

TOWN OF WADESBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2020

JBW

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

TOWN OF WADESBORO, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2020

Town Council Members

Bill Thacker, Mayor

John Ballard, Mayor Pro Tem

Jeremy Burr

Fred Davis

James David Lee

Bobby Usrey

Administrative and Financial Staff

David Edwards, Town Manager/Finance Officer

Cindi Pope, Town Clerk

Bebe Gaddy, Tax Collector

TOWN OF WADESBORO, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2020

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

TOWN OF WADESBORO, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2020

	<u>Exhibit</u>	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION:		
Local Governmental Employees' Retirement System:		
Schedule of the Proportionate Share of the Net Pension Liability (Asset)		47
Schedule of Contributions		48
Firefighters' and Rescue Squad Workers' Pension Fund:		
Schedule of the Proportionate Share of the Net Pension Liability		49
Law Enforcement Officers' Special Separation Allowance:		
Schedule of Changes in Total Pension Liability		50
Schedule of Total Pension Liability as a Percentage of Covered Payroll		51
Other Postemployment Benefits:		
Schedule of Changes in the Total OPEB Liability and Related Ratios		52
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-1	53
Combining Balance Sheet - Non-major Governmental Funds	B-1	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds	B-2	58
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Wadesboro Park Project Fund	B-3	59
Downtown Revitalization Project Fund	B-4	60
Fire Station Project Fund	B-5	61
Wadesboro Greenway Project Fund	B-6	62
Fire Apparatus Purchase Project Fund	B-7	63
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	C-1	64

TOWN OF WADESBORO, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2020

	<u>Exhibit</u>	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Uptown Wadesboro Water/Lennox Drive Sewer Project Fund	C-2	66
Anson Greenhouse, LLC Project Fund	C-3	67
Sewer Rehabilitation Project Fund	C-4	68
USDA Water Line Replacement Project Fund	C-5	69
USDA Sewer - Burns Street Pump Station Project Fund	C-6	70
Wadesboro Industrial Park Infrastructure Project Fund	C-7	71
 <u>OTHER SCHEDULES</u>		
Schedule of Ad Valorem Taxes Receivable	D-1	72
Analysis of Current Tax Levy - Town-wide Levy	D-2	73
 <u>COMPLIANCE SECTION</u>		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		74
Independent Auditors' Report on Compliance for Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act		76
Schedule of Findings and Questioned Costs		78
Corrective Action Plan		80
Summary Schedule of Prior Audit Findings		81
Schedule of Expenditures of Federal and State Awards		82

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina as of June 30, 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 Management's Discussion and Analysis, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of the Net Pension Liability, the Law Enforcement Officers' Special Separation Allowance's Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Town of Wadesboro, North Carolina. The combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and State awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2021, on our consideration of Town of Wadesboro, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wadesboro, North Carolina's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "J. B. Watson & Co, PLLC". The signature is written in a cursive, flowing style.

Wadesboro, North Carolina
January 20, 2021

Management's Discussion and Analysis

As management of Town of Wadesboro, we offer readers of Wadesboro's financial statements this narrative overview and analysis of the financial activities of Town of Wadesboro 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

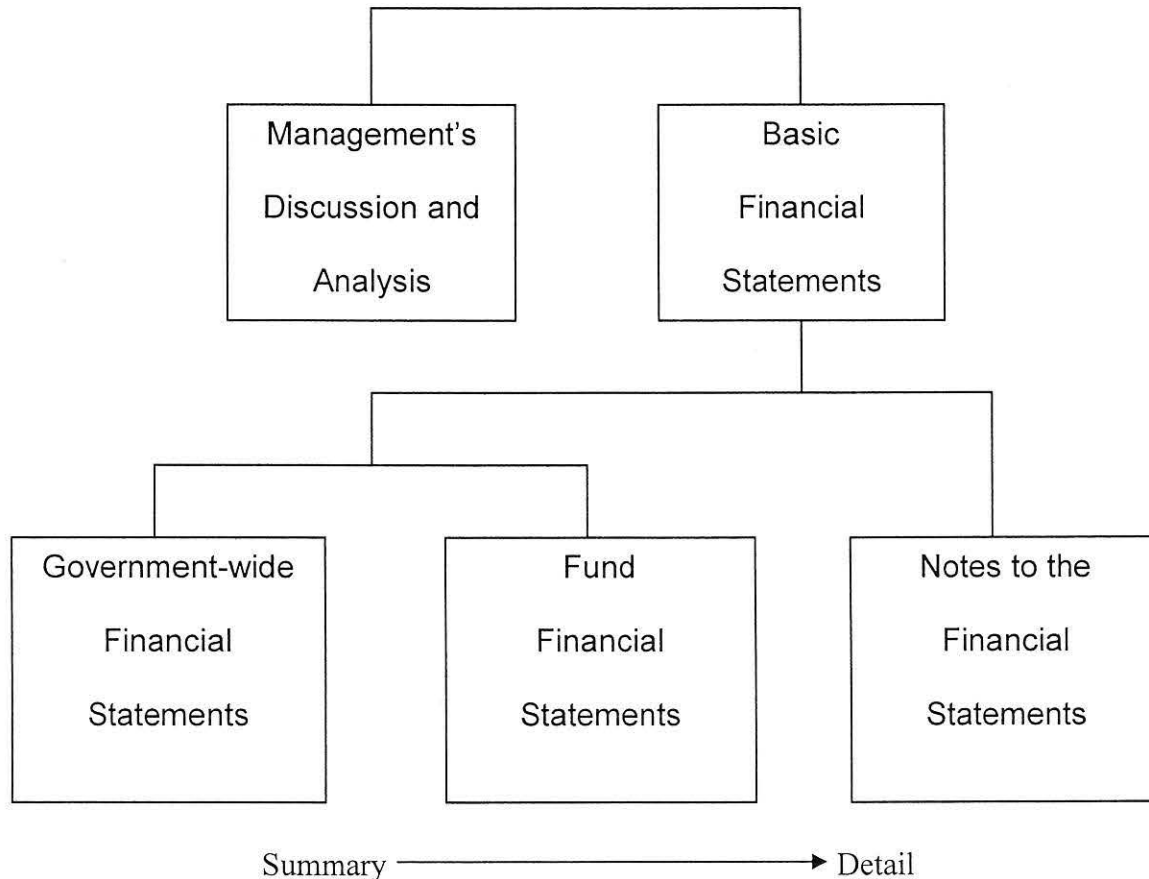
- The assets and deferred outflows of resources of Town of Wadesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,284,638 (*net position*).
- The government's total net position increased by \$1,277,225 primarily due to capital grants for the fire and streets departments, as well as higher than budgeted revenues and lower than budgeted expenditures.
- As of the close of the current fiscal year, Town of Wadesboro's governmental funds reported combined ending fund balances of \$3,718,700, a decrease of \$78,713 in comparison with the prior year.
- The decrease in fund balance was primarily due to increases in public safety expenditures, primarily the purchase of a new fire apparatus.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,037,095 or 42% of total General Fund expenditures for the fiscal year.
- Town of Wadesboro's installment purchases payable decreased by \$182,936 during the current fiscal year. The key factor in this decrease is continued debt service payments on existing obligations.
- The requirement to present the Town's liability regarding Other Postemployment Benefits (health insurance for retirees) is also shown as an obligation of \$5,523,355 along with pension obligations of \$1,380,502.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Management's Discussion and Analysis

Town of Wadesboro

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

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Town of Wadesboro's progress in funding its obligation to provide pension benefits and postemployment benefits to employees. Required supplementary information can be found beginning on page 47 of this report.

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

Management's Discussion and Analysis
Town of Wadesboro

Government-Wide Financial Analysis

*TOWN OF WADESBORO
NET POSITION
FIGURE 2*

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 4,392,636	\$ 4,385,353	\$ 3,333,005	\$ 3,282,625	\$ 7,725,641	\$ 7,667,978
Capital assets, net	5,863,685	4,601,962	11,083,359	11,111,434	16,947,044	15,713,396
Total Assets	<u>10,256,321</u>	<u>8,987,315</u>	<u>14,416,364</u>	<u>14,394,059</u>	<u>24,672,685</u>	<u>23,381,374</u>
Deferred outflows of resources	<u>661,648</u>	<u>697,801</u>	<u>93,368</u>	<u>111,893</u>	<u>755,016</u>	<u>809,694</u>
Liabilities						
Current and other liabilities	141,479	127,552	258,160	283,515	399,639	411,067
Long-term liabilities:						
Due within one year	118,182	112,454	92,598	92,598	210,780	205,052
Due after one year	6,963,126	7,211,989	1,265,241	1,465,538	8,228,367	8,677,527
Total Liabilities	<u>7,222,787</u>	<u>7,451,995</u>	<u>1,615,999</u>	<u>1,841,651</u>	<u>8,838,786</u>	<u>9,293,646</u>
Deferred inflows of resources	<u>1,073,112</u>	<u>733,787</u>	<u>231,165</u>	<u>156,222</u>	<u>1,304,277</u>	<u>890,009</u>
Net Position						
Net investment in capital assets	4,698,916	3,346,855	10,898,300	10,833,777	15,597,216	14,180,632
Restricted	958,378	972,780	-	-	958,378	972,780
Unrestricted	<u>(3,035,224)</u>	<u>(2,820,301)</u>	<u>1,764,268</u>	<u>1,674,302</u>	<u>(1,270,956)</u>	<u>(1,145,999)</u>
Total Net Position	<u>\$ 2,622,070</u>	<u>\$ 1,499,334</u>	<u>\$ 12,662,568</u>	<u>\$ 12,508,079</u>	<u>\$ 15,284,638</u>	<u>\$ 14,007,413</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Wadesboro exceeded liabilities and deferred inflows by \$15,284,638 as of June 30, 2020. The Town's net position increased by \$1,277,225 for the fiscal year ended June 30, 2020. The largest portion (102%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Town of Wadesboro uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Wadesboro's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Town of Wadesboro's net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$1,270,956) (-8%) is unrestricted.

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

- Capital grants for the fire department and streets department.
- Water and sewer rates were unchanged.

Management's Discussion and Analysis
Town of Wadesboro

- The Town received several grants that exceeded budget forecasts.
- Expenditure controls including delaying needed capital expenditures also helped reduce expenditures.

*TOWN OF WADESBORO
CHANGES IN NET POSITION
FIGURE 3*

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for services	\$ 379,285	\$ 376,517	\$ 2,894,206	\$ 2,784,235	\$ 3,273,491	\$ 3,160,752
Operating grants and contributions	234,699	341,355	-	-	234,699	341,355
Capital grants and contributions	977,318	37,000	-	49,000	977,318	86,000
General Revenues:						
Property taxes	1,985,871	1,985,513	-	-	1,985,871	1,985,513
Other taxes and licenses	1,932,876	1,886,495	-	-	1,932,876	1,886,495
Grants and contributions not restricted	47,000	43,500	-	-	47,000	43,500
Investment earnings, unrestricted	50,981	77,064	162	257	51,143	77,321
Miscellaneous, unrestricted	118,936	38,766	1,948	11,424	120,884	50,190
Total Revenues	<u>5,726,966</u>	<u>4,786,210</u>	<u>2,896,316</u>	<u>2,844,916</u>	<u>8,623,282</u>	<u>7,631,126</u>
Expenses						
Program Expenses:						
General government	704,848	883,453	-	-	704,848	883,453
Public safety	2,553,131	2,135,004	-	-	2,553,131	2,135,004
Transportation	677,814	825,967	-	-	677,814	825,967
Economic and physical development	2,224	2,225	-	-	2,224	2,225
Environmental protection	491,705	488,260	-	-	491,705	488,260
Culture and recreation	184,361	32,049	-	-	184,361	32,049
Interest on long-term debt	28,847	33,212	-	-	28,847	33,212
Water and sewer	-	-	2,703,127	2,948,943	2,703,127	2,948,943
Total Expenses	<u>4,642,930</u>	<u>4,400,170</u>	<u>2,703,127</u>	<u>2,948,943</u>	<u>7,346,057</u>	<u>7,349,113</u>
Change in net position before transfers	1,084,036	386,040	193,189	(104,027)	1,277,225	282,013
Transfers	<u>38,700</u>	<u>-</u>	<u>(38,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	1,122,736	386,040	154,489	(104,027)	1,277,225	282,013
Net Position, July 1	<u>1,499,334</u>	<u>1,113,294</u>	<u>12,508,079</u>	<u>12,612,106</u>	<u>14,007,413</u>	<u>13,725,400</u>
Net Position, June 30	<u>\$ 2,622,070</u>	<u>\$ 1,499,334</u>	<u>\$ 12,662,568</u>	<u>\$ 12,508,079</u>	<u>\$ 15,284,638</u>	<u>\$ 14,007,413</u>

Governmental activities: Governmental activities increased the Town's net position by \$1,122,736. Key elements of this increase include higher than anticipated revenues for sales tax and public safety and economic development grants.

Business-type activities: Business-type activities increased Town of Wadesboro's net position by \$154,489. The major reasons for the increase in water-sewer net position were decreases in expenditures in the water department.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of Town of Wadesboro. At the end of the current fiscal year, available fund balance of the General Fund was \$3,038,409 while total fund balance was \$3,635,028. The Town currently has available fund balance of 63.1 percent of total General Fund expenditures, while total fund balance represents 75.5 percent of General Fund expenditures.

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

Most of the budget amendments during the year were minor, with the exception of repairs funded with insurance proceeds and the transfer of cash for the purchase of a new fire truck.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the consolidated Water and Sewer Fund at the end of the fiscal year amounted to \$1,764,268. The total increase in net position for the fund was \$154,489. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets: Town of Wadesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$16,947,044 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Purchase of 105' ladder truck and turn out gear for the fire department
- Purchase of two vehicles, in-car and body cameras, tasers, and a generator for the police department
- Purchase of two mobile column lifts for the garage
- Purchase of a 140' x 60' shed to be shared by various departments

Management's Discussion and Analysis
Town of Wadesboro

- Construction in progress of the Burns Street bridge as part of a federal bridge replacement program
- Purchase of a pickup truck for the sanitation department
- Purchase of an underground inspection camera system for the sewer department
- Construction on various water-sewer capital projects
- Sale of various vehicles, mowers, and equipment through GovDeals

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

Description	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land and construction in progress	\$ 887,627	\$ 640,932	\$ 690,025	\$ 515,957	\$ 1,577,652	\$ 1,156,889
Buildings	1,498,769	1,488,055	-	-	1,498,769	1,488,055
Land improvements	868,399	839,308	-	-	868,399	839,308
Infrastructure	257,205	263,662	-	-	257,205	263,662
Equipment	578,253	537,956	-	-	578,253	537,956
Vehicles and motorized equipment	1,773,432	832,049	420,636	403,546	2,194,068	1,235,595
Plant and distribution systems	-	-	9,972,698	10,191,931	9,972,698	10,191,931
	<u>\$ 5,863,685</u>	<u>\$ 4,601,962</u>	<u>\$ 11,083,359</u>	<u>\$ 11,111,434</u>	<u>\$ 16,947,044</u>	<u>\$ 15,713,396</u>

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

Long-term Debt: As of June 30, 2020, Town of Wadesboro had no bonded debt.

TOWN OF WADESBORO
Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Installment purchases payable	\$ 1,164,769	\$ 1,255,107	\$ 185,059	\$ 277,657	\$ 1,349,828	\$ 1,532,764
Compensated absences	150,782	138,771	34,680	32,912	185,462	171,683
Net pension liability (LGERS)	741,141	685,598	158,152	147,331	899,293	832,929
Total pension liability (LEO)	481,209	403,923	-	-	481,209	403,923
Total OPEB liability	4,543,407	4,841,044	979,948	1,100,236	5,523,355	5,941,280
Total	<u>\$ 7,081,308</u>	<u>\$ 7,324,443</u>	<u>\$ 1,357,839</u>	<u>\$ 1,558,136</u>	<u>\$ 8,439,147</u>	<u>\$ 8,882,579</u>

Town of Wadesboro's Outstanding Debt

Town of Wadesboro's total debt decreased by \$443,432 (5%) during the past fiscal year. The key factors in this decrease are continued debt service payments on existing obligations.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Wadesboro is \$26,828,913. The Town has no bonds authorized but un-issued at June 30, 2020.

Additional information regarding Town of Wadesboro's long-term debt can be found in Note 3 beginning on page 41 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- As in the rest of the country, unemployment rates rose for Wadesboro and Anson County, but indications show that our rate of growth was not as high as in other locations.
- A large international company began operations in Town limits this fiscal year, and their intent is to continue to grow their operations and employment footprint in the coming years.
- Residential home sales continued to increase during the last year as more people migrate east from the greater Charlotte region in search of a more rural lifestyle. Also, a significant increase in the mean cost of houses purchased is an excellent indication of the demand for housing in the county.
- Despite the departure of the Town's largest retail establishment in April of 2020, sales tax revenues have continued to grow, though at a lesser rate than in previous years. This is an indication of not only the national economy's health but also the local sales here in Wadesboro.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Current revenues from ad valorem taxes are expected to remain flat year over year, but sales taxes are expected to increase slightly due to local trends in spending for the last 18 months. All ad valorem rates, sanitation rates, and fire district tax rates remain flat compared to the last fiscal year.

Budgeted expenditures in the General Fund are expected to decrease this fiscal year, primarily due to the uncertainty surrounding the long-term impacts that the pandemic will have on consumer spending and job availability. The Town continues to maintain a healthy fund balance and will seek to continue its growth to be certain we can weather any storm that is ahead.

Business-type Activities: Water and sewer revenues are budgeted to increase slightly this year due to both rates increasing to match our supplier's increase. Water and sewer revenues are currently ahead of pace for the previous fiscal year, and a deficit in the Enterprise Fund is not anticipated this year due to the unseasonable and record rains last year that inflated costs for the department.

Expenditures are expected to also increase year over year, to account for the increased cost of purchasing water and processing sewer. However, there is not expected to be a net deficit for these costs as our water/sewer rates have been adjusted accordingly. For the second time in as many years the Enterprise Fund is expected to have a fully balanced budget. The Town continues to work with LKC Engineering to design and manage several large water and sewer projects that will be funded through the USDA and the NC Department of Commerce through a series of grants and low-interest loans. The Town will continue purchasing water from Anson County per the negotiated water purchase contract with the County.

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 David Edwards, Town Manager; PO Box 697; Wadesboro, NC 28170; 704-694-5171.

BASIC FINANCIAL STATEMENTS

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit 1

STATEMENT OF NET POSITION

June 30, 2020

	Primary Government			Town of
	Governmental	Business-type		Wadesboro
	Activities	Activities	Total	ABC Board
ASSETS				
Cash and cash equivalents	\$ 3,078,002	\$ 2,431,482	\$ 5,509,484	\$ 399,511
Receivables:				
Taxes receivable	415,422	-	415,422	-
Accounts receivable (net)	102,988	434,963	537,951	-
Accrued interest receivable	110,002	-	110,002	-
Due from other governments	432,178	6,691	438,869	-
Due from component unit	31,000	-	31,000	-
Inventories	20,350	151,775	172,125	112,225
Prepaid items	5,574	-	5,574	-
Note receivable	6,674	-	6,674	-
Restricted assets:				
Cash and cash equivalents	190,446	306,795	497,241	-
Note receivable	-	1,299	1,299	-
Capital assets:				
Land and other nondepreciable assets	887,627	690,025	1,577,652	80,000
Other capital assets (net)	4,976,058	10,393,334	15,369,392	21,041
TOTAL ASSETS	10,256,321	14,416,364	24,672,685	612,777
DEFERRED OUTFLOWS OF RESOURCES	661,648	93,368	755,016	25,820
LIABILITIES				
Accounts payable and accrued liabilities	133,159	16,540	149,699	39,325
Accrued interest payable	8,320	2,165	10,485	-
Due to other governments	-	86,870	86,870	-
Due to primary government	-	-	-	31,000
Liabilities payable from restricted assets	-	152,585	152,585	-
Long-term liabilities:				
Due within one year	118,182	92,598	210,780	-
Due in more than one year	6,963,126	1,265,241	8,228,367	28,948
TOTAL LIABILITIES	7,222,787	1,615,999	8,838,786	99,273
DEFERRED INFLOWS OF RESOURCES	1,073,112	231,165	1,304,277	-
NET POSITION				
Net investment in capital assets	4,698,916	10,898,300	15,597,216	101,041
Restricted for:				
Stabilization by State statute	570,695	-	570,695	-
Streets - Powell Bill	190,446	-	190,446	-
Law enforcement	32,811	-	32,811	-
Other purposes	164,426	-	164,426	-
Working capital	-	-	-	51,650
Unrestricted	(3,035,224)	1,764,268	(1,270,956)	386,633
TOTAL NET POSITION	\$ 2,622,070	\$ 12,662,568	\$ 15,284,638	\$ 539,324

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

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Town of Wadesboro ABC Board
Governmental activities:								
General government	\$ 704,848	\$ 80	\$ -	\$ -	\$ (704,768)	\$ -	\$ (704,768)	\$ -
Public safety	2,553,131	14,988	127,488	772,727	(1,637,928)	-	(1,637,928)	-
Transportation	677,814	-	107,211	204,591	(366,012)	-	(366,012)	-
Economic and physical development	2,224	-	-	-	(2,224)	-	(2,224)	-
Environmental protection	491,705	364,217	-	-	(127,488)	-	(127,488)	-
Culture and recreation	184,361	-	-	-	(184,361)	-	(184,361)	-
Interest on long-term debt	28,847	-	-	-	(28,847)	-	(28,847)	-
Total governmental activities	4,642,930	379,285	234,699	977,318	(3,051,628)	-	(3,051,628)	-
Business-type activities:								
Water and sewer	2,703,127	2,894,206	-	-	-	191,079	191,079	-
Component unit:								
ABC Board	1,300,822	1,342,918	-	-	-	-	-	42,096
	<u>\$ 8,646,879</u>	<u>\$ 4,616,409</u>	<u>\$ 234,699</u>	<u>\$ 977,318</u>	<u>(3,051,628)</u>	<u>191,079</u>	<u>(2,860,549)</u>	<u>42,096</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					1,985,871	-	1,985,871	-
Other taxes and licenses					1,932,876	-	1,932,876	-
Grants and contributions not restricted to specific programs					47,000	-	47,000	-
Investment earnings, unrestricted					50,981	162	51,143	2,126
Miscellaneous, unrestricted					118,936	1,948	120,884	-
Total general revenues excluding transfers					4,135,664	2,110	4,137,774	2,126
Transfers					38,700	(38,700)	-	-
Total general revenues and transfers					4,174,364	(36,590)	4,137,774	2,126
Change in net position					1,122,736	154,489	1,277,225	44,222
Net position, beginning					1,499,334	12,508,079	14,007,413	495,102
Net position, ending					<u>\$ 2,622,070</u>	<u>\$ 12,662,568</u>	<u>\$ 15,284,638</u>	<u>\$ 539,324</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

Exhibit 3-1

	General Fund	Fire Apparatus Project Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,975,637	\$ 4,163	\$ 98,202	\$ 3,078,002
Restricted cash and cash equivalents	190,446	-	-	190,446
Taxes receivable	415,422	-	-	415,422
Accounts receivable	102,988	-	-	102,988
Accrued interest receivable	76	-	-	76
Due from other governments	432,121	57	-	432,178
Due from other funds	13,250	-	-	13,250
Due from component unit	31,000	-	-	31,000
Inventories	20,350	-	-	20,350
Prepaid items	5,574	-	-	5,574
TOTAL ASSETS	<u>\$ 4,186,864</u>	<u>\$ 4,220</u>	<u>\$ 98,202</u>	<u>\$ 4,289,286</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 127,659	\$ -	\$ 5,500	\$ 133,159
Due to other governments	-	-	-	-
Due to other funds	-	-	13,250	13,250
TOTAL LIABILITIES	<u>127,659</u>	<u>-</u>	<u>18,750</u>	<u>146,409</u>
DEFERRED INFLOWS OF RESOURCES	<u>424,177</u>	<u>-</u>	<u>-</u>	<u>424,177</u>
FUND BALANCES				
Nonspendable:				
Inventories	20,350	-	-	20,350
Prepaid items	5,574	-	-	5,574
Restricted:				
Stabilization by State statute	570,695	-	-	570,695
Streets - Powell Bill	190,446	-	-	190,446
Law enforcement	32,811	-	-	32,811
Rehabilitation	80,754	-	-	80,754
Capital outlay	-	4,220	79,452	83,672
Assigned:				
Fire department	58,693	-	-	58,693
USDA debt service	201,181	-	-	201,181
Subsequent year's expenditures	437,429	-	-	437,429
Unassigned	2,037,095	-	-	2,037,095
TOTAL FUND BALANCES	<u>3,635,028</u>	<u>4,220</u>	<u>79,452</u>	<u>3,718,700</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 4,186,864</u>	<u>\$ 4,220</u>	<u>\$ 98,202</u>	<u>\$ 4,289,286</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
June 30, 2020

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1) **\$ 3,718,700**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,863,685
Deferred outflows of resources related to pensions are not reported in the funds.	529,112
Deferred outflows of resources related to OPEB are not reported in the funds.	132,536
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported as inflows of resources in the funds.	
Accrued interest receivable from taxes	109,926
Incentive grant note receivable	6,674
Earned revenues considered deferred inflows of resources in fund statements.	424,162
Deferred inflows of resources related to pensions are not reported in the funds.	(109,869)
Deferred inflows of resources related to OPEB are not reported in the funds.	(956,554)
Deferred inflows of resources related to an incentive grant note receivable are not reported in the funds.	(6,674)
Some liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Installment purchases payable	(1,164,769)
Accrued interest payable	(8,320)
Compensated absences	(150,782)
Net pension liability (LGERS)	(741,141)
Total pension liability (LEO)	(481,209)
Total OPEB liability	(4,543,407)

Net position of governmental activities (Exhibit 1) **\$ 2,622,070**

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

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit 4-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	General Fund	Fire Apparatus Project Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES:				
Ad valorem taxes	\$ 1,921,019	\$ -	\$ -	\$ 1,921,019
Other taxes and licenses	267,677	-	-	267,677
Unrestricted intergovernmental	1,708,093	-	-	1,708,093
Restricted intergovernmental	445,076	772,727	-	1,217,803
Permits and fees	13,975	-	-	13,975
Sales and services	367,065	-	-	367,065
Investment earnings	50,981	-	-	50,981
Miscellaneous	112,121	-	-	112,121
TOTAL REVENUES	<u>4,886,007</u>	<u>772,727</u>	<u>-</u>	<u>5,658,734</u>
EXPENDITURES:				
Current:				
General government	800,839	-	-	800,839
Public safety	2,643,660	-	-	2,643,660
Transportation	715,669	-	-	715,669
Environmental protection	427,164	-	-	427,164
Culture and recreation	77,934	-	-	77,934
Debt service:				
Principal retirement	117,983	-	-	117,983
Interest and fees	29,534	-	-	29,534
Capital outlay	-	935,782	28,734	964,516
TOTAL EXPENDITURES	<u>4,812,783</u>	<u>935,782</u>	<u>28,734</u>	<u>5,777,299</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>73,224</u>	<u>(163,055)</u>	<u>(28,734)</u>	<u>(118,565)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from (to) other funds	(117,275)	117,275	-	-
Loan proceeds	27,645	-	-	27,645
Sale of capital assets	12,207	-	-	12,207
TOTAL OTHER FINANCING SOURCES (USES)	<u>(77,423)</u>	<u>117,275</u>	<u>-</u>	<u>39,852</u>
NET CHANGE IN FUND BALANCES	<u>(4,199)</u>	<u>(45,780)</u>	<u>(28,734)</u>	<u>(78,713)</u>
FUND BALANCES, beginning	<u>3,639,227</u>	<u>50,000</u>	<u>108,186</u>	<u>3,797,413</u>
FUND BALANCES, ending	<u>\$ 3,635,028</u>	<u>\$ 4,220</u>	<u>\$ 79,452</u>	<u>\$ 3,718,700</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1)	\$ (78,713)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures (including capitalized labor)	1,539,740
Net book value of disposed capital assets not recorded in the fund statements	(9,371)
Depreciation expense for governmental funds	(307,346)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	185,419
Benefit payments paid and administrative expenses for the LEOSA are not included on the statement of activities.	18,957
OPEB benefit payments and administrative expenses incurred in the current fiscal year are not included on the statement of activities.	128,787
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in accrued interest receivable on taxes	13,895
Change in unavailable revenues	61,921
Capital asset transferred from business-type project fund	38,700
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt	(27,645)
Principal payments on long-term debt	117,983
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.	
Amortization of note receivable	(2,224)
Change in accrued interest payable	687
Change in compensated absences	(12,011)
Pension expense (LGERS)	(318,682)
Pension expense (LEO)	(29,849)
OPEB plan expense	(197,512)
Total change in net position of governmental activities (Exhibit 2)	\$ 1,122,736

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

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ANNUAL BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 1,937,000	\$ 1,937,000	\$ 1,921,019	\$ (15,981)
Other taxes and licenses	260,500	260,500	267,677	7,177
Unrestricted intergovernmental	1,579,500	1,579,500	1,708,093	128,593
Restricted intergovernmental	495,881	495,881	445,076	(50,805)
Permits and fees	6,500	6,500	13,975	7,475
Sales and services	374,000	374,000	367,065	(6,935)
Investment earnings	74,000	74,000	50,981	(23,019)
Miscellaneous	30,650	110,215	112,121	1,906
TOTAL REVENUES	<u>4,758,031</u>	<u>4,837,596</u>	<u>4,886,007</u>	<u>48,411</u>
EXPENDITURES:				
Current:				
General government	834,519	859,519	800,839	58,680
Public safety	2,671,598	2,726,163	2,643,660	82,503
Transportation	945,552	940,552	715,669	224,883
Environmental protection	445,149	445,149	427,164	17,985
Culture and recreation	78,323	83,323	77,934	5,389
Economic and physical development	23,800	23,800	-	23,800
Debt service:				
Principal retirement	129,629	129,629	117,983	11,646
Interest and fees	32,249	32,249	29,534	2,715
TOTAL EXPENDITURES	<u>5,160,819</u>	<u>5,240,384</u>	<u>4,812,783</u>	<u>427,601</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(402,788)</u>	<u>(402,788)</u>	<u>73,224</u>	<u>476,012</u>
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(50,000)	(117,275)	(117,275)	-
Loan proceeds	-	-	27,645	27,645
Sale of capital assets	10,000	10,000	12,207	2,207
TOTAL OTHER FINANCING SOURCES (USES)	<u>(40,000)</u>	<u>(107,275)</u>	<u>(77,423)</u>	<u>29,852</u>
REVENUES AND OTHER SOURCES UNDER				
EXPENDITURES AND OTHER USES	<u>(442,788)</u>	<u>(510,063)</u>	<u>(4,199)</u>	<u>505,864</u>
APPROPRIATED FUND BALANCE	<u>442,788</u>	<u>510,063</u>	<u>-</u>	<u>(510,063)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(4,199)</u>	<u>\$ (4,199)</u>
FUND BALANCE, beginning			<u>3,639,227</u>	
FUND BALANCE, ending			<u>\$ 3,635,028</u>	

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

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2020

Exhibit 6

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,431,482
Accounts receivable (net)	434,963
Due from other governments	6,691
Inventories	151,775
Restricted assets:	
Cash and cash equivalents	<u>306,795</u>
TOTAL CURRENT ASSETS	<u>3,331,706</u>

NONCURRENT ASSETS

Restricted note receivable	1,299
Capital assets:	
Land and other nondepreciable assets	690,025
Other capital assets (net)	<u>10,393,334</u>
TOTAL NONCURRENT ASSETS	<u>11,084,658</u>

TOTAL ASSETS **14,416,364**

DEFERRED OUTFLOWS OF RESOURCES **93,368**

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	16,540
Accrued interest payable	2,165
Due to other governments	86,870
Liabilities payable from restricted assets:	
Customer deposits	152,585
Installment purchases payable, current portion	<u>92,598</u>
TOTAL CURRENT LIABILITIES	<u>350,758</u>

NONCURRENT LIABILITIES

Accrued vacation pay	34,680
Installment purchases payable, net of current portion	92,461
Net pension liability	158,152
Total OPEB liability	<u>979,948</u>
TOTAL NONCURRENT LIABILITIES	<u>1,265,241</u>

TOTAL LIABILITIES **1,615,999**

DEFERRED INFLOWS OF RESOURCES **231,165**

NET POSITION

Net investment in capital assets	10,898,300
Unrestricted	<u>1,764,268</u>
TOTAL NET POSITION	<u><u>\$ 12,662,568</u></u>

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

Exhibit 7

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

OPERATING REVENUES

Water sales	\$ 1,254,411
Sewer charges	1,575,126
Other operating revenues	<u>64,669</u>

TOTAL OPERATING REVENUES	<u>2,894,206</u>
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OPERATING EXPENSES

Water department	866,490
Sewer department	1,480,993
Depreciation	<u>354,912</u>

TOTAL OPERATING EXPENSES	<u>2,702,395</u>
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OPERATING INCOME	<u>191,811</u>
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NONOPERATING REVENUES (EXPENSES)

Investment earnings	162
Interest and fees	(4,997)
Disposal of capital assets	4,265
Other revenues	<u>1,948</u>

TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,378</u>
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INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	193,189
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TRANSFERS	<u>(38,700)</u>
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CHANGE IN NET POSITION	154,489
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NET POSITION, beginning	<u>12,508,079</u>
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NET POSITION, ending	<u><u>\$ 12,662,568</u></u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2020

Exhibit 8
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,689,385
Cash paid for goods and services	(1,975,518)
Cash paid to or on behalf of employees for services	(387,755)
Customer deposits received	41,124
Customer deposits returned	(34,262)
Other operating revenues	<u>64,669</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

397,643

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other nonoperating revenues	<u>1,948</u>
-----------------------------	--------------

**NET CASH PROVIDED BY
NONCAPITAL FINANCING ACTIVITIES**

1,948

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

Acquisition and construction of capital assets	(379,037)
Proceeds from sale of capital assets	4,265
Capital contributions - State grant	14,500
Principal paid on debt	(92,598)
Interest paid on debt	<u>(6,081)</u>

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

(458,951)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>162</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS (59,198)

CASH AND CASH EQUIVALENTS, beginning 2,797,475

CASH AND CASH EQUIVALENTS, ending \$ 2,738,277

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

Cash and cash equivalents in current assets	\$ 2,431,482
Cash and cash equivalents in restricted assets	<u>306,795</u>

\$ 2,738,277

TOWN OF WADESBORO, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2020

Exhibit 8
Page 2 of 2

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

Operating income	\$ 191,811
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	354,912
(Increase) decrease in:	
Accounts receivable	(142,769)
Due from other governments	10,433
Inventories	8,258
Deferred outflows of resources - pensions	18,309
Deferred outflows of resources - OPEB	216
Increase (decrease) in:	
Accounts payable and accrued liabilities	(10,341)
Due to other governments	(7,292)
Customer deposits	6,862
Compensated absences payable	1,768
Net pension liability	10,821
OPEB liability	(120,288)
Deferred inflows of resources - utility payments	2,617
Deferred inflows of resources - pensions	(17)
Deferred inflows of resources - OPEB	<u>72,343</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 397,643</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Capital assets transferred:	
From Water and Sewer Fund to General Fund:	
Cost	\$ 12,230
Accumulated depreciation	(12,230)
From Wadesboro Industrial Park Infrastructure Project Fund to General Fund:	
Cost	<u>38,700</u>
	<u>\$ 38,700</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION

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

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

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

The Town reports the following major governmental funds:

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

Fire Apparatus Purchase Project Fund. This fund accounts for funds set aside by the Town for the purchase of fire equipment.

The Town reports the following non-major governmental funds:

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

Downtown Revitalization Project Fund. This fund accounts for grant funds restricted for downtown revitalization.

Fire Station Project Fund. This fund accounts for loan proceeds and the construction of a new fire station.

Wadesboro Greenway Project Fund. This fund accounts for Carolina Thread Trail grant funds for the construction of a greenway.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The Uptown Wadesboro Water/Lennox Drive Sewer Project Fund, the Anson Greenhouse, LLC Project Fund, the Sewer Rehabilitation Project Fund, the USDA Water Line Replacement Project Fund, the USDA Sewer-Burns Street Pump Station Project Fund, and the Wadesboro Industrial Park Infrastructure Project Fund are consolidated with the Water and Sewer Fund for financial reporting purposes.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for Town of Wadesboro because the tax is levied by Anson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. BUDGETARY DATA

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

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

DEPOSITS AND INVESTMENTS

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value.

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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

RESTRICTED ASSETS

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

AD VALOREM TAXES RECEIVABLE

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

ALLOWANCES FOR DOUBTFUL ACCOUNTS

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the receivables written off in prior years as well as the receivables at year-end deemed to be uncollectible.

INVENTORIES AND PREPAID ITEMS

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's inventories consist of expendable materials and supplies held for consumption. The cost of these inventories is expensed when consumed rather than when purchased.

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 items are used.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

CAPITAL ASSETS

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: moveable capital assets, \$1,500; real estate, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 16, 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. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and have not been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight-line basis over the following useful lives:

Plant and distribution systems	10 - 50 years
Buildings	40 - 60 years
Land improvements	7 - 50 years
Infrastructure	50 years
Equipment	5 - 15 years
Vehicles and equipment	3 - 30 years

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion – contributions made to the OPEB and pension plans in the current fiscal year and OPEB and pension related deferrals. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has five items that meet the criterion for this category – prepaid taxes and utility payments; property taxes receivable; unavailable grant revenues; unearned revenues on a promissory note receivable; and OPEB and pension related deferrals.

LONG-TERM OBLIGATIONS

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

COMPENSATED ABSENCES

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

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

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

NET POSITION/FUND BALANCES

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State statute – 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 legislature in the 1930's 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*

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 year. 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. RSS is included as a component of restricted fund balance on the Balance Sheet and restricted net position on the Statement of Net Position.

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

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

Restricted for rehabilitation – portion of fund balance restricted by revenue source for rehabilitation to benefit low-to-moderate income persons. This amount represents collection of a restricted note receivable from a previous grant project.

Restricted for capital outlay – portion of fund balance restricted by revenue source for park improvements, downtown revitalization, construction of a new fire station, construction of a greenway, and future fire equipment purchases.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’s governing board (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town does not have any committed fund balance this fiscal year.

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

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

USDA debt service – portion of fund balance that has been set aside by management to satisfy future debt service obligations.

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

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

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

DEFINED BENEFIT PENSION AND OPEB PLANS

The Town participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State – the Local Governmental Employees’ Retirement System (LGERS), the Law Enforcement Officers’ Special Separation Allowance (LEOSSA), and the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF) (collectively, the “state-administered defined benefit pension plans”) – and one other postemployment benefit plan (OPEB) – the Health Care Plan (the HC Plan).

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Town of Wadesboro’s employer contributions are recognized when due and Town of Wadesboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HC Plan and additions to/deductions from the HC Plan’s fiduciary net position have been determined on the same basis as they are reported by the HC Plan. For this purpose, the HC Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT FUND BALANCE OR NET POSITION OF INDIVIDUAL FUNDS

The Wadesboro Greenway Project Fund, USDA Water Line Replacement Project Fund, the USDA Sewer - Burns Street Pump Station Project Fund, and Wadesboro Industrial Park Infrastructure Project Fund all had a deficit fund balance at June 30, 2020. The deficits were created by grant funds not yet being requested or being available. Project expenditures are to be reimbursed by Carolina Thread Trail, USDA, and N.C. Department of Commerce. Until grant reimbursements are requested and processed, these project funds will be borrowing from the Town’s General Fund and/or Water and Sewer Fund and will carry a deficit fund balance.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

DEPOSITS

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town’s or the ABC Board’s agents in these units’ names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

At June 30, 2020, the Town's deposits had a carrying amount of \$2,667,690 and a bank balance of \$2,904,390. The carrying amount of deposits for the ABC Board was \$398,011 and the bank balance was \$587,202. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the Town's and ABC Board's bank balances exceeded federally insured limits by \$1,905,153 and \$228,852, respectively. All deposits of the Town and the ABC Board are insured or collateralized under the Pooling Method. At June 30, 2020, the Town's and the ABC Board's petty cash totaled \$500 and \$1,500, respectively.

INVESTMENTS

At June 30, 2020, the Town's investments consisted of \$3,338,535 in 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 formal policy regarding credit risk of its investments.

RECEIVABLES - ALLOWANCES FOR DOUBTFUL ACCOUNTS

The receivables shown in Exhibit 1 are net of the following allowances for doubtful accounts:

General Fund	\$ -
Enterprise Fund	<u>132,000</u>
	<u>\$ 132,000</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

CAPITAL ASSETS

Primary Government:

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 630,182	\$ -	\$ -	\$ 630,182
Construction in progress	10,750	246,695	-	257,445
Total capital assets not being depreciated	<u>640,932</u>	<u>246,695</u>	<u>-</u>	<u>887,627</u>
Capital assets being depreciated:				
Buildings	1,780,503	56,625	4,076	1,833,052
Land improvements	952,319	48,155	-	1,000,474
Infrastructure	322,832	-	-	322,832
Equipment	1,490,432	143,158	6,757	1,626,833
Vehicles and motorized equipment	2,453,514	1,096,037	52,156	3,497,395
Total capital assets being depreciated	<u>6,999,600</u>	<u>1,343,975</u>	<u>62,989</u>	<u>8,280,586</u>
Less accumulated depreciation for:				
Buildings	292,448	43,415	1,580	334,283
Land improvements	113,011	19,064	-	132,075
Infrastructure	59,170	6,457	-	65,627
Equipment	952,476	102,861	6,757	1,048,580
Vehicles and motorized equipment	1,621,465	147,779	45,281	1,723,963
Total accumulated depreciation	<u>3,038,570</u>	<u>319,576</u>	<u>53,618</u>	<u>3,304,528</u>
Total capital assets being depreciated, net	<u>3,961,030</u>			<u>4,976,058</u>
Governmental activities capital assets, net	<u>\$ 4,601,962</u>			<u>\$ 5,863,685</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 12,960
Public safety	161,214
Transportation	49,212
Environmental protection	74,178
Culture and recreation	9,782
	<u>\$ 307,346</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Business-type activities:</i>				
<i>Water and Sewer Fund:</i>				
Capital assets not being depreciated:				
Land	\$ 23,052	\$ -	\$ -	\$ 23,052
Construction in progress	<u>492,905</u>	<u>174,068</u>	<u>-</u>	<u>666,973</u>
Total capital assets not being depreciated	<u>515,957</u>	<u>174,068</u>	<u>-</u>	<u>690,025</u>
Capital assets being depreciated:				
Plant and distribution systems	20,558,602	54,500	-	20,613,102
Vehicles and equipment	<u>1,453,010</u>	<u>98,269</u>	<u>118,944</u>	<u>1,432,335</u>
Total capital assets being depreciated	<u>22,011,612</u>	<u>152,769</u>	<u>118,944</u>	<u>22,045,437</u>
Less accumulated depreciation for:				
Plant and distribution systems	10,366,671	273,733	-	10,640,404
Vehicles and equipment	<u>1,049,464</u>	<u>81,179</u>	<u>118,944</u>	<u>1,011,699</u>
Total accumulated depreciation	<u>11,416,135</u>	<u>354,912</u>	<u>118,944</u>	<u>11,652,103</u>
Total capital assets being depreciated, net	<u>10,595,477</u>			<u>10,393,334</u>
Business-type activities capital assets, net	<u>\$ 11,111,434</u>			<u>\$ 11,083,359</u>

Depreciation expense for the year ended June 30, 2020, was \$354,912.

Construction commitments

The Town had various active construction projects at June 30, 2020. The projects are to be funded largely by State grants and loan proceeds. The Town's commitments with contractors, engineers, and administrators at June 30, 2020, were as follows:

Wadesboro Greenway project	\$ 11,250
Burns Street bridge replacement project	22,749
USDA Water and Sewer Improvements project	143,100
Sewer rehabilitation project	54,000
Wadesboro Industrial Park Infrastructure project	119,000
AIA Sewer Infrastructure project	<u>157,500</u>
	<u>\$ 507,599</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets being depreciated:				
Land improvements	14,060	-	-	14,060
Building	281,025	-	-	281,025
Equipment	143,574	-	-	143,574
Total capital assets being depreciated	438,659	-	-	438,659
Less accumulated depreciation for:				
Land improvements	14,060	-	-	14,060
Building	258,905	1,607	-	260,512
Equipment	141,341	1,705	-	143,046
Total accumulated depreciation	414,306	3,312	-	417,618
Total capital assets being depreciated, net	24,353			21,041
ABC capital assets, net	<u>\$ 104,353</u>			<u>\$ 101,041</u>

Depreciation expense for the year ended June 30, 2020, was \$3,312.

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TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

B. LIABILITIES

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

1. Local Governmental Employees' Retirement System

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

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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Wadesboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Wadesboro's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.02% for general employees and firefighters, actuarially determined as an amount that when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Town of Wadesboro were \$218,393 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 \$899,293 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, 2020, the Town's proportion was 0.03293% (measured as of June 30, 2019), which was a decrease of 0.00218% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$380,768. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 153,982	\$ -
Changes of assumptions	146,570	-
Net difference between projected and actual earnings on pension plan investments	21,935	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	39,964
Town's contributions subsequent to the measurement date	218,393	-
Total	<u>\$ 540,880</u>	<u>\$ 39,964</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

\$218,393 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	\$ 143,861
2022	39,557
2023	79,464
2024	19,641
2025	-
Thereafter	-
	<u>\$ 282,523</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 actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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 as of 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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0%</u>	

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 Liability (Asset) to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability (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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,056,847	\$ 899,293	\$ (62,869)

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.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

2. Law Enforcement Officers' Special Separation Allowance

Plan Description: Town of Wadesboro administers a public employee retirement system (the Separation Allowance), a single-employer, defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>22</u>
Total	<u><u>24</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement No. 73.

Actuarial Assumptions: The entry age normal actuarial cost method was used in the December 31, 2018, valuation. 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	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions: The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$18,554 as benefits came due for the reporting period.

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 total pension liability of \$481,209. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$29,849.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,689	\$ 71,928
Changes of assumptions and other inputs	30,145	15,156
Town benefit payments and plan administrative expenses incurred subsequent to the measurement date	<u>18,957</u>	<u>-</u>
Total	<u>\$ 80,791</u>	<u>\$ 87,084</u>

\$18,554 paid as benefits came due and \$403 of administrative expenses incurred subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (11,926)
2022	(11,926)
2023	(10,052)
2024	(2,957)
2025	8,599
Thereafter	<u>3,012</u>
	<u>\$ (25,250)</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate: The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.26 percent) or one percentage point higher (4.26 percent) than the current rate:

	1% Decrease <u>(2.26%)</u>	Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Total pension liability	\$ 529,223	\$ 481,209	\$ 437,900

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance:

Balance at December 31, 2018	\$ 403,923
Service cost	26,869
Interest on the total pension liability	14,365
Change of benefit terms	-
Differences between expected and actuarial experience in the measurement of the total pension liability	37,612
Changes of assumptions or other inputs	16,994
Benefit payments	(18,554)
Other changes	-
Balance at December 31, 2019	<u>\$ 481,209</u>

The plan currently uses mortality tables that vary by age 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 five year period ended December 31, 2014.

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TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

3. Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 380,768	\$ 29,849	\$ 410,617
Pension liability	899,293	481,209	1,380,502
Proportionate share of the net pension liability (asset)	0.03293%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	153,982	31,689	185,671
Changes of assumptions	146,570	30,145	176,715
Net difference between projected and actual earnings on plan investments	21,935	-	21,935
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative expenses incurred subsequent to the measurement date	<u>218,393</u>	<u>18,957</u>	<u>237,350</u>
	<u>540,880</u>	<u>80,791</u>	<u>621,671</u>
Deferred inflows of resources:			
Differences between expected and actual experience	-	71,928	71,928
Changes of assumptions	-	15,156	15,156
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>39,964</u>	<u>-</u>	<u>39,964</u>
	<u>39,964</u>	<u>87,084</u>	<u>127,048</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

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

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan.

The Town has elected to make the Supplemental Retirement Income Plan available to general employees. The Town contributes four percent of each general participant's salary, and the employees may make voluntary contributions. All amounts contributed are immediately vested in the name of each participant.

The Town made contributions of \$103,098 for the reporting year. No amounts were forfeited.

5. Deferred Compensation Plan

Plan Description: The Town contributes to the North Carolina Public Employee Deferred Compensation Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and Board of Trustees. The North Carolina Public Employee Deferred Compensation Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 457 plan that includes the Deferred Compensation Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454.

Funding Policy: The Plan permits each participating employee to defer a portion of his or her salary until future years by having the funds invested in various instruments that make up the North Carolina Public Employee Deferred Compensation Trust Fund. The fund is held in trust by the 457 Plan for the exclusive benefit of participating employees and their beneficiaries. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board. The Town made contributions of \$-0- for the reporting year.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

6. Firefighters' and Rescue Squad Workers' Pension Fund

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

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

Contributions: Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ended June 30, 2019, the State contributed \$18,302,000 to the plan. Town of Wadesboro's proportionate share of the State's contribution is \$6,995.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2020, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$13,868. 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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020, and at June 30, 2019, was 0%.

For the year ended June 30, 2020, the Town recognized pension expense of \$7,301 and revenue of \$7,301 for support provided by the State. At June 30, 2020, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate or return	7.00 percent, net of pension plan investment expense, including inflation

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

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. 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.

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.

7. Other Postemployment Benefits – Health Care Benefits

Plan Description: Under the terms of a Town resolution, the Town administers a single-employer, defined benefit Health Care Plan (the HC Plan). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided: The HC Plan provides postemployment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 20 years of continuous service with the Town or 30 years of service with the System with the last 10 of those 30 years of continuous service with the Town. The

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

retiree is responsible for paying the portion of the premium cost that is in excess of what the Town pays for active employees. Health care and prescription drug coverage are provided by the Town. Dependent coverage may be paid by the retired employee and ceases at the death of the retired employee. The Town may amend the benefit provisions. A separate report was not issued for the HC Plan.

Membership of the HC Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General	Law
	<u>Employees</u>	<u>Employees</u>
Inactive members receiving benefits	16	8
Inactive members entitled to but not yet receiving benefits	-	-
Active members	<u>22</u>	<u>30</u>
Total	<u>38</u>	<u>38</u>

Total OPEB Liability: The Town's total OPEB liability of \$5,523,355 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Pre-Medicare – 7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026 Medicare – 5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021

The discount rate is based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

Changes in the Total OPEB Liability:

Balance at July 1, 2019	<u>\$ 5,941,280</u>
Changes for the year:	
Service cost	165,575
Interest	228,378
Change of benefit terms	-
Differences between expected and actuarial experience	(639,363)
Changes of assumptions or other inputs	(30,375)
Benefit payments	<u>(142,140)</u>
Net changes	<u>(417,925)</u>
Balance at June 30, 2020	<u>\$ 5,523,355</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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 one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$6,533,589	\$5,523,355	\$ 4,733,996

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 one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 4,683,403	\$ 5,523,355	\$ 6,613,943

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 expense of \$149,783. At June 30, 2020, the Town reported deferred 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	\$ 4,558	\$ 544,922
Changes of assumptions or other inputs	-	617,947
Benefit payments and administrative expenses incurred subsequent to the measurement date	128,787	-
Total	<u>\$ 133,345</u>	<u>\$ 1,162,869</u>

\$128,787 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Year Ending June 30,	
2021	\$ (229,342)
2022	(229,342)
2023	(229,342)
2024	(229,342)
2025	(157,826)
Thereafter	<u>(83,117)</u>
	<u>\$ (1,158,311)</u>

OTHER EMPLOYMENT BENEFITS

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

For the fiscal year ended June 30, 2020, the Town made contributions to the State for death benefits of \$2,367. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.14% of covered payroll, respectively. For the year ended June 30, 2020, the ABC Board made contributions to the State for death benefits of \$152, which represented 0.13% of covered payroll.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources at year-end are comprised of the following:

Contributions to pension plan in current fiscal year (LGERS)	\$	218,393
Benefit payments and administrative expenses paid subsequent to the measurement date (LEOSSA)		18,957
Benefit payments and administrative expenses for OPEB incurred subsequent to the measurement date		128,787
Differences between expected and actual experience		190,229
Changes of assumptions		176,715
Net difference between projected and actual earnings on plan investments		21,935
Changes in proportion and differences between employer contributions and proportionate share of contributions		-
	\$	<u>755,016</u>

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

	General Fund Balance Sheet	Statement of Net Position
Taxes receivable	\$ 415,422	\$ -
Prepaid taxes	15	15
Grants receivable	8,740	-
Prepaid utility payments	-	7,671
Promissory note receivable	-	6,674
Differences between expected and actual experience	-	616,850
Changes of assumptions	-	633,103
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	39,964
	<u>\$ 424,177</u>	<u>\$ 1,304,277</u>

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

COMMITMENTS

On July 20, 2010, the Town entered into a water tank management agreement. The agreement is for 12 months with automatic additional periods of 12 months. The annual payments the first 4 years were \$24,688 per year. The payment the fifth year was \$16,157. Additional payments would have been due if the Town would have canceled the agreement in the first four years. All subsequent year payments are to be the previous year plus a 1% change in the consumer price index. The Town paid and expensed \$17,333 in the year ended June 30, 2020.

In May 2017 the Town entered into an interlocal agreement with Anson County to provide animal control services within the Town limits. The agreement is through July 1, 2019, and will automatically renew for four additional two year periods. The Town is to pay Anson County an annual rate of \$1 per capita population as determined by the North Carolina Office of Budget and Management.

The Town has granted an industrial taxpayer an economic development incentive grant in the amount of 75% of the ad valorem tax paid to the Town over the first five years attributable to the improvements made and maintained by the industrial taxpayer. The grant was to be payable over a five year period beginning fiscal year ending June 30, 2020. The estimated total grant is \$143,686. The incentive grant did not begin in fiscal year 2020 because the enhancements were not yet completed.

In June 2020 the Town entered into a service agreement to provide the Town an employee assistance program. The annual fee is \$2,250 per year based on number of employees. The annual rate will be adjusted to reflect any increase in number of employees covered.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

The Town participates in the National Flood Insurance Program (NFIP). NFIP is managed by the Federal Emergency Management Agency (FEMA) and enables homeowners and businesses in participating communities to purchase federally backed flood insurance. The Town also carries limited commercial flood insurance for property located in Flood Zones designated as B, C, or X.

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

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

CLAIMS AND JUDGMENTS

The Town is and may be subject to various lawsuits. In the opinion of the Town's management, the Town's attorney, and the insurance carrier attorneys, the ultimate impact of any of these legal matters will not materially affect the Town's financial position.

LONG - TERM OBLIGATIONS

1. Installment Purchases Payable

Installment purchases payable consisted of the following direct borrowings at June 30, 2020:

On December 13, 2010, the Town entered into an installment purchase contract with Uwharrie Bank to finance the purchase of a leaf truck. The financing contract requires 10 annual installments of \$12,834.92, including interest at 1.5%, beginning July 10, 2011.

The contract is secured by the equipment and serviced by the General Fund.	\$	12,653
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On December 17, 2012, the Town entered into an installment purchase contract with Branch Banking and Trust Company to finance the construction of uptown water lines. The financing contract requires 10 annual installments of \$92,598.40 plus interest at 2.19%, beginning December 13, 2013. The contract is secured by all property acquired with the proceeds, as well as any substitution or replacement property. The contract is further secured by any remaining project fund accounts. The contract is serviced by the Water and Sewer Fund.

185,059

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

On April 26, 2016, the Town entered into a revolving loan agreement with USDA (passed through PDEMC) to finance the purchase of garbage equipment. The financing contract requires 96 monthly installments of \$3,750 at 0% interest beginning November 1, 2016. The contract is secured by the equipment and serviced by the General Fund. 195,000

On March 14, 2017, the Town entered into an installment purchase contract with Uwharrie Bank to finance the construction of a new fire station. The financing contract requires 20 annual installments of \$55,000 plus interest at 2.9%, beginning March 14, 2018. The contract is secured by a deed of trust and serviced by the General Fund. 935,000

On July 24, 2019, the Town entered into an installment purchase contract with a vendor to finance the purchase of police equipment. The financing contract requires 5 annual installments of \$5,529 plus tax at 0% interest. The contract is secured by the equipment and serviced by the General Fund. 22,116

TOTAL INSTALLMENT PURCHASES PAYABLE **\$ 1,349,828**

In the event of default on any of the above loans, the bank may exercise any one or more of the following remedies: (a) declare the unpaid principal balance and any accrued interest immediately due and payable, (b) proceed with appropriate remedies available under the Uniform Commercial Code and North Carolina law with respect to security interest in any property or remaining project fund accounts, and (c) avail itself to any available remedies under the loan agreement(s).

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TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

The future minimum payments of the installment purchases as of June 30, 2020, are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 118,182	\$ 27,682	\$ 92,598	\$ 4,053
2022	105,529	25,875	92,461	2,025
2023	105,529	24,257	-	-
2024	105,529	22,702	-	-
2025	70,000	21,023	-	-
2026-2030	275,000	80,902	-	-
2031-2035	275,000	40,455	-	-
2036-2037	110,000	4,860	-	-
	<u>\$ 1,164,769</u>	<u>\$ 247,756</u>	<u>\$ 185,059</u>	<u>\$ 6,078</u>

2. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2020

	Balance 6/30/2019	Increases	Decreases	Balance 6/30/2020	Due Within One Year
Governmental activities:					
Direct borrowing installment purchases	\$ 1,255,107	\$ 27,645	\$ 117,983	\$ 1,164,769	\$ 118,182
Compensated absences	138,771	12,011	-	150,782	-
Net pension liability (LGERS)	685,598	55,543	-	741,141	-
Total pension liability (LEO)	403,923	77,286	-	481,209	-
Total OPEB liability	4,841,044	-	297,637	4,543,407	-
	<u>\$ 7,324,443</u>	<u>\$ 172,485</u>	<u>\$ 415,620</u>	<u>\$ 7,081,308</u>	<u>\$ 118,182</u>
Business-type activities:					
Direct borrowing installment purchases	\$ 277,657	\$ -	\$ 92,598	\$ 185,059	\$ 92,598
Compensated absences	32,912	1,768	-	34,680	-
Net pension liability (LGERS)	147,331	10,821	-	158,152	-
Total OPEB liability	1,100,236	-	120,288	979,948	-
	<u>\$ 1,558,136</u>	<u>\$ 12,589</u>	<u>\$ 212,886</u>	<u>\$ 1,357,839</u>	<u>\$ 92,598</u>

Compensated absences typically have been liquidated in the General and Water and Sewer Funds and are accounted for on a LIFO basis, assuming employees are taking leave time as it is earned.

At June 30, 2020, Town of Wadesboro had a legal debt margin of \$26,828,913.

The ABC Board had no leases or long-term debt as of June 30, 2020.

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

3. Operating Leases

The Town leases office equipment under various noncancellable operating leases. The annual minimum lease payments as of June 30, 2020, are as follows:

Year Ending June 30, _____	
2021	\$ 3,588
2022	3,588
2023	3,372
2024	441
	<u>\$ 10,989</u>

Rent expense for the year ended June 30, 2020, was \$4,497.

C. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to Water and Sewer Fund:

From USDA Water Line Replacement Project Fund	\$ 82,295
From USDA Sewer - Burns Street Pump Station Project Fund	123,473
From Wadesboro Industrial Park Infrastructure Project Fund	<u>120,000</u>
	<u>\$ 325,768</u>

The interfund balances resulted from the project funds borrowing from the Water and Sewer Fund to cover project costs until grant reimbursements could be requested and processed.

Transfers to/from other funds at June 30, 2020, consist of the following:

	<u>From</u>	<u>To</u>
<i>Governmental Funds:</i>		
General Fund:		
To Fire Apparatus Purchase Project Fund	\$ -	\$ 117,275
From Wadesboro Industrial Park Infrastructure Project Fund	38,700	-
Fire Apparatus Purchase Project Fund:		
From General Fund	117,275	-
<i>Enterprise Funds:</i>		
Water and Sewer Fund:		
To Wadesboro Industrial Park Infrastructure Project Fund	-	10,000
Wadesboro Industrial Park Infrastructure Project Fund:		
To General Fund	-	38,700
From Water and Sewer Fund	<u>10,000</u>	<u>-</u>
	<u>\$ 165,975</u>	<u>\$ 165,975</u>

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

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

D. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

For the fiscal year ended June 30, 2020, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$17,721 in the fund financial statements for the 35 volunteer and 3 employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer, public employee retirement system established and administered by the State of North Carolina. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan.

Also, the Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund. During the year ended June 30, 2020, there were no such payments. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its discretion for eligible firemen or their departments.

NOTE 4 – JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with 8 counties and approximately 50 other municipalities, is a member of the Centralina Council of Governments (Council). The Council coordinates various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$1,311 to the Council during the fiscal year ended June 30, 2020, for membership fees.

NOTE 5 – JOINT VENTURES

Firemen's Relief Fund

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. During the fiscal year ended June 30, 2020, payments of \$5,362 were made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Rocky River Rural Planning Organization

The Town participates in a joint venture, Rocky River Rural Planning Organization (RPO), with 3 counties and 13 other municipalities to work cooperatively with each other and the North Carolina Department of Transportation to enhance transportation planning opportunities for rural areas in the region. Rocky River RPO is the only RPO in the State not housed in a Council of Governments. The RPO's fiscal agent is the County of Stanly. None of the participating governments have any

TOWN OF WADESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

equity interest in the RPO, so no equity interest has been reflected in the financial statements at June 30, 2020. In accordance with the agreement between the participating governments and the RPO, the Town paid \$1,491 to the RPO during the fiscal year ended June 30, 2020, for membership dues. Complete financial statements for the RPO may be obtained from the RPO's office at 1000 North First Street, Suite 17, Albemarle, North Carolina 28001.

North Carolina Rural Water Association

The Town also participates in a joint venture, North Carolina Rural Water Association (NCRWA), with other municipal and county water systems and related businesses in North Carolina to help attain the highest standards in drinking water and wastewater service. NCRWA is governed by a volunteer board of directors from the association's membership. None of the participating governments or businesses have any equity interest in NCRWA, so no equity interest has been reflected in the financial statements at June 30, 2020. In accordance with the agreement between the Town and NCRWA, the Town paid \$615 to NCRWA during the year ended June 30, 2020, for membership dues based upon the Town's water connections. Complete financial statements for NCRWA can be obtained from NCRWA's office at PO Box 540, Welcome, North Carolina 27374.

NOTE 6 – RELATED ORGANIZATIONS

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

NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 8 – SUBSEQUENT EVENT

In March 2020, the World Health Organization (WHO) classified the COVID-19 outbreak as a pandemic. State response to the pandemic resulted in executive orders that had an indirect effect on the timing of collection of property taxes, motor vehicle taxes, intergovernmental revenues, and utility billings. In August 2020, Anson County notified the Town of CARES Act funding available to the Town. The Town has been awarded \$224,926 in CARES Act monies. As of the date of this report, the full impact of the COVID-19 pandemic continues to evolve. Management is monitoring the situation. An estimate of the future financial impact, if any, is not practicable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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

- Schedule of the Proportionate Share of the Net Pension Liability (Asset) for Local Governmental Employees' Retirement System
- Schedule of Contributions for Local Governmental Employees' Retirement System
- Schedule of the Proportionate Share of the Net Pension Liability for the Firefighters' and Rescue Squad Workers' Pension Fund
- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios

Note: The Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions for Local Governmental Employees' Retirement System for the ABC Board can be found in the separately issued financial statements for the ABC Board (see Note 1.A. to the Town's financial statements for contact information).

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.03293%	0.03511%	0.03510%	0.03549%	0.04007%	0.04140%	0.04150%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 899,293	\$ 832,929	\$ 536,231	\$ 753,217	\$ 179,832	\$ (244,156)	\$ 500,234
Town's covered payroll	\$ 2,131,322	\$ 2,056,744	\$ 2,030,015	\$ 2,046,365	\$ 2,085,917	\$ 2,261,761	\$ 2,269,786
Town's proportion of the net pension liability (asset) as a percentage of its covered payroll	42.19%	40.50%	26.42%	36.81%	8.62%	(10.79%)	22.04%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 218,393	\$ 173,131	\$ 161,851	\$ 154,973	\$ 142,222	\$ 150,581	\$ 161,819
Contributions in relation to the contractually required contribution	<u>218,393</u>	<u>173,131</u>	<u>161,851</u>	<u>154,973</u>	<u>142,222</u>	<u>150,581</u>	<u>161,819</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$2,342,928	\$2,131,322	\$2,056,744	\$2,030,015	\$2,046,365	\$2,085,917	\$2,261,761
Contributions as a percentage of covered payroll	9.32%	8.12%	7.87%	7.63%	6.95%	7.22%	7.15%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Town's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Wadesboro	<u>13,868</u>	<u>19,177</u>	<u>20,573</u>	<u>15,284</u>	<u>16,016</u>	<u>11,682</u>
Total	<u>\$ 13,868</u>	<u>\$ 19,177</u>	<u>\$ 20,573</u>	<u>\$ 15,284</u>	<u>\$ 16,016</u>	<u>\$ 11,682</u>
Town's covered payroll	\$ 164,968	\$ 154,111	\$ 158,632	\$ 236,864	\$ 114,350	\$ 109,151
Town's proportion of the net pension liability as a percentage of its covered payroll	8.41%	12.44%	12.97%	6.45%	14.01%	10.70%
Plan fiduciary net position as a percentage of the total pension liability**	92.43%	89.69%	89.35%	84.94%	91.40%	93.42%

* The amounts presented are for the prior fiscal year ended June 30.

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

TOWN OF WADESBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 403,923	\$ 454,570	\$ 469,787	\$ 468,137
Service cost	26,869	24,252	22,315	27,436
Interest on the total pension liability	14,365	14,069	17,831	16,196
Change of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	37,612	(54,096)	(70,274)	-
Changes of assumptions or other inputs	16,994	(16,176)	30,620	(13,022)
Benefit payments	(18,554)	(18,696)	(15,709)	(28,960)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 481,209</u>	<u>\$ 403,923</u>	<u>\$ 454,570</u>	<u>\$ 469,787</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ended December 31.

TOWN OF WADESBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF
COVERED PAYROLL
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 481,209	\$ 403,923	\$ 454,570	\$ 469,787	\$ 468,137
Covered payroll	\$ 966,173	\$ 840,756	\$ 882,186	\$ 920,764	\$ 920,764
Total pension liability as a percentage of covered payroll	49.81%	48.04%	51.53%	51.02%	50.84%

Notes to schedule:

Town of Wadesboro has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits nor does the plan provide pay related benefits.

TOWN OF WADESBORO, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 165,575	\$ 177,216	\$ 203,600
Interest	228,378	212,192	190,146
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(639,363)	3,616	3,364
Changes of assumptions or other inputs	(30,375)	(334,544)	(604,896)
Benefit payments	<u>(142,140)</u>	<u>(153,930)</u>	<u>(144,184)</u>
Net change in total OPEB liability	(417,925)	(95,450)	(351,970)
Total OPEB liability - beginning	<u>5,941,280</u>	<u>6,036,730</u>	<u>6,388,700</u>
 Total OPEB liability - ending	 <u>\$ 5,523,355</u>	 <u>\$ 5,941,280</u>	 <u>\$ 6,036,730</u>
 Covered payroll	 \$ 1,991,313	 \$ 1,927,650	 \$ 1,927,650
 Total OPEB liability as a percentage of covered payroll	 277.37%	 308.21%	 313.17%

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	3.50%
2019	3.89%
2018	3.56%
2017	3.01%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 1 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 1,915,000	\$ 1,898,660	\$ (16,340)
Penalties and interest	22,000	22,359	359
Total	1,937,000	1,921,019	(15,981)
Other taxes and licenses:			
Privilege licenses	500	455	(45)
Wadesboro Fire District Tax	260,000	267,222	7,222
Total	260,500	267,677	7,177
Unrestricted intergovernmental:			
Local option sales taxes	1,184,500	1,275,892	91,392
Telecommunications sales tax	35,000	27,002	(7,998)
Utilities sales tax	265,000	275,872	10,872
Piped natural gas sales tax	8,000	14,009	6,009
Video franchise fee	32,500	28,559	(3,941)
Beer and wine tax	24,000	23,338	(662)
ABC profit distribution	18,000	47,000	29,000
Payments in lieu of taxes	12,500	16,421	3,921
Total	1,579,500	1,708,093	128,593
Restricted intergovernmental:			
Powell Bill allocation	188,000	167,807	(20,193)
Transportation grant	176,000	135,255	(40,745)
Public safety grant	2,800	2,838	38
Controlled substance tax	2,500	4,181	1,681
Contributions from school system	107,181	109,168	1,987
ABC revenue for law enforcement	4,000	4,000	-
Solid waste disposal tax	3,000	4,106	1,106
On-behalf payments - Fire and Rescue	12,400	17,721	5,321
Total	495,881	445,076	(50,805)
Permits and fees:			
Fire inspection fees	4,500	10,890	6,390
Rezoning and variance fees	2,000	3,005	1,005
Golf cart permits	-	80	80
Total	6,500	13,975	7,475

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 2 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES - CONTINUED:			
Sales and services:			
Refuse collection	374,000	364,217	(9,783)
Rent received on property	-	2,848	2,848
Total	374,000	367,065	(6,935)
Investment earnings	74,000	50,981	(23,019)
Miscellaneous	110,215	112,121	1,906
TOTAL REVENUES	4,837,596	4,886,007	48,411
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits	-	31,400	-
Professional services	-	44,236	-
Total	95,120	75,636	19,484
Administration:			
Salaries and employee benefits	-	447,726	-
Other operating expenditures	-	176,179	-
Total	633,601	623,905	9,696
Garage:			
Salaries and employee benefits	-	48,769	-
Other operating expenditures	-	22,993	-
Capital outlay	-	29,536	-
Total	130,798	101,298	29,500
Total general government	859,519	800,839	58,680
Public safety:			
Police:			
Salaries and employee benefits	-	1,745,260	-
Other operating expenditures	-	255,218	-
Capital outlay	-	147,346	-
Total	2,201,531	2,147,824	53,707

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 3 of 4

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED:			
Fire:			
Salaries and employee benefits	-	211,446	-
Other operating expenditures	-	179,101	-
Capital outlay	-	87,568	-
On-behalf payments - Fire and Rescue	-	17,721	-
Total	524,632	495,836	28,796
Total public safety	2,726,163	2,643,660	82,503
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	260,182	-
Other operating expenditures	-	173,480	-
Capital outlay	-	21,000	-
Total	532,552	454,662	77,890
Powell Bill:			
Other operating expenditures	-	32,858	-
Capital outlay	-	228,149	-
Total	408,000	261,007	146,993
Total transportation	940,552	715,669	224,883
Environmental protection:			
Sanitation:			
Salaries and employee benefits	-	282,571	-
Other operating expenditures	-	89,494	-
Contracted services	-	5,724	-
Capital outlay	-	49,375	-
Total environmental protection	445,149	427,164	17,985
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	52,270	-
Other operating expenditures	-	13,414	-
Capital outlay	-	12,250	-
Total culture and recreation	83,323	77,934	5,389

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 4 of 4

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED:			
Economic and physical development:			
Operating expenditures	23,800	-	23,800
Debt service:			
Principal retirement	129,629	117,983	11,646
Interest and fees	32,249	29,534	2,715
Total debt service	161,878	147,517	14,361
TOTAL EXPENDITURES	5,240,384	4,812,783	427,601
REVENUES OVER (UNDER) EXPENDITURES	(402,788)	73,224	476,012
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	(117,275)	(117,275)	-
Loan proceeds	-	27,645	27,645
Sale of capital assets	10,000	12,207	2,207
Total	(107,275)	(77,423)	29,852
REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	(510,063)	(4,199)	505,864
APPROPRIATED FUND BALANCE	510,063	-	(510,063)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	(4,199)	<u>\$ (4,199)</u>
FUND BALANCE, beginning		3,639,227	
FUND BALANCE, ending		<u>\$ 3,635,028</u>	

TOWN OF WADESBORO, NORTH CAROLINA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

Exhibit B-1

	Wadesboro Park Project Fund	Downtown Revitalization Project Fund	Fire Station Project Fund	Wadesboro Greenway Project Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 16,994	\$ 43,766	\$ 37,442	\$ -	\$ 98,202
Due from other governments	-	-	-	-	-
TOTAL ASSETS	<u>\$ 16,994</u>	<u>\$ 43,766</u>	<u>\$ 37,442</u>	<u>\$ -</u>	<u>\$ 98,202</u>
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 5,500	\$ 5,500
Due to other funds	-	-	-	13,250	13,250
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,750</u>	<u>18,750</u>
Fund balances:					
Restricted for:					
Capital outlay	16,994	43,766	37,442	(18,750)	79,452
TOTAL FUND BALANCES	<u>16,994</u>	<u>43,766</u>	<u>37,442</u>	<u>(18,750)</u>	<u>79,452</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,994</u>	<u>\$ 43,766</u>	<u>\$ 37,442</u>	<u>\$ -</u>	<u>\$ 98,202</u>

TOWN OF WADESBORO, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Exhibit B-2

	Wadesboro Park Project Fund	Downtown Revitalization Project Fund	Fire Station Project Fund	Wadesboro Greenway Project Fund	Totals
REVENUES:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES:					
Capital outlay	-	734	-	28,000	28,734
REVENUES OVER EXPENDITURES	-	(734)	-	(28,000)	(28,734)
OTHER FINANCING SOURCES					
Transfers from other funds	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	(734)	-	(28,000)	(28,734)
FUND BALANCE, beginning	16,994	44,500	37,442	9,250	108,186
FUND BALANCE, ending	<u>\$ 16,994</u>	<u>\$ 43,766</u>	<u>\$ 37,442</u>	<u>\$ (18,750)</u>	<u>\$ 79,452</u>

WADESBORO PARK PROJECT FUND

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

From Inception and for the Year Ended June 30, 2020

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

TOWN OF WADESBORO, NORTH CAROLINA
DOWNTOWN REVITALIZATION PROJECT FUND

Exhibit B-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization <i>(As amended)</i>	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
Restricted intergovernmental:					
State Downtown Revitalization grant	\$ 94,340	\$ 94,340	\$ -	\$ 94,340	\$ -
EXPENDITURES:					
Capital outlay:					
Way finding signage	25,152	23,553	-	23,553	1,599
Clock	26,848	26,287	734	27,021	(173)
Uptown square upgrades	42,340	-	-	-	42,340
TOTAL EXPENDITURES	<u>94,340</u>	<u>49,840</u>	<u>734</u>	<u>50,574</u>	<u>43,766</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 44,500</u>	<u>(734)</u>	<u>\$ 43,766</u>	<u>\$ 43,766</u>
FUND BALANCE, beginning			<u>44,500</u>		
FUND BALANCE, ending			<u>\$ 43,766</u>		

FIRE STATION PROJECT FUND

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

From Inception and for the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization (As amended)	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
Fundraising proceeds	\$ 14,000	\$ 24,000	\$ -	\$ 24,000	\$ 10,000
Investment earnings	-	3,904	-	3,904	3,904
TOTAL REVENUES	<u>14,000</u>	<u>27,904</u>	<u>-</u>	<u>27,904</u>	<u>13,904</u>
EXPENDITURES:					
Capital outlay:					
Design-build construction	1,131,240	1,117,590	-	1,117,590	13,650
Special inspections and material testing	14,000	13,310	-	13,310	690
Miscellaneous	46,860	46,336	-	46,336	524
Gas and power utility connections	1,000	78	-	78	922
Financing/legal costs	21,375	20,434	-	20,434	941
Exhaust system transfer/connection	500	-	-	-	500
Fire alarm	10,000	9,124	-	9,124	876
Water/sewer/sprinkler utilities	19,500	18,978	-	18,978	522
Generator	3,500	2,273	-	2,273	1,227
A/V system	12,500	9,729	-	9,729	2,771
Contingency	915	-	-	-	915
TOTAL EXPENDITURES	<u>1,261,390</u>	<u>1,237,852</u>	<u>-</u>	<u>1,237,852</u>	<u>23,538</u>
REVENUES UNDER EXPENDITURES	<u>(1,247,390)</u>	<u>(1,209,948)</u>	<u>-</u>	<u>(1,209,948)</u>	<u>37,442</u>
OTHER FINANCING SOURCES:					
Loan proceeds	1,100,000	1,100,000	-	1,100,000	-
Transfers from other funds	147,390	147,390	-	147,390	-
TOTAL OTHER FINANCING SOURCES	<u>1,247,390</u>	<u>1,247,390</u>	<u>-</u>	<u>1,247,390</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 37,442</u>	<u>-</u>	<u>\$ 37,442</u>	<u>\$ 37,442</u>
FUND BALANCE, beginning			<u>37,442</u>		
FUND BALANCE, ending			<u>\$ 37,442</u>		

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit B-6

WADESBORO GREENWAY PROJECT FUND

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

From Inception and for the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
Miscellaneous:					
Carolina Thread Trail grant funds	\$ 105,000	\$ 20,000	\$ -	\$ 20,000	\$ (85,000)
EXPENDITURES:					
Capital outlay:					
Design	15,000	7,000	5,000	12,000	3,000
Survey and legal documentation	30,000	3,750	23,000	26,750	3,250
Property acquisition	45,000	-	-	-	45,000
Landowner outreach	3,000	-	-	-	3,000
Community outreach	2,000	-	-	-	2,000
Contingency	10,000	-	-	-	10,000
TOTAL EXPENDITURES	<u>105,000</u>	<u>10,750</u>	<u>28,000</u>	<u>38,750</u>	<u>66,250</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 9,250</u>	<u>(28,000)</u>	<u>\$ (18,750)</u>	<u>\$ (18,750)</u>
FUND BALANCE, beginning			<u>9,250</u>		
FUND BALANCE (DEFICIT), ending			<u>\$ (18,750)</u>		

**TOWN OF WADESBORO, NORTH CAROLINA
FIRE APPARATUS PURCHASE PROJECT FUND**

Exhibit B-7

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2020**

		<u>Actual</u>			Variance
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
	<i>(As amended)</i>				
REVENUES:					
Restricted intergovernmental:					
FEMA grant funds	\$ 772,725	\$ -	\$ 772,727	\$ 772,727	\$ 2
EXPENDITURES:					
Capital outlay:					
Fire equipment	<u>940,000</u>	<u>-</u>	<u>935,782</u>	<u>935,782</u>	<u>4,218</u>
REVENUES UNDER EXPENDITURES	(167,275)	-	(163,055)	(163,055)	4,220
OTHER FINANCING SOURCES:					
Transfers from other funds	<u>167,275</u>	<u>50,000</u>	<u>117,275</u>	<u>167,275</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 50,000</u>	<u>(45,780)</u>	<u>\$ 4,220</u>	<u>\$ 4,220</u>
FUND BALANCE, beginning			<u>50,000</u>		
FUND BALANCE, ending			<u>\$ 4,220</u>		

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2020

Exhibit C-1
Page 1 of 2

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating Revenues:			
Water sales	\$ 1,192,500	\$ 1,254,411	\$ 61,911
Sewer charges	1,500,000	1,575,126	75,126
Other operating revenues	70,500	64,669	(5,831)
Total operating revenues	<u>2,763,000</u>	<u>2,894,206</u>	<u>131,206</u>
Nonoperating Revenues:			
Investment earnings	100	162	62
Miscellaneous	<u>5,000</u>	<u>1,948</u>	<u>(3,052)</u>
Total nonoperating revenues	<u>5,100</u>	<u>2,110</u>	<u>(2,990)</u>
TOTAL REVENUES	<u>2,768,100</u>	<u>2,896,316</u>	<u>128,216</u>
EXPENDITURES:			
Water Operations:			
Salaries and employee benefits	-	406,725	-
Water purchases	-	399,845	-
Repairs and maintenance	-	23,222	-
Other operating expenditures	-	140,041	-
Total	<u>1,024,875</u>	<u>969,833</u>	<u>55,042</u>
Sewer Operations:			
Salaries and employee benefits	-	148,799	-
Contracted services	-	1,153,914	-
Repairs and maintenance	-	14,428	-
Other operating expenditures	-	78,551	-
Total	<u>1,440,216</u>	<u>1,395,692</u>	<u>44,524</u>
Debt Service:			
Interest and fees	9,100	6,081	3,019
Principal retirement	<u>111,909</u>	<u>92,598</u>	<u>19,311</u>
Total	<u>121,009</u>	<u>98,679</u>	<u>22,330</u>
Capital Outlay	<u>172,000</u>	<u>152,769</u>	<u>19,231</u>
TOTAL EXPENDITURES	<u>2,758,100</u>	<u>2,616,973</u>	<u>141,127</u>
REVENUES OVER EXPENDITURES	<u>10,000</u>	<u>279,343</u>	<u>269,343</u>

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2020

Exhibit C-1
Page 2 of 2

	Final Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	(10,000)	(10,000)	-
Disposal of capital assets	-	4,265	4,265
	(10,000)	(5,735)	4,265
NET CHANGE IN FUND BALANCE	\$ -	\$ 273,608	\$ 273,608
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
NET CHANGE IN FUND BALANCE		\$ 273,608	
RECONCILING ITEMS:			
Payment of debt principal		92,598	
Decrease in interest expense accrual		1,084	
Capital outlay		152,769	
Depreciation		(354,912)	
Decrease in deferred outflows of resources - OPEB		(216)	
Decrease in OPEB liability		120,288	
Increase in deferred inflows of resources - OPEB		(72,343)	
Decrease in deferred outflows of resources - pensions		(18,309)	
Increase in net pension liability		(10,821)	
Decrease in deferred inflows of resources - pensions		17	
Transactions from Uptown Wadesboro/Lennox Drive Sewer Project Fund:			
Sewer department expenses		(574)	
Transfers from Wadesboro Industrial Park Infrastructure Project Fund:			
Capital asset transferred to governmental activities		(38,700)	
Transfers		10,000	
CHANGE IN NET POSITION (EXHIBIT 7)		\$ 154,489	

TOWN OF WADESBORO, NORTH CAROLINA

Exhibit C-2

UPTOWN WADESBORO WATER/LENNOX DRIVE SEWER PROJECT FUND

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

From Inception and for the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization <i>(As amended)</i>	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
<i>Lennox Dr. sewer lines:</i>					
NC DENR funds	\$ 338,288	\$ -	\$ -	\$ -	\$ (338,288)
Investment earnings	-	314	-	314	314
TOTAL REVENUES	338,288	314	-	314	(337,974)
EXPENDITURES:					
<i>Uptown water lines:</i>					
Construction	1,349,242	718,234	-	718,234	631,008
Engineering/Design/Survey	94,800	94,760	-	94,760	40
Inspection	88,462	64,042	-	64,042	24,420
Grant administration	32,826	27,580	-	27,580	5,246
2% loan closing costs	33,879	1,700	-	1,700	32,179
<i>Lennox Dr. sewer lines:</i>					
Construction	295,566	-	-	-	295,566
Engineering/Design/Survey	24,236	24,236	-	24,236	-
Inspection	25,123	2,880	-	2,880	22,243
Grant administration	25,000	2,928	574	3,502	21,498
Easements/Fees/Legal	10,000	-	-	-	10,000
2% loan closing costs	7,599	-	-	-	7,599
TOTAL EXPENDITURES	1,986,733	936,360	574	936,934	1,049,799
REVENUES UNDER EXPENDITURES	(1,648,445)	(936,046)	(574)	(936,620)	711,825
OTHER FINANCING SOURCES:					
Loan proceeds	1,588,039	925,984	-	925,984	(662,055)
Transfers from other funds	60,406	29,844	-	29,844	(30,562)
	1,648,445	955,828	-	955,828	(692,617)
NET CHANGE IN FUND BALANCE	\$ -	\$ 19,782	(574)	\$ 19,208	\$ 19,208
FUND BALANCE, beginning			19,782		
FUND BALANCE, ending			\$ 19,208		

ANSON GREENHOUSE, LLC PROJECT FUND

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

From Inception and for the Year Ended June 30, 2020

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

SEWER REHABILITATION PROJECT FUND

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

From Inception and for the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
NC DENR funds - #E-SAP-W-17-0010	\$ 1,000,000	\$ 128,831	\$ -	\$ 128,831	\$ (871,169)
EXPENDITURES:					
Construction	662,600	-	-	-	662,600
Engineering design	60,000	48,000	-	48,000	12,000
Construction administration/inspection	39,000	-	-	-	39,000
Survey	11,000	11,000	-	11,000	-
Permits	1,100	-	-	-	1,100
Funding administration	10,000	-	-	-	10,000
Construction contingency	66,300	-	-	-	66,300
Study phase: Inspection, Testing & Evaluation	150,000	69,831	-	69,831	80,169
TOTAL EXPENDITURES	<u>1,000,000</u>	<u>128,831</u>	<u>-</u>	<u>128,831</u>	<u>871,169</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE, beginning			<u>-</u>		
FUND BALANCE, ending			<u>\$ -</u>		

TOWN OF WADESBORO, NORTH CAROLINA
USDA WATER LINE REPLACEMENT PROJECT FUND

Exhibit C-5

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
USDA Rural Utilities Service grant	\$ 815,000	\$ -	\$ -	\$ -	\$ (815,000)
EXPENDITURES:					
Construction	1,163,675	-	-	-	1,163,675
Engineering design	186,100	42,000	40,295	82,295	103,805
Legal services	35,500	-	-	-	35,500
Permitting	5,000	-	-	-	5,000
Property cost (survey and acquisition)	24,000	-	-	-	24,000
Interest - interim financing	48,400	-	-	-	48,400
Contingency	58,325	-	-	-	58,325
TOTAL EXPENDITURES	<u>1,521,000</u>	<u>42,000</u>	<u>40,295</u>	<u>82,295</u>	<u>1,438,705</u>
REVENUES UNDER EXPENDITURES	(706,000)	(42,000)	(40,295)	(82,295)	623,705
OTHER FINANCING SOURCES:					
USDA Rural Utilities Service loan proceeds	706,000	-	-	-	(706,000)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (42,000)</u>	<u>(40,295)</u>	<u>\$ (82,295)</u>	<u>\$ (82,295)</u>
FUND BALANCE, beginning			<u>(42,000)</u>		
FUND BALANCE, ending			<u>\$ (82,295)</u>		

USDA SEWER - BURNS STREET PUMP STATION PROJECT FUND

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

From Inception and for the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
USDA Rural Utilities Service grant	\$ 902,000	\$ -	\$ -	\$ -	\$ (902,000)
EXPENDITURES:					
Construction	2,376,875	-	-	-	2,376,875
Engineering design	326,900	100,000	41,085	141,085	185,815
Legal services	22,500	-	1,388	1,388	21,112
Permitting	5,000	-	-	-	5,000
Property cost (survey and acquisition)	42,200	-	-	-	42,200
Interest - interim financing	97,900	-	-	-	97,900
Contingency	238,625	-	-	-	238,625
TOTAL EXPENDITURES	3,110,000	100,000	42,473	142,473	2,967,527
REVENUES UNDER EXPENDITURES	(2,208,000)	(100,000)	(42,473)	(142,473)	2,065,527
OTHER FINANCING SOURCES:					
USDA Rural Utilities Service loan proceeds	2,189,000	-	-	-	(2,189,000)
Transfers from other funds	19,000	19,000	-	19,000	-
	<u>2,208,000</u>	<u>19,000</u>	<u>-</u>	<u>19,000</u>	<u>(2,189,000)</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ (81,000)	(42,473)	\$ (123,473)	\$ (123,473)
FUND BALANCE, beginning			<u>(81,000)</u>		
FUND BALANCE, ending			<u>\$ (123,473)</u>		

WADESBORO INDUSTRIAL PARK INFRASTRUCTURE PROJECT FUND

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

From Inception and for the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES:					
NC Department of Commerce grant	\$ 1,776,925	\$ -	\$ -	\$ -	\$ (1,776,925)
EXPENDITURES:					
Off-site Water and Sewer Improvements:					
Construction	823,050	-	-	-	823,050
Engineering design	70,000	5,000	59,500	64,500	5,500
Survey	7,000	5,000	2,000	7,000	-
Funding administration	10,000	-	-	-	10,000
Construction administration/inspection	45,000	-	-	-	45,000
Contingency	83,000	-	-	-	83,000
On-site Water and Sewer Improvements:					
Construction	341,000	-	-	-	341,000
Engineering design	29,000	-	26,800	26,800	2,200
Survey	3,000	-	3,000	3,000	-
Funding administration	5,000	-	-	-	5,000
Construction administration/inspection	19,000	-	-	-	19,000
Contingency	35,000	-	-	-	35,000
Access Road:					
Construction	440,875	-	-	-	440,875
Engineering design	38,000	-	34,700	34,700	3,300
Survey	4,000	-	4,000	4,000	-
Funding administration	5,000	-	-	-	5,000
Construction administration/inspection	24,000	-	-	-	24,000
Contingency	45,000	-	-	-	45,000
TOTAL EXPENDITURES	<u>2,026,925</u>	<u>10,000</u>	<u>130,000</u>	<u>140,000</u>	<u>1,886,925</u>
REVENUES UNDER EXPENDITURES	(250,000)	(10,000)	(130,000)	(140,000)	110,000
OTHER FINANCING SOURCES:					
Transfers from other funds	<u>250,000</u>	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>	<u>(230,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(120,000)	<u>\$ (120,000)</u>	<u>\$ (120,000)</u>
FUND BALANCE, beginning			-		
FUND BALANCE, ending			\$ (120,000)		

OTHER SCHEDULES

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

Exhibit D-1

<u>Fiscal Year</u>	Uncollected Balance <u>6/30/2019</u>	<u>Additions</u>	Collections and Credits	Uncollected Balance <u>6/30/2020</u>
2019-2020	\$ -	\$ 1,958,423	\$ 1,830,502	\$ 127,921
2018-2019	110,533	-	35,715	74,818
2017-2018	68,682	-	10,696	57,986
2016-2017	49,304	-	7,069	42,235
2015-2016	39,022	-	4,571	34,451
2014-2015	28,430	-	3,581	24,849
2013-2014	23,994	-	3,409	20,585
2012-2013	17,366	-	2,084	15,282
2011-2012	11,796	-	2,094	9,702
2010-2011	8,699	-	1,106	7,593
2009-2010	6,640	-	6,640	-
	<u>\$ 364,466</u>	<u>\$ 1,958,423</u>	<u>\$ 1,907,467</u>	<u>\$ 415,422</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund \$ 1,921,019

Reconciling items:

Taxes written off 8,807
Interest and penalties collected (22,359)

Total collections and credits \$ 1,907,467

TOWN OF WADESBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2020

Exhibit D-2

	<u>Town-wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current rate	\$ 352,371,878	\$ 0.556	\$ 1,959,188	\$ 1,780,537	\$ 178,651
Penalties and adjustments	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Total	352,371,878		1,959,188	1,780,537	178,651
Discoveries:					
Current and prior year taxes	19,680	0.556	110	110	-
Releases	<u>(157,290)</u>		<u>(875)</u>	<u>(875)</u>	<u>-</u>
Total property valuation	<u>\$ 352,234,268</u>				
Net levy			1,958,423	1,779,772	178,651
Unpaid (by taxpayer) taxes at June 30, 2020			<u>(127,921)</u>	<u>(127,921)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,830,502</u>	<u>\$ 1,651,851</u>	<u>\$ 178,651</u>
Current levy collection percentage			<u>93.47%</u>	<u>92.81%</u>	<u>100.00%</u>

COMPLIANCE SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

120 SOUTH RUTHERFORD STREET

P. O. BOX 341

WADESBORO, N.C. 28170

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wadesboro, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 20, 2021. The financial statements of Town of Wadesboro ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. As described in the accompanying schedule of findings and questioned costs, however, we identified a certain deficiency as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Town of Wadesboro's Response to Findings

Town of Wadesboro's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Wadesboro, North Carolina

January 20, 2021

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

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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

Report on Compliance for Each Major Federal Program

We have audited Town of Wadesboro, North Carolina's compliance with the types of compliance requirements described in OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. Town of Wadesboro's major federal program(s) are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Wadesboro's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Wadesboro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Town of Wadesboro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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



Wadesboro, North Carolina
January 20, 2021

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Page 1 of 2

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal program(s):

<u>CFDA No.</u>	<u>Names of Federal Program or Cluster</u>
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? No

State Awards

Town of Wadesboro does not have any major State programs.

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Page 2 of 2

Section II - Financial Statement Findings

Finding 2020-001:

MATERIAL WEAKNESS

Criteria:	Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.
Condition:	There is a lack of segregation of duties among Town personnel.
Effect:	There are inherent limitations of the effectiveness of certain controls (i.e., transactions could be mishandled).
Cause:	There are a limited number of personnel for certain functions.
Recommendation:	The duties should be separated as much as possible, and alternative controls should be used to compensate for the lack of separation. The governing board should provide some of these controls where feasible. We encourage the Town to continue in its efforts in this area.
Views of Responsible Officials and Planned Corrective Actions:	The Town agrees with this finding and will implement alternative controls where considered feasible.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.



Town of Wadesboro, North Carolina 28170

BILL THACKER
MAYOR

DAVID EDWARDS
TOWN MANAGER

JOHN BALLARD

FRED DAVIS

COMMISSIONERS
LEWIS EVANS

JAMES DAVID LEE

BOBBY USREY

TOWN OF WADESBORO, NORTH CAROLINA CORRECTIVE ACTION PLAN For the Year Ended June 30, 2020

Section II - Financial Statement Findings

Finding 2020-001:

Name of contact person: David Edwards, Town Manager

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

Proposed Completion Date: Immediately

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

TOWN OF WADESBORO, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

All prior year findings have been or are being corrected.

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Page 1 of 2

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
<u>U.S. Department of Agriculture:</u>					
Water & Waste Disposal Systems for Rural Communities	10.760	03, 04 05, 06	\$ 40,295 42,473 82,768	\$ - - -	\$ - - -
<u>U.S. Department of Justice:</u>					
Office of Justice Programs Bulletproof Vest Partnership Program	16.607		2,838	-	2,838
<u>U.S. Department of Transportation:</u>					
Passed-through N.C. Department of Transportation: Highway Planning, Research & Construction Cluster	20.205-1CL	B-5988	143,996	-	35,999
<u>U.S. Department of Homeland Security:</u>					
Federal Emergency Management Agency: Assistance to Firefighters Grant	97.044	EMW-2018-FV-90083	772,727	-	77,273
Total assistance - Federal programs			1,002,329	-	116,110
State Grants:					
<u>N.C. Department of Commerce:</u>					
Downtown Revitalization Program		2017-052-1257-1534	-	734	-
Rural Economic Development Grant-Rural Ready Sites Program			-	-	130,000
Rural Economic Development Division: NC Main Street & Rural Planning Center: Local Capacity Grant		11-C-2362	- -	6,600 7,334	- 130,000
<u>N.C. Department of Environmental Quality:</u>					
Division of Water Infrastructure: Asset Inventory & Assessment Grant (AIA)		E-AIA-W-20-0181	-	-	2,250
<u>N.C. Department of Transportation:</u>					
Powell Bill			-	78,775	-
Total assistance - State programs			-	86,109	132,250
TOTAL ASSISTANCE			\$ 1,002,329	\$ 86,109	\$ 248,360

TOWN OF WADESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Page 2 of 2

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Wadesboro under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Town of Wadesboro, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Town of Wadesboro.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Town of Wadesboro has elected not to use the 10-percent de minimis indirect cost rate as allowed by the Uniform Guidance.

Note 4: Subsequent Event - Coronavirus Relief Funds

Town of Wadesboro was awarded \$224,926 of funding from Coronavirus Relief Fund (21.019) from Anson County in August 2020. Town of Wadesboro has a plan to spend these funds approved by OSBM as a subrecipient of Anson County. CRF must be spent during the period March 1, 2020, to December 30, 2020. The Town's expenditures will be reported on the FY 2021 SEFSA.