

Town of Wade

North Carolina

Independent Auditor's Report

Financial Statements

and

Supplementary Information

June 30, 2020

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Financial Section

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Board of Commissioners
Town of Wade, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wade, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Wade, North Carolina'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 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, and each major fund of the Town of Wade, North Carolina, as of June 30, 2020, 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 the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wade, North Carolina's basic financial statements. The individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, and other schedules 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, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Haigh, Byrd + Lambert, LLP

Fayetteville, North Carolina

December 21, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Wade, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

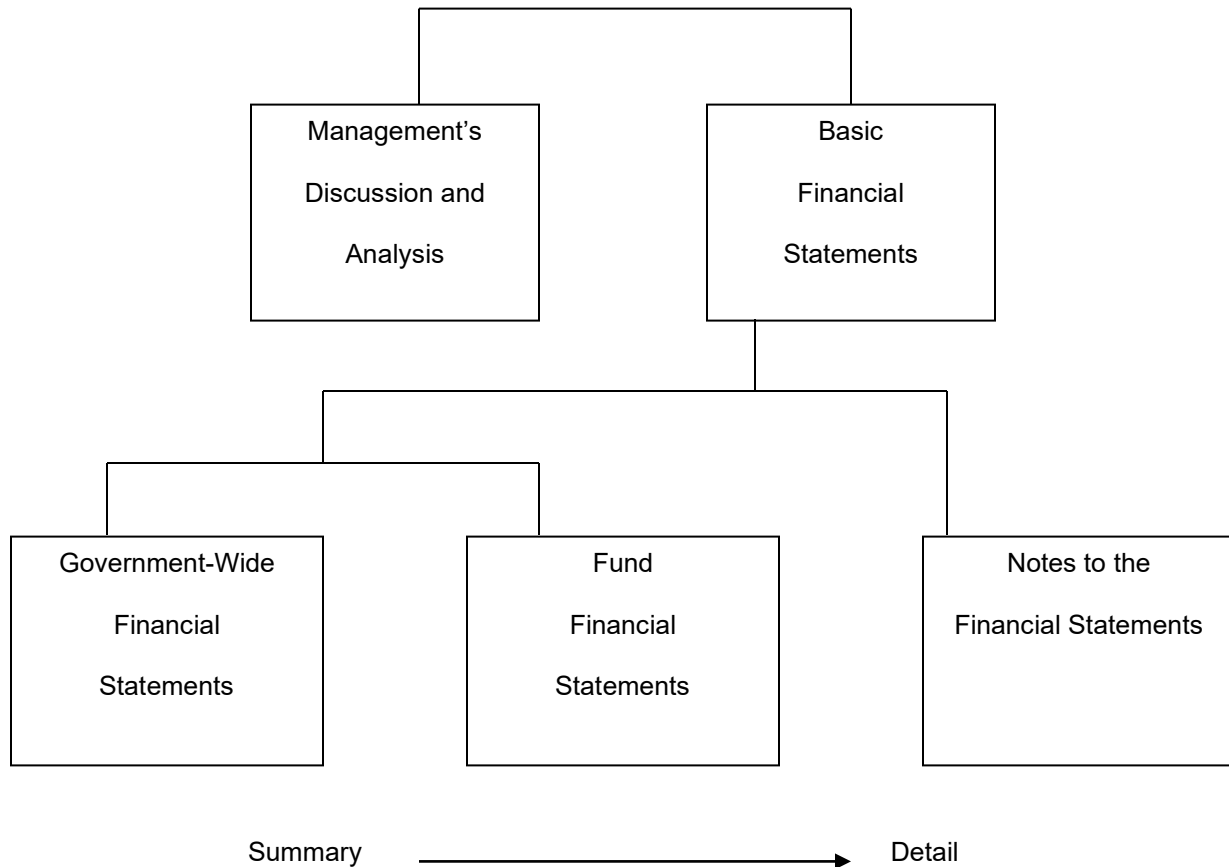
- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$1,379,961 (*net position*).
- The government's total net position decreased by \$26,298, primarily due to its business-type activities.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$301,853, an increase of \$30,248 from last year. Approximately 61.8% of this total amount, or \$186,652, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$100,996, or 30.67% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town'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.

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 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 fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplementary information is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources 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 two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as general administration, public safety, transportation, and parks and recreation. Property taxes and State grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by 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, 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 the Town 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, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town 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 – The Town has a kind of proprietary fund called an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water activity. This fund is the same as the function 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits to its employees.

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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**Town of Wade’s Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 304,768	\$ 250,566	\$ 214,614	\$ 287,656	\$ 519,382	\$ 538,222
Capital assets	887,203	879,440	380,674	395,209	1,267,877	1,274,649
Deferred outflows of resources	24,416	21,054	7,362	6,141	31,778	27,195
Total assets and deferred outflows of resources	<u>\$ 1,216,387</u>	<u>\$ 1,151,060</u>	<u>\$ 602,650</u>	<u>\$ 689,006</u>	<u>\$ 1,819,037</u>	<u>\$ 1,840,066</u>
Current liabilities	\$ 15,224	\$ 17,994	\$ 29,119	\$ 31,497	\$ 44,343	\$ 49,491
Long-term liabilities	210,472	204,997	102,771	107,570	313,243	312,567
Deferred inflows of resources	59,938	72,037	21,552	25,870	81,490	97,907
Total liabilities and deferred inflows of resources	<u>\$ 285,634</u>	<u>\$ 295,028</u>	<u>\$ 153,442</u>	<u>\$ 164,937</u>	<u>\$ 439,076</u>	<u>\$ 459,965</u>
Net position:						
Net investment in capital assets	\$ 833,033	\$ 815,791	\$ 326,174	\$ 330,709	\$ 1,159,207	\$ 1,146,500
Restricted	186,652	157,602	-	-	186,652	157,602
Unrestricted	(88,932)	(117,361)	123,034	193,360	34,102	75,999
Total net position	<u>\$ 930,753</u>	<u>\$ 856,032</u>	<u>\$ 449,208</u>	<u>\$ 524,069</u>	<u>\$ 1,379,961</u>	<u>\$ 1,380,101</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. As of June 30, 2020, the assets and deferred outflows of the Town exceeded its liabilities and deferred inflows by \$1,379,961. For the fiscal year ended June 30, 2020, the Town’s net position decreased by \$26,298. The largest portion (84.00%) of net position reflects the Town’s net investment in capital assets (e.g., land, buildings, plant and distribution systems, and furniture and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’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’s net position \$186,652 (13.53%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$34,102 (2.47%) is unrestricted.

The following aspect of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.08%.

Town of Wade's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 108,245	\$ 107,968	\$ 108,245	\$ 107,968
Operating grants and contributions	16,636	16,708	-	-	16,636	16,708
Capital grants and contributions	66,108	241,162	-	-	66,108	241,162
General revenues:						
Taxes:						
Property taxes	114,829	109,178	-	-	114,829	109,178
Other taxes	136	1,494	-	-	136	1,494
Grants and contributions not restricted to specific programs	153,805	148,910	-	-	153,805	148,910
Unrestricted investment earnings	1,352	1,927	2,136	3,864	3,488	5,791
Miscellaneous	7,780	7,536	-	-	7,780	7,536
Total revenues	<u>360,646</u>	<u>526,915</u>	<u>110,381</u>	<u>111,832</u>	<u>471,027</u>	<u>638,747</u>
Expenses:						
General government	119,662	117,500	-	-	119,662	117,500
Public safety	39,926	40,221	-	-	39,926	40,221
Transportation	94,754	127,834	-	-	94,754	127,834
Cultural and recreational	55,217	30,848	-	-	55,217	30,848
Interest on long-term debt	2,524	2,856	-	-	2,524	2,856
Water	-	-	185,242	154,952	185,242	154,952
Total expenses	<u>312,083</u>	<u>319,259</u>	<u>185,242</u>	<u>154,952</u>	<u>497,325</u>	<u>474,211</u>
Increase (decrease) in net position before transfers	48,563	207,656	(74,861)	(43,120)	(26,298)	164,536
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	48,563	207,656	(74,861)	(43,120)	(26,298)	164,536
Net position, beginning	856,032	648,376	524,069	567,189	1,380,101	1,215,565
Prior year adjustment	26,158	-	-	-	26,158	-
Net position, end of year	<u>\$ 930,753</u>	<u>\$ 856,032</u>	<u>\$ 449,208</u>	<u>\$ 524,069</u>	<u>\$ 1,379,961</u>	<u>\$ 1,380,101</u>

Governmental Activities. Governmental activities increased the Town's net position by \$48,563.

Business-Type Activities. Business-type activities decreased the Town's net position by \$74,861.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$100,996, while total fund balance reached \$301,853. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.67% of total General Fund expenditures, while total fund balance represents 91.66% of that same amount.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on a few 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.

Actual revenues approximated budgeted amounts. Actual expenditures were less than those budgeted, particularly general government and transportation expenses.

In fiscal year 2016, the Town, in conjunction with the Fayetteville-Cumberland Parks and Recreation Department, began renovating the Town Park. The budget for the park was increased by \$79,360 in fiscal year 2020. The Fayetteville-Cumberland Parks and Recreation Department has committed to fund the entire project. The Town is not responsible for any expenditures. As of June 30, 2020, \$593,954 has been spent on this project. The renovations are not complete.

Proprietary Fund. The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$123,034. The total decrease in net position for the fund was \$74,861.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2020, the Town's investment in capital assets for its governmental and business-type activities totals \$1,267,877 (net of accumulated depreciation). These assets include land, buildings, plant and distribution systems, furniture and equipment, park facilities, and vehicles.

**Town of Wade's Capital Assets
(Net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 178,645	\$ 178,645	\$ 25,750	\$ 25,750	\$ 204,395	\$ 204,395
Buildings and systems Improvements	339,914	353,793	354,924	369,459	694,838	723,252
Furniture and equipment	361,106	313,479	-	-	361,106	313,479
Infrastructure	-	-	-	-	-	-
Vehicles	7,538	9,173	-	-	7,538	9,173
Construction in progress	-	24,350	-	-	-	24,350
Total	\$ 887,203	\$ 879,440	\$ 380,674	\$ 395,209	\$ 1,267,877	\$ 1,274,649

Additional information on the Town's capital assets can be found in Note III-A-4 of the basic financial statements.

Long-Term Debt. As of June 30, 2020, the Town had total bonded debt outstanding of \$54,500 and \$53,837 of installment debt.

In July 2006, the Town entered into a \$100,000 direct placement installment purchase contract with USDA – Rural Development to finance the purchase of a building. The financing contract requires principal payments that began in fiscal year 2008 with interest at 4.375%. The property is pledged as collateral for the debt while the debt is outstanding. In the event of default, the USDA can declare the unpaid principal immediately due, proceed with appropriate court action and other remedies. As of June 30, 2020, the Town had total installment debt outstanding of \$44,710.

In August 2016, the Town entered into a \$22,016 direct borrowing installment agreement with BB&T to purchase a new truck. The financing contract requires principal payments that began in fiscal year 2018 with interest at 2.45%. The property is pledged as collateral for the debt while the debt is outstanding. In the event of default, BB&T can declare the unpaid principal immediately due, proceed with appropriate court action and other remedies. As of June 30, 2020, the Town had total installment debt outstanding of \$9,127.

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the water system and which are being retired by its resources are reported as long-term debt in the Water Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. In the event of a default, the Town agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the Town under this Agreement. As of June 30, 2020, the Town had total USDA general obligation bond debt outstanding of \$54,500.

**Town of Wade's
Outstanding Liabilities**

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct borrowing installment purchase	\$ 9,127	\$ 13,528	\$ -	\$ -	\$ 9,127	\$ 13,528
Direct placement installment purchase	44,710	50,122	-	-	44,710	50,122
USDA general obligation bonds	-	-	54,500	64,500	54,500	64,500
Compensated absences	8,950	8,338	3,474	3,134	12,424	11,472
OPEB	136,888	127,260	48,933	45,716	185,821	172,976
Pension related debt (LRS)	23,549	17,944	6,764	5,068	30,313	23,012
Total	\$ 223,224	\$ 217,192	\$ 113,671	\$ 118,418	\$ 336,895	\$ 335,610

The Town of Wade's total debt increased by \$1,285 (.38%) during the past fiscal year, primarily due to increase in the OPEB liability in fiscal year 2020.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$3,376,322.

Additional information regarding the Town's long-term debt can be found in Note III-B-4 of this report.

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities. The Town's property tax rate will remain at a rate of twenty-six cents (\$0.26) per one hundred dollars (\$100) valuation of property. Budgeted expenditures in the General Fund are expected to remain fairly constant, with only modest increases anticipated.

Business-Type Activities. The Town's water rates will remain unchanged. Budgeted expenditures in the Water Fund are expected to remain fairly constant, with only modest increases anticipated.

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 the Town Clerk, Town of Wade, Post Office Box 127, Wade, North Carolina 28395. One can also call (910) 485-3502, visit our website wadenc.com or send an email to townofwade@nc.rr.com for more information.

Basic Financial Statements

Town of Wade, North Carolina
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 115,573	\$ 185,303	\$ 300,876
Restricted cash and cash equivalents	157,905	17,468	175,373
Taxes receivable (net)	2,543	-	2,543
Accounts receivable (net)	310	11,843	12,153
Due from other governments	28,437	-	28,437
Internal balances	-	-	-
Total current assets	<u>304,768</u>	<u>214,614</u>	<u>519,382</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable assets and construction in progress	178,645	25,750	204,395
Other capital assets, net of depreciation	708,558	354,924	1,063,482
Total capital assets	<u>887,203</u>	<u>380,674</u>	<u>1,267,877</u>
Total assets	<u><u>1,191,971</u></u>	<u><u>595,288</u></u>	<u><u>1,787,259</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	19,506	5,602	25,108
OPEB deferrals	4,910	1,760	6,670
Total deferred outflows of resources	<u>24,416</u>	<u>7,362</u>	<u>31,778</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,472	751	3,223
Compensated absences	2,595	900	3,495
General obligation bonds payable	-	10,000	10,000
Installment purchase loan	10,157	-	10,157
Payable from restricted assets	-	17,468	17,468
Total current liabilities	<u>15,224</u>	<u>29,119</u>	<u>44,343</u>
Long-term liabilities:			
Due in more than one year	210,472	102,771	313,243
Total liabilities	<u>225,696</u>	<u>131,890</u>	<u>357,586</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	-	-	-
Pension deferrals	-	-	-
OPEB deferrals	59,938	21,552	81,490
Total deferred inflows of resources	<u>59,938</u>	<u>21,552</u>	<u>81,490</u>
NET POSITION			
Net investment in capital assets	833,033	326,174	1,159,207
Restricted for:			
Stabilization by State Statute	28,747	-	28,747
Streets	157,905	-	157,905
Unrestricted	(88,932)	123,034	34,102
Total net position	<u><u>\$ 930,753</u></u>	<u><u>\$ 449,208</u></u>	<u><u>\$ 1,379,961</u></u>

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

Town of Wade, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 119,662	\$ -	\$ -	\$ -	\$ (119,662)	\$ -	\$ (119,662)
Public safety	39,926	-	-	-	(39,926)	-	(39,926)
Transportation	94,754	-	16,636	-	(78,118)	-	(78,118)
Cultural and recreational	55,217	-	-	66,108	10,891	-	10,891
Interest on long-term debt	2,524	-	-	-	(2,524)	-	(2,524)
Total governmental activities	312,083	-	16,636	66,108	(229,339)	-	(229,339)
Business-type activities:							
Water	185,242	108,245	-	-	-	(76,997)	(76,997)
Total business-type activities	185,242	108,245	-	-	-	(76,997)	(76,997)
Total	\$ 497,325	\$ 108,245	\$ 16,636	\$ 66,108	(229,339)	(76,997)	(306,336)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					114,829	-	114,829
Other taxes and licenses					136	-	136
Grants and contributions not restricted to specific programs					153,805	-	153,805
Unrestricted investment earnings					1,352	2,136	3,488
Miscellaneous					7,780	-	7,780
Total general revenues and transfers					277,902	2,136	280,038
Change in net position					48,563	(74,861)	(26,298)
Net position, beginning					856,032	524,069	1,380,101
Prior year adjustment					26,158	-	26,158
					882,190	524,069	1,406,259
Net position, end of year					\$ 930,753	\$ 449,208	\$ 1,379,961

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

Town of Wade, North Carolina
Balance Sheet
Governmental Fund
June 30, 2020

	Major Fund General
ASSETS	
Cash and cash equivalents	\$ 115,573
Restricted cash and cash equivalents	157,905
Receivables, net:	
Taxes	2,543
Accounts	310
Due from other governments	28,437
Due from other funds	-
Total assets	\$ 304,768
LIABILITIES	
Accounts payable and accrued liabilities	\$ 372
Total liabilities	372
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	2,543
Prepaid taxes	-
Total deferred inflows of resources	2,543
FUND BALANCES	
Restricted	
Stabilization by State Statute	28,747
Streets	157,905
Assigned	
Subsequent year's expenditures	14,205
Unassigned	100,996
Total fund balances	301,853
Total liabilities, deferred inflows of resources and fund balances	\$ 304,768

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

Town of Wade, North Carolina
Balance Sheet
Governmental Fund
June 30, 2020

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance - governmental fund	\$ 301,853
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets	1,314,777
Less accumulated depreciation	(427,574)
Deferred outflows of resources related to pensions are not reported in the funds.	19,506
Deferred outflows of resources related to OPEB are not reported in the funds.	4,910
Earned revenues considered deferred inflows of resources in fund statements.	2,543
Long-term liabilities used in governmental funds are not financial uses and therefore are not reported in the funds.	
Installment purchase loan	(53,837)
Accrued interest payable	(2,100)
Compensated absences	(8,950)
Net pension liability	(23,549)
OPEB liability	(136,888)
Deferred inflows of resources related to pensions are not reported in the funds.	-
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(59,938)</u>
Net position of governmental activities	<u><u>\$ 930,753</u></u>

Town of Wade, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

	Major Fund General
REVENUES	
Ad valorem taxes	\$ 113,737
Other taxes and licenses	136
Unrestricted intergovernmental	153,805
Restricted intergovernmental	16,636
Investment earnings	1,352
Miscellaneous	7,780
Total revenues	293,446
EXPENDITURES	
Current:	
General government	113,665
Public safety	39,926
Transportation	92,622
Cultural and recreational	70,756
Debt service:	
Principal	9,813
Interest and other charges	2,524
Total expenditures	329,306
Revenues over (under) expenditures	(35,860)
OTHER FINANCING SOURCES (USES)	
Local capital contributions (Fayetteville- Cumberland Parks & Recreation)	66,108
Total other financing sources (uses)	66,108
Net change in fund balance	30,248
Fund balances, beginning of year as previously reported	245,447
Prior year adjustment	26,158
Fund balances, beginning of year as adjusted	271,605
Fund balances, end of year	\$ 301,853

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

Town of Wade, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance - governmental fund	\$	30,248
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized		69,183
Less depreciation expense for government assets		(61,420)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		7,584
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Amount of donated assets		-
Change in unavailable revenue for tax revenues		1,092
<p>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.</p>		
New long-term debt issued		-
Change in accrued interest payable		20
Principal payments on long-term debt		9,813
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense		(12,099)
Compensated absences		(612)
OPEB plan expense		4,754
		4,754
Total change in net position of governmental activities	\$	48,563

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

Town of Wade, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 108,290	\$ 108,290	\$ 113,737	\$ 5,447
Other taxes and licenses	1,400	1,400	136	(1,264)
Unrestricted intergovernmental	140,300	140,300	153,805	13,505
Restricted intergovernmental	16,000	16,000	16,636	636
Investment earnings	1,600	1,600	1,352	(248)
Miscellaneous	4,600	4,600	7,780	3,180
Total revenues	<u>272,190</u>	<u>272,190</u>	<u>293,446</u>	<u>21,256</u>
EXPENDITURES				
Current:				
General government	115,150	118,840	113,665	5,175
Public safety	38,800	39,800	39,926	(126)
Transportation	114,665	111,750	92,622	19,128
Cultural and recreational	81,608	79,833	70,756	9,077
Debt service:				
Principal retirement	10,005	10,005	9,813	192
Interest and other charges	-	-	2,524	(2,524)
Contingency	1,000	1,000	-	1,000
Total expenditures	<u>361,228</u>	<u>361,228</u>	<u>329,306</u>	<u>31,922</u>
Revenues over (under) expenditures	<u>(89,038)</u>	<u>(89,038)</u>	<u>(35,860)</u>	<u>53,178</u>
OTHER FINANCING SOURCES (USES)				
Local contributions				
(Fayetteville Parks & Recreation)	66,108	66,108	66,108	-
Total other financing sources (uses)	<u>66,108</u>	<u>66,108</u>	<u>66,108</u>	<u>-</u>
Fund balance appropriated	<u>22,930</u>	<u>22,930</u>	<u>-</u>	<u>(22,930)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>30,248</u>	<u>\$ 30,248</u>
Fund balance, beginning of year - as previously reported			245,447	
Prior year adjustment			26,158	
Fund balance, beginning of year - as adjusted			<u>271,605</u>	
Fund balance, end of year			<u>\$ 301,853</u>	

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

**Town of Wade, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2020**

	<u>Major Enterprise Fund Water</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 185,303
Accounts receivable (net)	11,843
Restricted cash and cash equivalents	17,468
Total current assets	<u>214,614</u>
Non-Current assets:	
Capital assets:	
Land and construction in progress	25,750
Other capital assets, net of depreciation	354,924
Total capital assets (net)	<u>380,674</u>
Total non-current assets	<u>380,674</u>
Total assets	<u><u>595,288</u></u>
Deferred outflows of resources:	
Pension deferrals	5,602
OPEB deferrals	1,760
Total deferred outflows of resources	<u><u>7,362</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	751
Due to other funds	-
Compensated absences	937
General obligation bonds payable	10,000
Liabilities payable from restricted assets:	
Customer deposits	17,468
Total current liabilities	<u>29,156</u>
Long-term liabilities:	
Compensated absences	2,537
General obligation bonds payable	44,500
Net pension liability	6,764
Total OPEB liability	48,933
Total long-term liabilities	<u>102,734</u>
Total liabilities	<u><u>131,890</u></u>
Deferred inflows of resources:	
Pension deferrals	-
OPEB deferrals	21,552
Total deferred inflows of resources	<u><u>21,552</u></u>
NET POSITION	
Net investment in capital assets	326,174
Unrestricted	123,034
Total net position	<u><u>\$ 449,208</u></u>

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

Town of Wade, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Major Enterprise Fund Water
OPERATING REVENUES	
Charges for services	\$ 93,409
Water taps	1,650
Other operating revenues	13,186
Total operating revenues	108,245
OPERATING EXPENSES	
Administration and finance	42,385
Water treatment and distribution	111,992
Depreciation	26,793
Total operating expenses	181,170
Operating income (loss)	(72,925)
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	2,136
Miscellaneous earnings	-
Interest and other charges	(4,072)
Total non-operating revenues (expenses)	(1,936)
Income (loss) before contributions and transfers	(74,861)
Capital contributions	-
Transfers from other funds	-
Total contributions and transfers	-
Change in net position	(74,861)
Total net position, previously reported	524,069
Total net position, ending	\$ 449,208

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

Town of Wade, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	<u>Major</u> <u>Enterprise Fund</u> <u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 114,059
Cash paid for goods and services	(124,160)
Cash paid to or on behalf of employees for services	(35,427)
Customer deposits received	79
Customer deposits returned	-
Other operating revenues	-
Net cash provided (used) by operating activities	<u>(45,449)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Decrease in due to other funds	-
Transfers from other funds	-
Net cash provided (used) by non-capital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(12,258)
Principal paid on bond maturities	(10,000)
Interest paid on bond maturities	(4,028)
Net cash provided (used) by capital and related financing activities	<u>(26,286)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>2,136</u>
Net increase (decrease) in cash and cash equivalents	(69,599)
Balance, beginning of year	272,370
Balance, end of year	<u>\$ 202,771</u>

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

Town of Wade, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	<u>Major</u> <u>Enterprise Fund</u> <u>Water</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (72,925)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	26,793
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	5,814
(Increase) decrease in sales tax receivable	(2,370)
(Increase) decrease in deferred outflows of resources - pensions	(372)
(Increase) decrease in deferred outflows of resources - OPEB	(849)
Increase (decrease) in net pension liability	1,651
Increase (decrease) in deferred inflows of resources - pensions	(26)
Increase (decrease) in deferred inflows of resources - OPEB	(4,292)
Increase (decrease) in accounts payable and accrued liabilities	(3,633)
Increase (decrease) in customer deposits	1,203
Increase (decrease) in accrued vacation pay	340
Increase (decrease) in OPEB liability	3,217
Total adjustments	<u>27,476</u>
Net cash provided (used) by operating activities	<u><u>\$ (45,449)</u></u>

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

Notes to the Financial Statements

Town of Wade, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected mayor and a five-member board.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. 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.

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.

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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating 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 general administration, public safety, street maintenance and construction, and parks and recreation.

The Town reports the following major enterprise fund:

Water Fund. This fund is used to account for the Town's water operations.

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 financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 non-operating 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's enterprise fund 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 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 non-operating 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 receivables in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise 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 the Town of Wade because the tax is levied by Cumberland 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. 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 revenue.

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 Enterprise Fund. All annual appropriations lapse at the fiscal year-end. 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 project level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. 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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 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 Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening local streets per G.S. 136-41.1 through 136-41.4.

Restricted Cash

Governmental activities:

General Fund:	
Streets	\$ 157,905
Total governmental activities	<u>157,905</u>

Business-type activities:

Water and Sewer Fund:	
Customer deposits	17,468
Total business-type activities	<u>17,468</u>

Total restricted cash	<u>\$ 175,373</u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

5. 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 percentage of receivables that were written off in prior years.

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$7,500; infrastructure, \$10,000; furniture and equipment, \$2,500; and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50
Infrastructure	40
Improvements	25
Furniture and equipment	10
Computer equipment	3
Vehicles	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial 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 – pension deferrals for the 2020 fiscal year. In addition to liabilities, the Statement of Financial 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 two items that meet the criterion for this category – property taxes receivable and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements and the 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to forty-five days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned 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 the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are 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.

Fund Balances

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.

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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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.

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 body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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 body approves the appropriation; however, the budget ordinance authorizes the Finance Officer to modify the appropriations by resource or appropriation within funds up to \$1,000.

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town 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.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, 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. The Town of Wade's employer contributions are recognized when due and the Town of Wade 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.

II. Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriation

For the year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded authorized appropriations made by the governing board for public safety by \$126. The over-expenditure resulted from an unexpected increase in fees. Management and the Board will more closely review the budget reports to ensure compliance in the future.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town 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 agents in the unit's name. 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, these deposits are considered to be held by the Town'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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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.

At June 30, 2020, the Town's deposits had a carrying amount of \$417,650 and a bank balance of \$454,441. Of the bank balance, \$204,441 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$75.

2. Investments

At June 30, 2020, the Town had \$58,524 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable \$ 1,813

4. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 178,645	\$ -	\$ -	\$ 178,645
Construction in progress	24,350	-	24,350	-
Total capital assets not being depreciated	<u>202,995</u>	<u>-</u>	<u>24,350</u>	<u>178,645</u>
Capital assets being depreciated:				
Buildings	447,453	-	-	447,453
Improvements	-	-	-	-
Furniture and equipment	574,131	90,458	16,990	647,599
Vehicles	40,615	3,075	2,610	41,080
Infrastructure	-	-	-	-
Total capital assets being depreciated	<u>1,062,199</u>	<u>93,533</u>	<u>19,600</u>	<u>1,136,132</u>
Less accumulated depreciation for:				
Buildings	93,662	13,877	-	107,539
Improvements	-	-	-	-
Furniture and equipment	260,651	42,832	16,990	286,493
Vehicles	31,441	4,711	2,610	33,542
Infrastructure	-	-	-	-
Total accumulated depreciation	<u>385,754</u>	<u>61,420</u>	<u>19,600</u>	<u>427,574</u>
Total capital assets being depreciated, net	<u>676,445</u>			<u>708,558</u>
Governmental activity capital assets, net	<u>\$ 879,440</u>			<u>\$ 887,203</u>

In fiscal year 2016, the Town, in conjunction with the Fayetteville-Cumberland Parks and Recreation Department, began renovating the Town Park. The Fayetteville-Cumberland Parks and Recreation

Department has committed to fund the entire project. The Town is not responsible for any expenditures. As of June 30, 2020, \$593,954 has been spent for the project. The renovations are not complete.

Depreciation expense was charged to functions/programs as follows:

General government	\$ 8,699
Public safety	-
Transportation	2,152
Cultural and recreational	50,569
Total depreciation expense	<u>\$ 61,420</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 25,750	\$ -	\$ -	\$ 25,750
Total capital assets not being depreciated	<u>25,750</u>	<u>-</u>	<u>-</u>	<u>25,750</u>
Capital assets being depreciated:				
Plant and distribution systems	1,037,880	25,833	-	1,063,713
Furniture and equipment	17,088	-	16,650	438
Vehicles	2,610	3,075	2,610	3,075
Total capital assets being depreciated	<u>1,057,578</u>	<u>28,908</u>	<u>19,260</u>	<u>1,067,226</u>
Less accumulated depreciation for:				
Plant and distribution systems	685,071	26,485	-	711,556
Furniture and equipment	438	-	-	438
Vehicles	2,610	308	2,610	308
Total accumulated depreciation	<u>688,119</u>	<u>26,793</u>	<u>2,610</u>	<u>712,302</u>
Total capital assets being depreciated, net	<u>369,459</u>			<u>354,924</u>
Business-type activity capital assets, net	<u>\$ 395,209</u>			<u>\$ 380,674</u>

B. Liabilities

1. Pension Plan and Post-Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Wade is a participating employer 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.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Wade employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Wade's contractually required contribution rate for the year ended June 30, 2020, was 7.75% for general employees, 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 the Town of Wade were \$9,762 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$30,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing

update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00111%, which was a decrease of 0.00014% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$15,574. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

\$9,762 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 liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,190	\$ -
Changes of assumptions	4,941	-
Net difference between projected and actual earnings on pension plan investments	739	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,477	-
Town contributions subsequent to the measurement date	<u>9,762</u>	<u>-</u>
Total	<u><u>\$ 25,109</u></u>	<u><u>\$ -</u></u>

Year ended June 30:

2021	\$ 6,777
2022	2,959
2023	4,033
2024	1,578
2025	-
Thereafter	-
	<u><u>\$ 15,347</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 69,332	\$ 30,313	\$ (2,119)

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.

b. Other Post-Employment Benefits (OPEB)

Healthcare Benefits

Plan Description. The Town's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the Town. The Plan, which is administered by the Town, allows employees who retire and meet retirement eligibility requirements under the North Carolina Local Government Employees' Retirement System to continue medical insurance coverage as a participant in the Town's Plan. No assets are in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. An employee who retires before age 65 under the provisions set forth under the North Carolina Local Government Employees' Retirement System and has completed at least five years of continuous service with the Town of Wade may continue the group health, vision and dental insurance plan coverage until age 65, with the Town sharing the cost based upon length of service with the Town. Dependent coverage would be paid in full by the retiree. The employee must elect to continue the insurance at the time of retirement to receive the following:

<u>Years of Creditable Service</u>	<u>Retiree Benefit</u>
Less than 5 years	Not eligible for coverage
5-10 years	Retiree pays 100% of current retiree rate
10-20 years	Town pays 25% of current retiree rate, retiree pays remainder
20-30 years	Town pays 50% of current retiree rate, retiree pays remainder
30+ years	Town pays 100% of current retiree rate

At age 65, Medicare and Medicare supplement will be shared as shown above. An employee who, without regard to length of service or age, becomes totally disabled and must retire from the Town's employment due to the disability shall also be allowed to continue to participate in the group health, vision and dental insurance plan provided that the former employee reimburse the Town for all premium costs. The families of the former employee shall also participate provided that the former employee reimburses the Town for all dependent coverage premium costs.

Membership of the Plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>2</u>
	<u>2</u>

Total OPEB Liability

The Town's total OPEB liability of \$185,821 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018.

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary Increases	Varies by service
Discount Rate	2.66%
Initial Trend Rate	8.00%
Ultimate Trend Rate	4.00%
Years to Ultimate	54

Given the Town's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.79%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ 172,976
Changes for the year	
Service cost	3,491
Interest	4,923
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes in assumption	4,431
Benefit payments	-
Net changes	<u>12,845</u>
Balance at June 30, 2020	<u>\$ 185,821</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.79% in 2019 to 2.66% in 2020.

Mortality rates were based on RP-2014 Mortality Tables projected to the valuation date using Projection Scale MP-2015.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66 percent) or 1-percentage-point higher (3.66 percent) than the current discount rate:

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	\$ 225,809	\$ 185,821	\$ 155,389

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 3.00% - 7.00%	Health Care Cost Trend 4.00% - 8.00%	1% Increase 5.00% - 9.00%
Total OPEB liability	\$ 151,911	\$ 185,821	\$ 230,465

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB revenue of \$6,677. At June 30, 2020, the Town reported outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,871	\$ -
Changes of assumptions	3,798	81,490
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 6,669</u>	<u>\$ 81,490</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2021	\$ (15,091)
2022	(15,091)
2023	(15,091)
2024	(15,091)
2025	(14,457)
Thereafter	-
	<u>\$ (74,821)</u>

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 9,762
Differences between expected and actual experience	8,061
Changes of assumptions	8,739
Net difference between projected and actual earnings	739
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,477
Total	<u>\$ 31,778</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable, less penalties (General Fund)	-	2,543
Changes in assumptions	81,490	-
Difference between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	<u>\$ 81,490</u>	<u>\$ 2,543</u>

3. 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 two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, employee benefits, public officials, employment practices, and employment practices liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to \$1 million. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and public officials' liability in excess of \$1 million; property in excess of \$500,000, and \$1 million up to statutory limits for workers' compensation. 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.

Because the Town is in an area of the State that has been mapped and designated a moderate to low flood zone by the Federal Emergency Management Agency, the Town has chosen not to obtain flood insurance.

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 Mayor, Finance Officer, and Mayor Pro Tem are individually bonded for \$30,000, \$50,000, and \$30,000, respectively.

4. Long-Term Obligations

a. Installment Purchase

Serviced by the General Fund:

In July 2006, the Town entered into a \$100,000 direct placement installment purchase contract with USDA – Rural Development to finance the purchase of a building. The financing contract requires principal payments that began in fiscal year 2008 with interest at 4.375%. The property is pledged as collateral for the debt while the debt is outstanding. In the event of default, the USDA can declare the unpaid principal immediately due, proceed with appropriate court action and other remedies. As of June 30, 2020, the Town had total direct placement installment debt outstanding of \$44,710.

In August 2016, the Town entered into a \$22,016 direct borrowing installment agreement with BB&T to purchase a new truck. The financing contract requires principal payments that began in fiscal year 2018 with interest at 2.45%. The property is pledged as collateral for the debt while the debt is outstanding. In the event of default, BB&T can declare the unpaid principal immediately due, proceed with appropriate court action and other remedies. As of June 30, 2020, the Town had total direct borrowing installment debt outstanding of \$9,127.

Annual debt service payments of the installment purchases as of June 30, 2020, including \$8,444 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 10,157	\$ 2,180
2022	10,515	1,822
2023	6,154	1,451
2024	6,423	1,182
2025	6,704	901
2026-2028	13,884	908
Total	<u>\$ 53,837</u>	<u>\$ 8,444</u>

b. General Obligation Indebtedness

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the water system and which are being retired by its resources are reported as long-term debt in the Water Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. In the event of a default, the Town agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the Town under this Agreement.

Bonds payable at June 30, 2020 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water Fund:

\$231,000 1989 direct placement USDA water bonds due in varying annual installments through June 2026; interest at 6.125%.

\$ 54,500

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2021	\$ 10,000	\$ 3,338
2022	10,000	2,726
2023	10,000	2,113
2024	10,000	1,500
2025	10,000	888
2026	4,500	276
Total	<u>\$ 54,500</u>	<u>\$ 10,841</u>

At June 30, 2020, the Town had a legal debt margin of \$3,376,322.

c. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities:					
Direct borrowing installment purchase	\$ 13,528	\$ -	\$ 4,401	\$ 9,127	\$ 4,508
Direct placement installment purchase	50,122	-	5,412	44,710	5,649
Compensated absences	8,338	5,272	4,660	8,950	2,595
Total OPEB liability	127,260	9,628	-	136,888	-
Net pension liability (LGERS)	17,944	5,605	-	23,549	-
Governmental activity long-term liabilities	<u>\$ 217,192</u>	<u>\$ 20,505</u>	<u>\$ 14,473</u>	<u>\$ 223,224</u>	<u>\$ 12,752</u>
Business-type activities:					
USDA general obligation bonds	\$ 64,500	\$ -	\$ 10,000	\$ 54,500	\$ 10,000
Compensated absences	3,134	1,944	1,604	3,474	900
Total OPEB liability	45,716	3,217	-	48,933	-
Net pension liability (LGERS)	5,068	1,696	-	6,764	-
Business-type activity long-term liabilities	<u>\$ 118,418</u>	<u>\$ 6,857</u>	<u>\$ 11,604</u>	<u>\$ 113,671</u>	<u>\$ 10,900</u>

C. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance – General Fund	\$	301,853
Less:		
Stabilization by State Statute		28,747
Streets – Powell Bill		157,905
Appropriated fund balance in 2021 budget		<u>14,205</u>
Remaining fund balance	\$	<u>100,996</u>

IV. Jointly Governed Organization

The Town, in conjunction with three counties and twenty other municipalities, established the Mid-Carolina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board.

V. Summary Disclosure of Significant Contingencies

State Assisted Program

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

VI. Prior Period Adjustment

During the fiscal year ended June 30, 2020, the Town determined that certain unrestricted intergovernmental revenues which were subject to accrual in the General Fund as of June 30, 2019, on a modified accrual basis of accounting, had been incorrectly reported. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals, the net effect of which increased beginning fund balance by \$ 26,158. This adjustment also resulted in an increase in beginning net assets of the Governmental Activities of \$26,158.

VII. Subsequent events

Subsequent events have been evaluated through December 21, 2020, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of Wade, North Carolina
Town of Wade's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town of Wade's proportion of the net pension liability (asset) (%)	0.00111%	0.00097%	0.00102%	0.00110%	0.00070%	0.00120%
Town of Wade's proportion of the net pension liability (asset) (\$)	\$ 30,313	\$ 23,012	\$ 15,583	\$ 21,860	\$ 4,802	\$ (4,010)
Town of Wade's covered-employee payroll	\$ 104,108	\$ 93,347	\$ 79,007	\$ 73,900	\$ 73,907	\$ 59,194
Town of Wade's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.12%	24.65%	19.72%	29.58%	6.50%	(6.77%)
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

**Town of Wade, North Carolina
Town of Wade's Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 9,762	\$ 8,068	\$ 7,001	\$ 5,728	\$ 4,929	\$ 5,226
Contributions in relation to the contractually required contribution	<u>9,762</u>	<u>8,068</u>	<u>7,001</u>	<u>5,728</u>	<u>4,929</u>	<u>5,028</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198</u>
Town of Wade's covered employee payroll	\$109,070	\$104,108	\$ 93,347	\$ 79,007	\$ 73,900	\$ 73,907
Contributions as a percentage of covered employee payroll	8.95%	7.75%	7.50%	7.25%	6.67%	6.80%

Town of Wade, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 3,491	\$ 12,080	\$ 8,284
Interest	4,923	10,695	9,413
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	4,019	-
Changes of assumptions	4,431	(114,086)	(12,077)
Benefit payments	-	-	-
Net change in total OPEB liability	<u>12,845</u>	<u>(87,292)</u>	<u>5,620</u>
Total OPEB liability - beginning	<u>172,976</u>	<u>260,268</u>	<u>254,648</u>
Total OPEB liability - ending	<u><u>\$ 185,821</u></u>	<u><u>\$ 172,976</u></u>	<u><u>\$ 260,268</u></u>
Covered payroll	\$ 91,900	\$ 87,001	\$ 75,765
Total OPEB liability as a percentage of covered payroll	202.20%	198.82%	343.52%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2020	2.66%
2019	2.79%
2018	3.87%

Individual Fund Financial Statements and Schedules

Town of Wade, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes	\$ -	\$ 113,082	\$ -
Penalties and interest	-	655	-
Total	<u>108,290</u>	<u>113,737</u>	<u>5,447</u>
Other taxes and licenses:			
Cable franchise fees	<u>1,400</u>	<u>136</u>	<u>(1,264)</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	126,419	-
Telecommunications sales tax	-	4,135	-
Utility sales tax	-	16,897	-
Piped natural gas tax	-	12	-
Video programming sales tax	-	3,942	-
Beer and wine tax	-	2,400	-
Total	<u>140,300</u>	<u>153,805</u>	<u>13,505</u>
Restricted intergovernmental:			
Powell Bill allocation	<u>16,000</u>	<u>16,636</u>	<u>636</u>
Investment earnings	<u>1,600</u>	<u>1,352</u>	<u>(248)</u>
Miscellaneous	<u>4,600</u>	<u>7,780</u>	<u>3,180</u>
Total revenues	<u>272,190</u>	<u>293,446</u>	<u>21,256</u>
EXPENDITURES			
General government:			
Salaries and employee benefits	-	4,935	-
Professional services	-	6,700	-
Utilities	-	7,065	-
Maintenance and repairs	-	8,955	-
Membership dues	-	4,478	-
Insurance	-	3,936	-
Other operating expenditures	-	4,875	-
Capital outlay	-	3,075	-
Total	<u>48,475</u>	<u>44,019</u>	<u>4,456</u>
Administration/Finance:			
Salaries and employee benefits	<u>62,665</u>	<u>62,295</u>	<u>370</u>
Taxes:			
Collection fees	<u>2,200</u>	<u>2,149</u>	<u>51</u>

Town of Wade, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Legal:			
Contracted services	5,500	5,202	298
Total general government	<u>118,840</u>	<u>113,665</u>	<u>5,175</u>
Public safety:			
Fire:			
Contracted services	39,800	39,926	(126)
Transportation:			
Streets:			
Salaries and employee benefits	-	62,835	-
Utilities	-	3,984	-
Street lights	-	14,613	-
Maintenance and repairs	-	5,987	-
Supplies	-	5,203	-
Capital outlay	-	-	-
Total transportation	<u>111,750</u>	<u>92,622</u>	<u>19,128</u>
Cultural and recreational:			
Parks and recreation:			
Utilities	-	200	-
Maintenance and repairs	-	4,448	-
Other operating expenditures	-	-	-
Capital outlay	-	66,108	-
Total cultural and recreational	<u>79,833</u>	<u>70,756</u>	<u>9,077</u>
Debt service:			
Principal retirement	-	9,813	-
Interest and other charges	-	2,524	-
Total debt service	<u>10,005</u>	<u>12,337</u>	<u>(2,332)</u>
Contingency	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total expenditures	<u>361,228</u>	<u>329,306</u>	<u>31,922</u>
Revenues over (under) expenditures	<u>(89,038)</u>	<u>(35,860)</u>	<u>53,178</u>

**Town of Wade, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers to other funds:			
Enterprise fund	-	-	-
Local Capital Contributions (Fayetteville- Cumberland Parks & Recreation	-	66,108	-
Capital contributions	-	-	-
Installment purchase obligations issued	-	-	-
Total other financing sources (uses)	66,108	66,108	-
Fund balance appropriated	22,930	-	(22,930)
Net change in fund balance	\$ -	30,248	\$ 30,248
Fund balance:			
Beginning of year - as previously reported		245,447	
Prior year adjustment		26,158	
Beginning of year		271,605	
End of year		\$ 301,853	

Town of Wade, North Carolina
Water Fund
Schedule of Revenues, Expenditures, and Changes in Fund Net Position
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Water sales	\$ 94,000	\$ 93,409	\$ (591)
Water taps	2,500	1,650	(850)
Other operating revenues	12,800	13,186	386
Total operating revenues	<u>109,300</u>	<u>108,245</u>	<u>(1,055)</u>
Non-operating revenues:			
Interest earnings	2,850	2,136	(714)
Total revenues	<u>112,150</u>	<u>110,381</u>	<u>(1,769)</u>
EXPENDITURES			
Water administration and finance:			
Salaries and employee benefits	-	28,254	-
Insurance	-	3,275	-
Professional Services	-	6,450	-
Other operating expenditures	-	4,692	-
Total water administration and finance	<u>42,355</u>	<u>42,671</u>	<u>(316)</u>
Water treatment and distribution:			
Salaries and employee benefits	-	8,209	-
Water testing	-	-	-
Utilities	-	9,100	-
Chemicals	-	10,228	-
Maintenance and repairs	-	43,330	-
Supplies	-	7,758	-
Contracted services	-	31,167	-
Other operating expenditures	-	2,200	-
Total water treatment and distribution	<u>126,630</u>	<u>111,992</u>	<u>14,638</u>
Debt service:			
Interest and other charges	-	4,116	-
Principal retirement	-	10,000	-
Total debt service	<u>13,960</u>	<u>14,116</u>	<u>(156)</u>
Capital outlay	<u>15,000</u>	<u>12,258</u>	<u>2,742</u>
Contingency	1,000	-	1,000
Total expenditures	<u>198,945</u>	<u>181,037</u>	<u>17,908</u>
Revenues over (under) expenditures	<u>(86,795)</u>	<u>(70,656)</u>	<u>16,139</u>

Town of Wade, North Carolina
Water Fund
Schedule of Revenues, Expenditures, and Changes in Fund Net Position
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer from other funds:			
General Fund	-	-	-
Capital contribution	-	-	-
Total other financing sources	-	-	-
Net assets appropriated	86,795	-	(86,795)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(70,656)	\$ (70,656)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		10,000	
Capital outlay		12,258	
(Increase) decrease in bond interest accrued		44	
(Increase) decrease in accrued vacation pay		(340)	
(Increase) decrease in net pension liability		(1,695)	
(Increase) decrease in deferred inflows of resources - pensions		26	
Increase (decrease) in deferred outflows of resources - pensions		372	
(Increase) decrease in deferred inflows of resources - OPEB		4,292	
Increase (decrease) in deferred outflows of resources - OPEB		849	
(Increase) decrease in OPEB liability		(3,218)	
Depreciation		(26,793)	
Total reconciling items		(4,205)	
Change in net position		\$ (74,861)	

Other Schedules

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Wade, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 113,390	\$ 111,216	\$ 2,174
2018-2019	1,930	-	1,191	739
2017-2018	443	-	117	326
Prior	1,719	-	602	1,117
	<u>\$ 4,092</u>	<u>\$ 113,390</u>	<u>\$ 113,126</u>	<u>4,356</u>
Less: allowance for uncollectible accounts General Fund				(1,813)
Ad valorem taxes receivable - net				\$ 2,543
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 113,737
Reconciling items:				
Interest collected				(655)
Taxes written off				44
Subtotal				(611)
Total collections and credits				\$ 113,126

**Town of Wade, North Carolina
 Analysis of Current Tax Levy
 Town-Wide Levy
 For the Year Ended June 30, 2020**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 43,555,123	\$ 0.260	\$ 113,243	\$ 99,047	\$ 14,196
Penalties	147		147	147	-
Total	<u>43,555,270</u>		<u>113,390</u>	<u>99,194</u>	<u>14,196</u>
Discoveries	-	0.260	-	-	-
Penalties	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	-	0.260	-	-	-
Penalties	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Total property valuation	<u>\$ 43,555,270</u>				
Net levy			113,390	99,194	14,196
Uncollected taxes at June 30, 2020			<u>(2,174)</u>	<u>(2,114)</u>	<u>(60)</u>
Current year's taxes collected			<u>\$ 111,216</u>	<u>\$ 97,080</u>	<u>\$ 14,136</u>
Current levy collection percentage			<u>98.08%</u>	<u>97.87%</u>	<u>99.58%</u>