</u>
	<u>\$ 265,127</u>	<u>\$ 265,127</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, 2015, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$6,576 in the fund financial statements for the 15 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. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan.

Also, the Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund. During the year ended June 30, 2015, there were no such payments. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its discretion for eligible firemen or their departments.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**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 \$1,645 to the Council during the fiscal year ended June 30, 2015, for membership fees and a regional freight study.

**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, 2015, 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, 2015. 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, 2015. In accordance with the agreement between the participating governments and the RPO, the Town paid \$1,297 to the RPO during the fiscal year ended June 30, 2015, 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.

**TOWN OF WADESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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

Federal and State Assisted Programs

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

**NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The Town and the ABC Board implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the Town and the ABC Board to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ended June 30, 2014). As a result, beginning net position for the Town's governmental and business-type activities decreased by \$268,329 and \$70,086, respectively. Beginning net position for the ABC Board decreased by \$11,300.

**NOTE 9 – SPECIAL ITEM**

During the year ended June 30, 2015, Anson County transferred Richmond Street sewer lines to Town of Wadesboro per a grant agreement. This item is reflected in the financial statements as a special item because it is unusual in nature but under the control of management. The net book value of the assets transferred totaled \$1,058,416.

## **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
- Schedule of the Proportionate Share of the Net Pension Liability (Asset) for Local Governmental Employees' Retirement System
- Schedule of Contributions for Local Governmental Employees' Retirement System
- Schedule of the Proportionate Share of the Net Pension Liability for the Firefighters' and Rescue Squad Workers' Pension Plan

Please Note: The Schedule of Funding Progress for the ABC Board's pension plan can be found in the separately issued financial statements for the ABC Board (see Note 1.A. to the Town's financial statements for contact information).

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

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

**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%
2015	41,729	52.83%

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**Notes to the Required Schedules:**

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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 (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%
12/31/2014	-	3,766,132		3,766,132	0.00%	2,093,805	179.90%

**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>
2013	\$ 294,477	25.40%
2014	303,676	21.50%
2015	312,032	30.50%

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**Notes to the Required Schedules:**

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

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

**TOWN OF WADESBORO, NORTH CAROLINA  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY (ASSET)  
Last Two Fiscal Years\***

	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.04140%	0.04150%
Town's proportionate share of the net pension liability (asset) (\$)	\$ (244,156)	\$ 500,234
Town's covered-employee payroll	\$2,261,761	\$2,269,786
Town's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	10.79%	22.04%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**TOWN OF WADESBORO, NORTH CAROLINA  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
Last Two Fiscal Years**

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

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

	<u>2015</u>
Town's proportion of the net pension liability (%)	0.00000%
Town's proportionate share of the net pension liability (\$)	\$ -
State's proportionate share of the net pension liability associated with Town of Wadesboro	<u>11,682</u>
Total	<u>\$ 11,682</u>
Town's covered-employee payroll	\$ 109,151
Town's proportion of the net pension liability as a percentage of its covered-employee payroll	10.70%
Plan fiduciary net position as a percentage of the total pension liability**	93.42%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

\*\* This will be the same percentage for all participants in the FRSWPF plan.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2015**

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

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$ 1,661,000	\$ 1,794,721	\$ 133,721
Penalties and interest	15,000	21,562	6,562
Total	<u>1,676,000</u>	<u>1,816,283</u>	<u>140,283</u>
<b>Other taxes and licenses:</b>			
Privilege licenses	9,000	2,110	(6,890)
Wadesboro Fire District Tax	125,000	182,136	57,136
Total	<u>134,000</u>	<u>184,246</u>	<u>50,246</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales tax	850,000	930,199	80,199
Telecommunications sales tax	44,000	47,677	3,677
Utilities sales tax	185,000	259,949	74,949
Piped natural gas sales tax	15,000	19,339	4,339
Video franchise fee	35,000	36,866	1,866
Beer and wine tax	24,000	27,147	3,147
ABC profit distribution	14,700	20,500	5,800
Payments in lieu of taxes	-	8,561	8,561
Total	<u>1,167,700</u>	<u>1,350,238</u>	<u>182,538</u>
<b>Restricted intergovernmental:</b>			
Powell Bill allocation	183,000	182,551	(449)
Public safety grants	43,328	67,881	24,553
Pedestrian Plan grant	23,000	20,483	(2,517)
Controlled substance tax	3,000	1,111	(1,889)
Contributions from school system	86,600	95,134	8,534
ABC revenue for law enforcement	4,000	4,000	-
Transportation grant	380,000	7,024	(372,976)
Solid waste disposal tax	2,800	3,673	873
On-behalf payments - Fire and Rescue	12,400	6,576	(5,824)
Total	<u>738,128</u>	<u>388,433</u>	<u>(349,695)</u>
<b>Permits and fees:</b>			
Fire inspection fees	4,500	4,050	(450)
Rezoning and variance fees	2,500	2,075	(425)
Golf cart permits	40	80	40
Total	<u>7,040</u>	<u>6,205</u>	<u>(835)</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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES - CONTINUED:</b>			
<b>Sales and services:</b>			
Refuse collection	355,000	356,888	1,888
Rent received on property	150	635	485
Total	355,150	357,523	2,373
<b>Investment earnings</b>	200	1,679	1,479
<b>Miscellaneous</b>			
Community grants	16,200	22,025	5,825
Miscellaneous	31,995	53,457	21,462
Total	48,195	75,482	27,287
<b>TOTAL REVENUES</b>	4,126,413	4,180,089	53,676
<b>EXPENDITURES:</b>			
<b>General government:</b>			
Governing body:			
Salaries and employee benefits	-	27,644	-
Professional services	-	38,279	-
Total	75,325	65,923	9,402
Administration:			
Salaries and employee benefits	-	337,187	-
Other operating expenditures	-	172,788	-
Capital outlay	-	25,000	-
Total	568,648	534,975	33,673
Garage:			
Salaries and employee benefits	-	49,064	-
Other operating expenditures	-	25,376	-
Capital outlay	-	19,649	-
Total	103,716	94,089	9,627
<b>Total general government</b>	747,689	694,987	52,702
<b>Public safety:</b>			
Police:			
Salaries and employee benefits	-	1,532,329	-
Other operating expenditures	-	215,217	-
Capital outlay	-	37,026	-
Total	1,905,054	1,784,572	120,482

**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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES - CONTINUED:</b>			
Fire:			
Salaries and employee benefits	-	158,888	-
Other operating expenditures	-	108,504	-
Capital outlay	-	48,613	-
On-behalf payments - Fire and Rescue	-	6,576	-
Total	<u>370,819</u>	<u>322,581</u>	<u>48,238</u>
<b>Total public safety</b>	<u>2,275,873</u>	<u>2,107,153</u>	<u>168,720</u>
<b>Transportation:</b>			
Streets and highways:			
Salaries and employee benefits	-	121,964	-
Other operating expenditures	-	205,613	-
Capital outlay	-	2,596	-
Total	<u>382,593</u>	<u>330,173</u>	<u>52,420</u>
Powell Bill:			
Salaries and employee benefits	-	45,000	-
Other operating expenditures	-	19,889	-
Capital outlay	-	19,450	-
Total	<u>621,000</u>	<u>84,339</u>	<u>536,661</u>
<b>Total transportation</b>	<u>1,003,593</u>	<u>414,512</u>	<u>589,081</u>
<b>Economic and physical development:</b>			
Economic development incentives	-	-	-
<b>Environmental protection:</b>			
Sanitation:			
Salaries and employee benefits	-	262,542	-
Other operating expenditures	-	76,838	-
Contracted services	-	7,276	-
<b>Total environmental protection</b>	<u>387,585</u>	<u>346,656</u>	<u>40,929</u>
<b>Culture and recreation:</b>			
Parks and recreation:			
Salaries and employee benefits	-	5,385	-
Other operating expenditures	-	15,032	-
<b>Total culture and recreation</b>	<u>30,483</u>	<u>20,417</u>	<u>10,066</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, 2015**

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

	Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES - CONTINUED:</b>			
<b>Debt service:</b>			
Principal retirement	41,640	41,617	23
Interest and fees	3,996	3,990	6
	<u>45,636</u>	<u>45,607</u>	<u>29</u>
<b>Total debt service</b>	<u>45,636</u>	<u>45,607</u>	<u>29</u>
Contingency	<u>167,350</u>	<u>-</u>	<u>167,350</u>
<b>TOTAL EXPENDITURES</b>	<u>4,658,209</u>	<u>3,629,332</u>	<u>1,028,877</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(531,796)</u>	<u>550,757</u>	<u>1,082,553</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer to Enterprise Capital Project Fund	(90,000)	(90,000)	-
Sale of capital assets	13,500	18,324	4,824
	<u>13,500</u>	<u>18,324</u>	<u>4,824</u>
Total	<u>(76,500)</u>	<u>(71,676)</u>	<u>4,824</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<u>(608,296)</u>	<u>479,081</u>	<u>1,087,377</u>
<b>APPROPRIATED FUND BALANCE</b>	<u>608,296</u>	<u>-</u>	<u>(608,296)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>479,081</u>	<u>\$ 479,081</u>
<b>FUND BALANCE, beginning</b>		<u>2,089,760</u>	
<b>FUND BALANCE, ending</b>		<u>\$ 2,568,841</u>	

**TOWN OF WADESBORO, NORTH CAROLINA**  
**BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

**Exhibit B-1**

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

**Exhibit B-2**

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

WADESBORO PARK PROJECT FUND

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

From Inception and for the Year Ended June 30, 2015

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

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

Exhibit B-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2015

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

**TOWN OF WADESBORO, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND**  
**ACTUAL (NON-GAAP) - WATER AND SEWER FUND**  
**For the Year Ended June 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Operating Revenues:			
Water sales	\$ 1,080,000	\$ 1,101,808	\$ 21,808
Sewer charges	1,350,000	1,416,590	66,590
Other operating revenues	<u>72,000</u>	<u>93,058</u>	<u>21,058</u>
Total operating revenues	<u>2,502,000</u>	<u>2,611,456</u>	<u>109,456</u>
Nonoperating Revenues:			
Investment earnings	-	17	17
Miscellaneous	<u>2,000</u>	<u>1,929</u>	<u>(71)</u>
Total nonoperating revenues	<u>2,000</u>	<u>1,946</u>	<u>(54)</u>
<b>TOTAL REVENUES</b>	<u>2,504,000</u>	<u>2,613,402</u>	<u>109,402</u>
<b>EXPENDITURES:</b>			
Water Operations:			
Salaries and employee benefits	-	440,910	-
Water purchases	-	373,468	-
Repairs and maintenance	-	27,775	-
Other operating expenditures	<u>-</u>	<u>152,310</u>	<u>-</u>
Total	<u>1,211,613</u>	<u>994,463</u>	<u>217,150</u>
Sewer Operations:			
Salaries and employee benefits	-	127,342	-
Contracted services	-	907,345	-
Repairs and maintenance	-	37,600	-
Other operating expenditures	<u>-</u>	<u>60,183</u>	<u>-</u>
Total	<u>1,209,553</u>	<u>1,132,470</u>	<u>77,083</u>
Debt Service:			
Interest and fees	23,516	23,477	39
Principal retirement	<u>170,712</u>	<u>170,368</u>	<u>344</u>
Total	<u>194,228</u>	<u>193,845</u>	<u>383</u>
Capital outlay	<u>79,750</u>	<u>60,938</u>	<u>18,812</u>
Contingency	<u>50,156</u>	<u>-</u>	<u>50,156</u>
<b>TOTAL EXPENDITURES</b>	<u>2,745,300</u>	<u>2,381,716</u>	<u>363,584</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, 2015**

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

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(241,300)	231,686	472,986
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer (to) from Enterprise Capital Project Funds	(80,000)	15,127	95,127
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(321,300)	246,813	568,113
<b>APPROPRIATED FUND BALANCE</b>	321,300	-	(321,300)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 246,813</u>	<u>\$ 246,813</u>
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:</b>			
<b>NET CHANGE IN FUND BALANCE</b>		\$ 246,813	
<b>RECONCILING ITEMS:</b>			
Payment of debt principal		170,368	
Decrease in interest expense accrual		1,084	
Capital outlay		60,938	
Depreciation		(339,713)	
Capital contributions		617,876	
Intergovernment transfer of assets		1,058,416	
Increase in net OPEB obligation		(22,625)	
Deferred outflows of resources for contributions made to pension plan in current year		29,183	
Pension expense		(3,053)	
Transactions from Wadesboro Water Plant Project Fund:			
Water department expenses		(2,700)	
Transfers		(95,127)	
Transactions from Uptown Wadesboro/Lennox Drive Sewer Fund:			
Investment earnings		11	
Sewer department expenses		(447)	
Transactions from Lewis Street Infrastructure Project Fund:			
Transfers		50,000	
Transactions from Anson Greenhouse, LLC Project Fund:			
Transfers		<u>120,000</u>	
<b>CHANGE IN NET POSITION (EXHIBIT 7)</b>		<u>\$ 1,891,024</u>	

CAPACITY BUILDING GRANT FUND

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

From Inception and for the Year Ended June 30, 2015

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

## WADESBORO WATER PLANT DISINFECTION BY-PRODUCTS PROJECT FUND

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
NC Rural Center #2008-283-40101-112	\$ 500,000	\$ 500,000		\$ 500,000	\$ -
Investment earnings	-	832	-	832	832
<b>TOTAL REVENUES</b>	<u>500,000</u>	<u>500,832</u>	<u>-</u>	<u>500,832</u>	<u>832</u>
<b>EXPENDITURES:</b>					
Construction	794,534	792,451		792,451	2,083
Contingency	86,000	-	-	-	86,000
Engineering design	70,000	66,110	-	66,110	3,890
Inspection	46,000	50,250	-	50,250	(4,250)
Grant administration	28,000	22,080	2,700	24,780	3,220
Other	32,000	31,890	-	31,890	110
<b>TOTAL EXPENDITURES</b>	<u>1,056,534</u>	<u>962,781</u>	<u>2,700</u>	<u>965,481</u>	<u>91,053</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(556,534)</u>	<u>(461,949)</u>	<u>(2,700)</u>	<u>(464,649)</u>	<u>91,885</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Loan proceeds	300,000	300,000	-	300,000	-
Transfers from (to) other funds	256,534	275,879	(95,127)	180,752	(75,782)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>556,534</u>	<u>575,879</u>	<u>(95,127)</u>	<u>480,752</u>	<u>(75,782)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 113,930</u>	<u>(97,827)</u>	<u>\$ 16,103</u>	<u>\$ 16,103</u>
<b>FUND BALANCE, beginning</b>			<u>113,930</u>		
<b>FUND BALANCE, ending</b>			<u>\$ 16,103</u>		

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

**Exhibit C-4**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2015**

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

## 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, 2015

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
<i>Lennox Dr. sewer lines:</i>					
NC DENR funds	\$ 338,288	\$ -	\$ -	\$ -	\$ (338,288)
Investment earnings	-	279	11	290	290
<b>TOTAL REVENUES</b>	<b>338,288</b>	<b>279</b>	<b>11</b>	<b>290</b>	<b>(337,998)</b>
<b>EXPENDITURES:</b>					
<i>Uptown water lines:</i>					
Construction	1,493,468	718,234	-	718,234	775,234
Engineering/Design/Survey	89,000	94,760	-	94,760	(5,760)
Inspection	88,462	64,042	-	64,042	24,420
Grant administration	32,826	27,580	-	27,580	5,246
2% loan closing costs	33,879	1,700	-	1,700	32,179
Local	-	-	-	-	-
<i>Lennox Dr. sewer lines:</i>					
Construction	295,566	-	-	-	295,566
Engineering/Design/Survey	24,236	24,236	-	24,236	-
Inspection	25,123	2,880	-	2,880	22,243
Grant administration	25,000	635	447	1,082	23,918
Easements/Fees/Legal	10,000	-	-	-	10,000
2% loan closing costs	7,599	-	-	-	7,599
<b>TOTAL EXPENDITURES</b>	<b>2,125,159</b>	<b>934,067</b>	<b>447</b>	<b>934,514</b>	<b>1,190,645</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(1,786,871)</b>	<b>(933,788)</b>	<b>(436)</b>	<b>(934,224)</b>	<b>852,647</b>
<b>OTHER FINANCING SOURCES:</b>					
Loan proceeds	1,608,809	925,984	-	925,984	(682,825)
Transfers from other funds	178,062	133,362	-	133,362	(44,700)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,786,871</b>	<b>1,059,346</b>	<b>-</b>	<b>1,059,346</b>	<b>(727,525)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 125,558</b>	<b>(436)</b>	<b>\$ 125,122</b>	<b>\$ 125,122</b>
<b>FUND BALANCE, beginning</b>			<b>125,558</b>		
<b>FUND BALANCE, ending</b>			<b>\$ 125,122</b>		

**TOWN OF WADESBORO, NORTH CAROLINA**  
**COBB VANTRESS INFRASTRUCTURE PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**From Inception and for the Year Ended June 30, 2015**

Exhibit C-6

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

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

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
Community Development Block Grant	\$ 750,000	\$ 207,124	\$ 542,876	\$ 750,000	\$ -
<b>EXPENDITURES:</b>					
Construction	662,300	101,119	544,787	645,906	16,394
Engineering design	57,200	57,200	-	57,200	-
Inspections	45,000	4,500	40,500	45,000	-
Survey	10,500	10,500	-	10,500	-
Administration	50,000	30,325	19,675	50,000	-
<b>TOTAL EXPENDITURES</b>	<b>825,000</b>	<b>203,644</b>	<b>604,962</b>	<b>808,606</b>	<b>16,394</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(75,000)</b>	<b>3,480</b>	<b>(62,086)</b>	<b>(58,606)</b>	<b>16,394</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds	75,000	25,000	50,000	75,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 28,480</b>	<b>(12,086)</b>	<b>\$ 16,394</b>	<b>\$ 16,394</b>
<b>FUND BALANCE, beginning</b>			<b>28,480</b>		
<b>FUND BALANCE, ending</b>			<b>\$ 16,394</b>		

**TOWN OF WADESBORO, NORTH CAROLINA  
ANSON GREENHOUSE, LLC 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, 2015**

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
NC Dept. of Commerce - CDBG	\$ 1,000,000	\$ -	\$ -	\$ -	\$ (1,000,000)
NC Dept. of Commerce - ED & IDF	1,000,000	-	-	-	(1,000,000)
Local Commitment - Anson County	150,000	75,000	75,000	150,000	-
Local Commitment - GrowGreen	1,750,000	-	-	-	(1,750,000)
<b>TOTAL REVENUES</b>	<b>3,900,000</b>	<b>75,000</b>	<b>75,000</b>	<b>150,000</b>	<b>(3,750,000)</b>
<b>EXPENDITURES:</b>					
Construction/Permits	3,550,300	98	-	98	3,550,202
Engineering design	234,300	48,000	91,800	139,800	94,500
Inspection	157,000	-	-	-	157,000
Survey	23,900	9,500	6,100	15,600	8,300
Geotechnical	9,500	9,500	-	9,500	-
Property acquisition/Legal	25,000	-	-	-	25,000
Grant administration	50,000	-	-	-	50,000
<b>TOTAL EXPENDITURES</b>	<b>4,050,000</b>	<b>67,098</b>	<b>97,900</b>	<b>164,998</b>	<b>3,885,002</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(150,000)</b>	<b>7,902</b>	<b>(22,900)</b>	<b>(14,998)</b>	<b>135,002</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds	150,000	30,000	120,000	150,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 37,902</b>	<b>97,100</b>	<b>\$ 135,002</b>	<b>\$ 135,002</b>
<b>FUND BALANCE, beginning</b>			<b>37,902</b>		
<b>FUND BALANCE, ending</b>			<b>\$ 135,002</b>		

**OTHER SCHEDULES**

**TOWN OF WADESBORO, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2015**

**Exhibit D-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 1,814,019	\$ 1,723,507	\$ 90,512
2013-2014	122,259	-	45,781	76,478
2012-2013	64,965	-	10,564	54,401
2011-2012	39,402	-	11,137	28,265
2010-2011	20,842	-	5,240	15,602
2009-2010	15,772	-	1,768	14,004
2008-2009	8,194	-	1,564	6,630
2007-2008	5,771	-	794	4,977
2006-2007	4,065	-	794	3,271
2005-2006	3,244	-	398	2,846
2004-2005	3,897	-	3,897	-
	<u>\$ 288,411</u>	<u>\$ 1,814,019</u>	<u>\$ 1,805,444</u>	<u>\$ 296,986</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 1,816,283
Reconciling items:	
Taxes written off	10,723
Interest and penalties collected	<u>(21,562)</u>
Total collections and credits	<u>\$ 1,805,444</u>

**TOWN OF WADESBORO, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY**  
**For the Year Ended June 30, 2015**

**Exhibit D-2**

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 332,380,357	\$0.546	\$ 1,814,789	\$ 1,596,138	\$ 218,651
Penalties and adjustments	-		-	-	-
Total	<u>332,380,357</u>		<u>1,814,789</u>	<u>1,596,138</u>	<u>218,651</u>
Discoveries:					
Current year taxes	1,596,721	0.546	8,718	8,718	-
Prior year taxes	-		-	-	-
	<u>1,596,721</u>		<u>8,718</u>	<u>8,718</u>	<u>-</u>
Abatements	<u>(1,737,647)</u>		<u>(9,488)</u>	<u>(9,488)</u>	<u>-</u>
Total property valuation	<u>\$ 332,239,431</u>				
Net levy			1,814,019	1,595,368	218,651
Uncollected taxes at June 30, 2015			<u>(90,512)</u>	<u>(90,484)</u>	<u>(28)</u>
Current year's taxes collected			<u>\$ 1,723,507</u>	<u>\$ 1,504,884</u>	<u>\$ 218,623</u>
Current levy collection percentage			<u>95.01%</u>	<u>94.33%</u>	<u>99.99%</u>

**COMPLIANCE SECTION**

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

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 17, 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 in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2015-001 to be a material weakness.

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 in the accompanying schedule of findings and questioned costs as item #2015-002 to be a significant deficiency.

Compliance and Other Matters

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

Town of Wadesboro's Response to Findings

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

Purpose of this Report

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



Wadesboro, North Carolina  
November 17, 2015

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

### Report on Compliance for Each Major Federal Program

We have audited Town of Wadesboro, North Carolina's compliance with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Town of Wadesboro's major federal program(s) are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Wadesboro's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Wadesboro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Wadesboro's compliance.

### Opinion on Each Major Federal Program

In our opinion, Town of Wadesboro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### Report on Internal Control Over Compliance

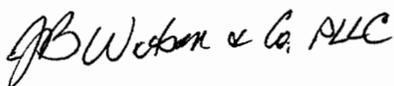
Management of Town of Wadesboro is responsible for establishing and maintaining effective internal control over compliance with the types compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Wadesboro's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.



Wadesboro, North Carolina  
November 17, 2015

**TOWN OF WADESBORO, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

---

**Section I - Summary of Auditors' Results**

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Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified that are not considered to be material weaknesses? None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 No

Identification of major federal program(s):

<u>CFDA No.</u>	<u>Names of Federal Program or Cluster</u>
14.228	Community Development Block Grant, State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? No

State Awards

Town of Wadesboro does not have any major State programs.

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**Section II - Financial Statement Findings**

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**Finding 2015-001:**

MATERIAL WEAKNESS

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: There are inherent limitations of the effectiveness of certain controls (i.e., transactions could be mishandled).

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for the lack of separation. The governing board should provide some of these controls where feasible. We encourage the Town to continue in its efforts in this area.

Views of Responsible Officials and Planned Corrective Actions: The Town agrees with this finding and will implement alternative controls where considered feasible.

**Finding 2015-002:**

SIGNIFICANT DEFICIENCY

Criteria: Management is responsible for the basic financial statements, schedule of expenditures of federal and State awards, and all accompanying information.

Condition: The Town has engaged the independent auditors to prepare the financial statements.

Effect: The Town may not have controls in place to prevent, identify, and correct misstatements in the financial statements.

Cause: The Town lacks expertise in financial accounting and reporting.

Recommendation: The Town should evaluate its present controls to ensure adequate controls are in place to prevent, identify, and correct misstatements in the financial statements.

Views of Responsible Officials and Planned Corrective Actions: The Town agrees with this finding and will implement controls where considered feasible. Management will complete a disclosure checklist with the auditor.

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**Section III - Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV - State Award Findings and Questioned Costs**

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None reported.

**TOWN OF WADESBORO, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2015**

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**Section II - Financial Statement Findings**

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**Finding 2015-001:**

Name of contact person: Alex Sewell, Town Manager

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for the lack of separation where considered feasible. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: Immediately

**Finding 2015-002:**

Name of contact person: Alex Sewell, Town Manager

Corrective Action: The Town will evaluate and implement controls where considered feasible to prevent, identify, and correct possible misstatements in the financial statements. Management will complete a disclosure checklist with the auditor.

Proposed Completion Date: Immediately

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**Section III - Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV - State Award Findings and Questioned Costs**

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None reported.

**TOWN OF WADESBORO, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2015**

**All prior year findings have been or are being corrected.**

TOWN OF WADESBORO, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Grants:</b>					
<u>U.S. Department of Housing and Urban Development:</u>					
Passed-through N.C. Department of Commerce:					
<i>Division of Community Investment &amp; Assistance:</i>					
Community Development Block Grant, State's Program and Non-Entitlement Grants in Hawaii					
	14.228	11-C-2362	\$ 542,876	\$ -	\$ 62,086
<u>U.S. Department of Justice:</u>					
<i>Direct Programs:</i>					
Public Safety Partnership and Community Policing Grant					
	16.710	2012-UM-WX-0122	32,076	-	10,692
<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	5,785	-	1,960
<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		20,483	-	-
<b>Total assistance - Federal programs</b>			<b>601,220</b>	<b>-</b>	<b>74,738</b>
<b>State Grants:</b>					
<u>N.C. Dept. of Agriculture and Consumer Services:</u>					
<i>N.C. Forest Service:</i>					
Volunteer Fire Assistance Program					
		051115-4302	-	358	358
<u>N.C. Dept. of Insurance:</u>					
<i>Office of State Fire Marshall:</i>					
Volunteer Fire Dept. Fund Program					
		14/1253	-	18,932	18,932
<u>N.C. Department of Transportation:</u>					
Powell Bill					
			-	81,150	-
<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	-	-	2,700
<b>Total assistance - State programs</b>			<b>-</b>	<b>100,440</b>	<b>21,990</b>
<b>TOTAL ASSISTANCE</b>			<b>\$ 601,220</b>	<b>\$ 100,440</b>	<b>\$ 96,728</b>

TOWN OF WADESBORO, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2015

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

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Wadesboro under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of Town of Wadesboro, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Town of Wadesboro.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

**Note 3: 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 \$1,744, to the U.S. Department of Agriculture as repayment on the loan during the year ended June 30, 2015. The unpaid balance of the loan was \$36,414 as of June 30, 2015.