

FINANCIAL STATEMENTS
TOWN OF WENDELL
WENDELL, NORTH CAROLINA
JUNE 30, 2019

BOARD OF COMMISSIONERS

Virginia Gray, Mayor

Jon Lutz, Mayor Pro Tem

Ben Carroll

John Boyette

David Myrick

Jason Joyner

TOWN OF WENDELL
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To the Honorable Mayor
 And Members of the Board of Commissioners
 Town of Wendell
 Wendell, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Wendell, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Wendell'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 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 financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Wendell, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on page 51, respectively, the

Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 52 and 53, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 54 and 55, respectively, to 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 the Town of Wendell, North Carolina. The introductory information, budgetary schedules, other schedules, statistical section and Schedule of Expenditures of Federal and State Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules, other schedules, and 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, the budgetary schedules, other schedules, and 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.

The introductory information and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 on our consideration of the Town of Wendell'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 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 the Town of Wendell's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Wendell (the "Town"), we offer readers of the Town of Wendell's financial statements this narrative overview and analysis of the financial activities of the Town of Wendell for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

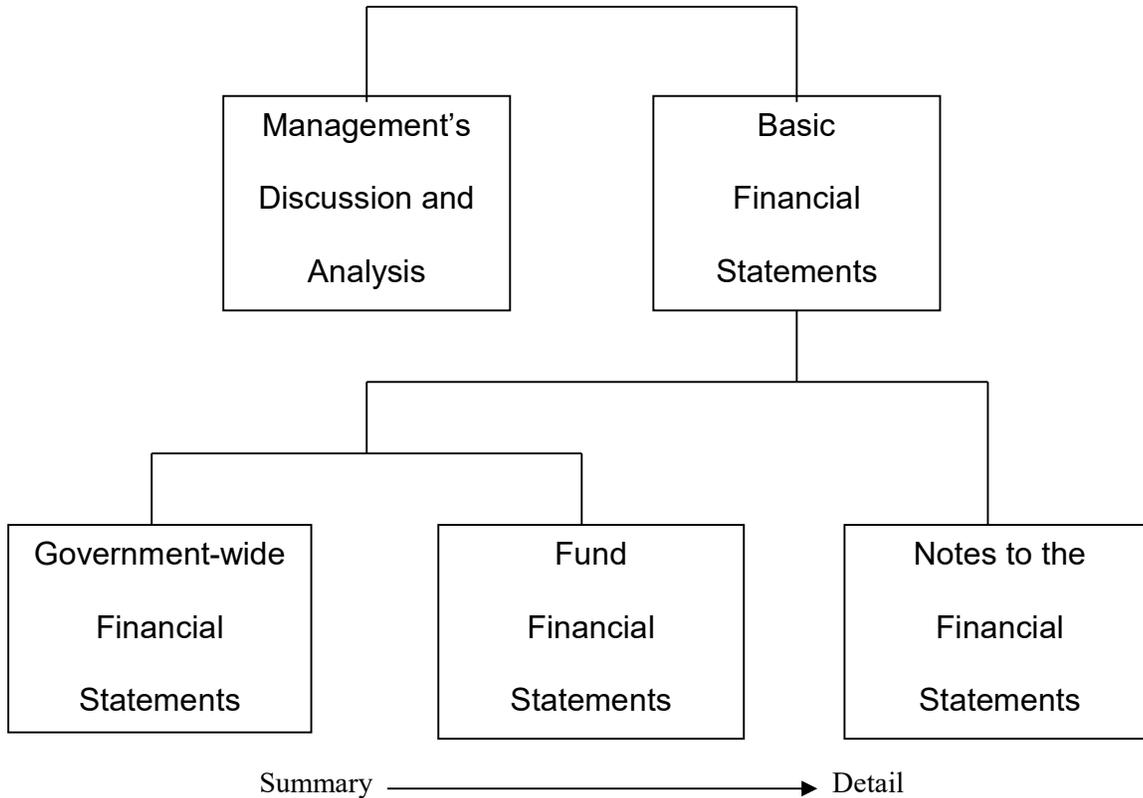
- The assets and deferred outflows of resources of the Town of Wendell exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,542,895 (*net position*).
- The government's total net position increased by \$980,439, primarily due to diligent cost-saving measures and returns on the Town's economic development investments.
- As of the close of the current fiscal year, the Town of Wendell's governmental funds reported combined ending fund balances of \$7,483,728 with a net increase of \$845,125 in fund balance. Approximately 6.02% of this total amount, or \$450,652, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,336,576, or 98.72% of total general fund expenditures for the fiscal year.
- The Town of Wendell's total debt decreased by \$802,152 (16.28%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-Wide Financial Statements

Management Discussion and Analysis Town of Wendell

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

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

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. 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 water and sewer debt that remains after the merger with the City of Raleigh.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Wendell, 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 Wendell can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Wendell 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 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 Wendell has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

Management Discussion and Analysis
Town of Wendell

Town of Wendell uses enterprise funds to account for its water and sewer activity and for its electric operations. 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 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wendell’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Wendell’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 10,046,662	\$ 9,487,674	\$ 1,633,030	\$ 2,050,078	\$ 11,679,692	\$ 11,537,752
Capital assets	6,229,535	6,307,132	-	-	6,229,535	6,307,132
Deferred outflows of resources	791,157	481,032	-	-	791,157	481,032
Total assets and deferred outflows of resources	17,067,354	16,275,838	1,633,030	2,050,078	18,700,384	17,844,884
Long-term liabilities outstanding	7,356,370	7,817,295	1,633,030	2,050,078	8,989,400	9,867,373
Other liabilities	3,134,337	3,396,194	-	-	3,134,337	3,396,194
Deferred inflows of resources	1,033,752	499,893	-	-	1,033,752	499,893
Total liabilities and deferred inflows of resources	11,524,459	11,713,382	1,633,030	2,050,078	13,157,489	13,763,460
Net position:						
Net investment in capital assets	3,521,632	3,229,236	-	-	3,521,632	3,229,236
Restricted	450,652	362,791	-	-	450,652	362,791
Unrestricted	1,570,611	970,429	-	-	1,570,612	970,428
Total net position	\$ 5,542,895	\$ 4,562,456	\$ -	\$ -	\$ 5,542,895	\$ 4,562,455

Management Discussion and Analysis
Town of Wendell

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Wendell exceeded liabilities and deferred inflows by \$5,542,895 as of June 30, 2019. The Town's net position increased by \$980,439 for the fiscal year ended June 30, 2019. However, the largest portion reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Wendell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wendell's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wendell's net position, \$450,652, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,570,611 is unrestricted.

Town of Wendell's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,210,206	\$ 1,052,552	\$ -	\$ -	\$ 1,210,206	\$ 1,052,552
Operating grants and contributions	294,733	447,171	-	-	294,733	447,171
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	3,248,909	2,842,936	-	-	3,248,909	2,842,936
Other taxes	2,081,165	1,917,276	-	-	2,081,165	1,917,276
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	304,399	191,776	51,923	60,725	356,322	252,501
Total revenues	7,139,412	6,451,711	51,923	60,725	7,191,335	6,512,436
Expenses:						
General government	1,885,035	1,890,228	-	-	1,885,035	1,890,228
Public safety	1,548,055	1,455,625	-	-	1,548,055	1,455,625
Transportation	1,602,773	1,221,517	-	-	1,602,773	1,221,517
Environmental protection	92,911	70,291	-	-	92,911	70,291
Economic and physical development	236,666	308,544	-	-	236,666	308,544
Cultural and recreation	697,053	571,816	-	-	697,053	571,816
Interest on long-term debt	96,480	5,151	-	-	96,480	5,151
Water and sewer	-	-	51,923	60,725	51,923	60,725
Electric	-	-	-	-	-	-
Total expenses	6,158,973	5,523,172	51,923	60,725	6,210,896	5,583,897
Increase in net position before transfers	980,439	928,539	-	-	980,439	928,539
Transfers	-	-	-	-	-	-
Extraordinary item: gain on insurance recovery	-	-	-	-	-	-
Increase in net position	980,439	928,539	-	-	980,439	928,539
Net position, beginning	4,562,456	3,633,917	-	-	4,562,456	3,633,917
Net position, June 30	\$ 5,542,895	\$ 4,562,456	\$ -	\$ -	\$ 5,542,895	\$ 4,562,456

Management Discussion and Analysis
Town of Wendell

Governmental activities. Governmental activities increased the Town's net position by \$980,439, thereby accounting for all of the total growth in the net position of the Town of Wendell.

Business-type activities. The Town of Wendell's net position is \$0 due to the merger with the City of Raleigh.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Wendell. At the end of the current fiscal year, Town of Wendell's fund balance available in the General Fund was \$7,033,076, while total fund balance reached \$7,483,728. The Governing Body of Town of Wendell has determined that the Town should maintain an available fund balance of 40% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 109.57% of general fund expenditures, and total fund balance represents 116.59% of the same amount.

At June 30, 2019, governmental funds reported a combined fund balance of \$7,483,728 with a net increase in fund balance of \$845,125. Included in this change in fund balance is an increase in fund balance in the General Fund only.

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.

Proprietary Funds. The Town of Wendell's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Total net position for the water and sewer funds is \$0 each, due to the merger with the City of Raleigh.

Capital Asset and Debt Administration

Capital assets. The Town of Wendell's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$6,229,541 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Management Discussion and Analysis
Town of Wendell

**Town of Wendell's Capital Assets
(net of depreciation)**

Figure 4

	Activities		Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,628,355	\$ 1,625,355	\$ -	\$ -	\$ 1,628,355	\$ 1,625,355
Land Improvements	382,557	382,557			382,557	382,557
Buildings and system	2,436,376	2,434,058	-	-	2,436,376	2,434,058
Improvements other than buildings	64,062	73,519	-	-	64,062	73,519
Substations, lines, and related equipment	-	-	-	-	-	-
Equipment and furniture	1,115,971	1,099,800	-	-	1,115,971	1,099,800
Infrastructure	55,341	61,663	-	-	55,341	61,663
Vehicles and motorized equipment	546,879	630,180	-	-	546,879	630,180
Computer Software	-	-	-	-	-	-
Computer equipment	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Total	\$ 6,229,541	\$ 6,307,132	\$ -	\$ -	\$ 6,229,541	\$ 6,307,132

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

Long-term Debt. As of June 30, 2019, the Town of Wendell had total bonded debt outstanding of \$1,633,030. All bonded debt is backed by the full faith and credit of the Town.

**Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
BB&T Note Payable	\$ 82,736	\$ 103,420	\$ -	\$ -	\$ 82,736	\$ 103,420
BB&T Note Payable 2017	844,000	949,500	-	-	844,000	949,500
First Citizens Loan	61,944	122,930	-	-	61,944	122,930
KS Bank Loan	304,155	402,089	-	-	304,155	402,089
KS Bank Loan	1,200,000	1,300,000	-	-	1,200,000	1,300,000
NC Clean Water Loan	-	-	105,488	140,650	105,488	140,650
Federal Revolving Loan	-	-	1,527,542	1,909,428	1,527,542	1,909,428
Total OPEB liability	3,753,575	4,154,063	-	-	3,753,575	4,154,063
Net pension liability (LGERS)	861,872	568,007	-	-	861,872	568,007
Total pension liability (LEO)	639,343	605,877	-	-	639,343	605,877
Compensated absences	215,068	199,957	-	-	215,068	199,957
Total	\$ 7,962,693	\$ 8,405,843	\$ 1,633,030	\$ 2,050,078	\$ 9,595,723	\$ 10,455,921

Additional information regarding the Town of Wendell's long-term debt can be found in Note III.B.7 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.

Key economic indicators reflect the continued growth and prosperity experienced by the Town. Central to the growth in process and continued positive outlook is the continued national prominence of the Triangle Region as a location to locate and expand business and associated residential development market associated with the business investments. With entitled development, available infrastructure, and strong transportation connections to the region, Wendell is experiencing strong growth throughout its corporate boundaries. Increased investment in water and sewer main replacement in the historic downtown and surrounding neighborhoods, downtown business investments and renovations, and housing renovation reflect both public and private investment.

Residential development continued to drive real estate values and revenue growth for the Town as shown in the following table.

Management Discussion and Analysis
Town of Wendell

Calendar Year	Number of Permits	Estimated Improvement Value in Millions
2015	187	29
2016	231	44
2017	262	52
2018	386	69
2019 (thru Sept.)	285	49

An additional 2,743 residential units are currently in the development approval process preparing for final platting which reflects the continued strength and impact of development activity on the local economy. Such growth is often accompanied by the annexation of lands into the Town jurisdiction.

Further diversification of the Wendell tax base occurred in 2018 and is expected to expand in 2019. In calendar year 2018, 40 commercial permits were issued with an approximate improvement value of \$14.2 million. This includes both public investment in a new public safety center on Taylor Road (\$5.1 million) and additions to the downtown Universal Chevrolet auto dealership (\$390K). Industrial growth in 2018 included the completion of the Kioti Tractor expansion (\$13 million) that started the prior year. The multi-family and commercial areas of the Wendell Falls planned community are opening, in-design, or planned for announcement in 2019 and 2020 including a daycare (\$3 million) that opened in September 2019 and charter school in permitting (\$8 million). Zoning permits were issued for a new micro-brewery downtown and mechanical engineering and construction company headquarters that will begin construction in 2020. The continued permitting activity, annexation requests, downtown redevelopment activity, and available utility capacity maintain a positive economic outlook for the Town of Wendell for FY 2019-2020.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to lead the increase in budgeted revenue by 17.11%. The Town will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise approximately 19.31% to \$7,527,766. The largest increments are in employee compensation, including compensation and benefits adjustments and capital projects.

Business-type Activities: The Town only budgets for debt payments related to the water and sewer assets and operations.

Requests for Information

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Wendell, 15 E. Fourth St., Wendell, NC 27591. One can also call (919)-365-4450, visit our website www.TownofWendell.com or send an email to mcollins@townofwendell.com for more information.

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**Town of Wendell
Statement of Net Position
June 30, 2019**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,219,107	\$ -	\$ 2,219,107
Restricted cash	1,945,782	-	1,945,782
Investments	5,481,717	-	5,481,717
Taxes receivables (net)	34,920	-	34,920
Accounts receivable (net) - trade	155,474	-	155,474
Due from other governments	209,662	1,633,030	1,842,692
Total current assets	<u>10,046,662</u>	<u>1,633,030</u>	<u>11,679,692</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	2,010,912	-	2,010,912
Other capital assets, net of depreciation	4,218,623	-	4,218,623
Total capital assets	<u>6,229,535</u>	<u>-</u>	<u>6,229,535</u>
Total non-current assets	<u>6,229,535</u>	<u>-</u>	<u>6,229,535</u>
Total assets	<u>16,276,197</u>	<u>1,633,030</u>	<u>17,909,227</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year - LGERS	189,829	-	189,829
Contributions to pension plan in current fiscal year - LEO	38,180	-	38,180
Pension deferrals - LGERS	479,984	-	479,984
Pension deferrals - LEO	64,818	-	64,818
Pension deferrals - OPEB	18,346	-	18,346
Total deferred outflows of resources	<u>791,157</u>	<u>-</u>	<u>791,157</u>
LIABILITIES			
Current liabilities:			
Accounts payable - trade and accrued liabilities	150,070	-	150,070
Accrued payroll and payroll liabilities	149,779	-	149,779
Liabilities payable to the City of Raleigh	1,860,266	-	1,860,266
Capacity Fees - Developer	367,899	-	367,899
Current portion of long-term liabilities	606,323	417,049	1,023,372
Total current liabilities	<u>3,134,337</u>	<u>417,049</u>	<u>3,551,386</u>
Long-term liabilities:			
Net pension liability	861,872	-	861,872
Total pension liability- LEO	639,343	-	639,343
Net OPEB Liability	3,753,575	-	3,753,575
Due in more than one year	2,101,580	1,215,981	3,317,561
Total long-term liabilities	<u>7,356,370</u>	<u>1,215,981</u>	<u>8,572,351</u>
Total liabilities	<u>10,490,707</u>	<u>1,633,030</u>	<u>12,123,737</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals - LEO	34,579	-	34,579
Pension deferrals - LGERS	33,079	-	33,079
Pension deferrals - OPEB	966,094	-	966,094
Total deferred inflows of resources	<u>1,033,752</u>	<u>-</u>	<u>1,033,752</u>
NET POSITION			
Net investment in capital assets	3,521,632	-	3,521,632
Restricted for:			
Streets	85,516	-	85,516
Stabilization by State Statute	365,136	-	365,136
Unrestricted	1,570,611	-	1,570,611
Total net position	<u>\$ 5,542,895</u>	<u>\$ -</u>	<u>\$ 5,542,895</u>

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

**Town of Wendell
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 1,885,035	\$ 24,568	\$ 6,647	\$ -	\$ (1,853,820)	\$ -	\$ (1,853,820)
Public safety	1,548,055	1,190	48,906	-	(1,497,959)	-	(1,497,959)
Transportation	1,602,773	-	228,960	-	(1,373,813)	-	(1,373,813)
Economic and physical development	236,666	181,427	-	-	(55,239)	-	(55,239)
Environmental protection	92,911	781,334	-	-	688,423	-	688,423
Cultural and recreation	697,053	221,687	10,220	-	(465,146)	-	(465,146)
Interest on long-term debt	96,480	-	-	-	(96,480)	-	(96,480)
Total governmental activities	6,158,973	1,210,206	294,733	-	(4,654,034)	-	(4,654,034)
Business-type activities:							
Water	7,911	-	-	-	-	(7,911)	(7,911)
Sewer	44,012	-	-	-	-	(44,012)	(44,012)
Total business-type activities	51,923	-	-	-	-	(51,923)	(51,923)
Total primary government	\$ 6,210,896	\$ 1,210,206	\$ 294,733	\$ -	(4,654,034)	(51,923)	(4,705,957)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					3,248,909	-	3,248,909
Other taxes					2,081,165	-	2,081,165
Unrestricted investment earnings					168,226	-	168,226
City of Raleigh - debt reimbursemen					-	51,923	51,923
Special item - Loss on sale of capital assets					(28,385)	-	(28,385)
Insurance settlement					149,000	-	149,000
Cell tower revenue					1,000	-	1,000
Miscellaneous					14,558	-	14,558
Total general revenues					5,634,473	51,923	5,686,396
Change in net position					980,439	-	980,439
Net position, beginning,					4,562,456	-	4,562,456
Net position, ending					\$ 5,542,895	\$ -	\$ 5,542,895

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

**Town of Wendell
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 2,219,107	\$ -	\$ 2,219,107
Restricted cash	1,945,782	-	1,945,782
Investments	5,481,717	-	5,481,717
Receivables, net:			
Taxes	34,920	-	34,920
Accounts - trade	155,474	-	155,474
Due from other governments	209,662	-	209,662
Total assets	<u>\$ 10,046,662</u>	<u>\$ -</u>	<u>\$ 10,046,662</u>
LIABILITIES			
Liabilities:			
Accounts payable - trade and accrued liabilities	\$ 150,070	\$ -	\$ 150,070
Accrued payroll and payroll liabilities	149,779	-	149,779
Capacity fees	367,899	-	367,899
Liabilities payable to the City of Raleigh	1,860,266	-	1,860,266
Total liabilities	<u>2,528,014</u>	<u>-</u>	<u>2,528,014</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	34,920	-	34,920
Total deferred inflows of resources	<u>34,920</u>	<u>-</u>	<u>34,920</u>
FUND BALANCES			
Fund balances:			
Restricted:			
Stabilization by State Statute	365,136	-	365,136
Streets	85,516	-	85,516
Assigned			
Subsequent year's expenditures	696,500	-	696,500
Unassigned	6,336,576	-	6,336,576
Total fund balances	<u>7,483,728</u>	<u>-</u>	<u>7,483,728</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,046,662</u>	<u>\$ -</u>	

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.	6,229,535
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	228,009
Earned revenues considered deferred inflows of resources in fund statements.	34,920
Net LGERS pension liability	(861,872)
Net LEO pension liability	(639,343)
Net OPEB liability	(3,753,575)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(2,707,903)
Pension related deferrals	(470,604)
Net position of governmental activities	<u>\$ 5,542,895</u>

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

Town of Wendell
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds		Total Governmental Funds
	General Fund		
REVENUES			
Ad valorem taxes	\$ 3,255,415	\$	3,255,415
Other taxes and licenses	124,242		124,242
Unrestricted intergovernmental	1,956,922		1,956,922
Restricted intergovernmental	284,383		284,383
Restricted contributions	10,220		10,220
Permits and fees	1,090,341		1,090,341
Sales and services	114,865		114,865
Investment earnings	168,227		168,227
Miscellaneous	19,688		19,688
Total revenues	7,024,303		7,024,303
EXPENDITURES			
Governing Board	79,881		79,881
Administration	675,335		675,335
Information technology	94,556		94,556
Economic development	1,630		1,630
Community development and planning	247,943		247,943
Police-Law enforcement	1,389,242		1,389,242
Fire service	2,243		2,243
Public buildings and grounds	160,720		160,720
Public Works	1,502,879		1,502,879
Parks and recreation	694,620		694,620
Non-departmental	474,030		474,030
Capital outlay	571,642		571,642
Debt service:			
Principal	385,104		385,104
Interest and other charges	139,223		139,223
Total expenditures	6,419,048		6,419,048
Excess of revenues over expenditures	605,255		605,255
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	89,870		89,870
Cell tower proceeds	1,000		1,000
Insurance proceeds	149,000		149,000
Issuance of debt	-		-
Total other financing sources (uses)	239,870		239,870
Net change in fund balance	845,125		845,125
Fund balances, beginning	6,638,603		6,638,603
Fund balances, ending	\$ 7,483,728	\$	7,483,728

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

Town of Wendell
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds		\$ 845,125
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	505,217	
Depreciation expense for governmental assets	<u>(464,554)</u>	40,663
Contributions to pension plan in the current fiscal year that are not included on the Statement of Activities		228,009
Loss on disposal of capital assets		(118,255)
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		64,818
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(6,506)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	-	
Principal payments on long-term debt	<u>385,104</u>	385,104
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense	(278,309)	
Compensated absences	15,111	
Other post-employment benefits	<u>(195,321)</u>	<u>(458,519)</u>
Total changes in net position of governmental activities		<u>\$ 980,439</u>

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

Town of Wendell
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Original Budget	Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,047,987	\$ 3,232,988	\$ 3,255,415	\$ 22,427
Other taxes and licenses	101,570	101,570	124,242	22,672
Unrestricted intergovernmental	1,686,399	1,821,399	1,956,922	135,523
Restricted intergovernmental	223,789	288,588	284,383	(4,205)
Restricted contributions	4,900	4,900	10,220	5,320
Permits and fees	860,200	978,200	1,090,341	112,141
Sales and services	89,550	89,550	114,865	25,315
Investment earnings	38,875	114,575	168,227	53,652
Miscellaneous	-	-	19,688	19,688
Total revenues	\$ 6,053,270	6,631,770	7,024,303	392,533
Expenditures:				
Governing Board	72,400	95,050	79,881	15,169
Administration	677,850	702,950	675,335	27,615
Information Technology	197,760	149,760	94,556	55,204
Economic Development	600	64,600	1,630	62,970
Community Development and Planning	288,050	307,250	247,943	59,307
Police-Law Enforcement	1,767,210	1,468,787	1,389,242	79,545
Fire Service	8,100	8,100	2,243	5,857
Public Buildings and Grounds	172,745	340,345	160,720	179,625
Public Works	1,134,135	1,522,035	1,502,879	19,156
Parks and Recreation	677,815	840,515	694,620	145,895
Non-departmental	823,855	513,351	474,030	39,321
Capital outlay	2,500	575,000	571,642	3,358
Debt service:				
Principal retirement	437,258	385,104	385,104	-
Interest and other charges	49,292	139,223	139,223	-
Total expenditures	6,309,570	7,112,070	6,419,048	693,022
Revenues over (under) expenditures	(256,300)	(480,300)	605,255	1,085,555
Other financing sources (uses):				
Appropriated fund balance	245,800	245,800	-	(245,800)
Issuance of debt	-	-	-	-
Loan proceeds	-	-	-	-
Cell tower proceeds	-	-	1,000	1,000
Insurance proceeds	-	149,000	149,000	-
Sale of capital assets	10,500	85,500	89,870	4,370
Total other financing sources (uses)	256,300	480,300	239,870	(240,430)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	845,125	\$ 845,125
Fund balances, beginning			6,638,603	
Fund balances, ending			<u>\$ 7,483,728</u>	

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

Exhibit 7

**Town of Wendell
Statement of Fund Net Position
Proprietary Funds
June 30, 2019**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments	-	-	-
Due from other funds	-	-	-
Due from City of Raleigh	105,488	1,527,542	1,633,030
Inventories	-	-	-
Prepaid items	-	-	-
Total current assets	<u>105,488</u>	<u>1,527,542</u>	<u>1,633,030</u>
Capital assets:			
Land and other non-depreciable assets	-	-	-
Other capital assets, net of depreciation	-	-	-
Capital assets (net)	-	-	-
Total assets	<u>\$ 105,488</u>	<u>\$ 1,527,542</u>	<u>\$ 1,633,030</u>
LIABILITIES			
Current liabilities:			
Accrued interest payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Customer deposits	-	-	-
Due to the City of Raleigh	-	-	-
General obligation bonds payable-current	-	-	-
Note payable - current	35,163	381,886	417,049
Revenue bond payable - current	-	-	-
Total current liabilities	<u>35,163</u>	<u>381,886</u>	<u>417,049</u>
Non-current liabilities:			
Liabilities payable from restricted assets:			
Other non-current liabilities:			
Compensated absences	-	-	-
General obligation bonds payable	-	-	-
Note payable - non-current	70,325	1,145,656	1,215,981
Revenue bond payable - non-current	-	-	-
Total non-current liabilities	<u>70,325</u>	<u>1,145,656</u>	<u>1,215,981</u>
Total liabilities	<u>105,488</u>	<u>1,527,542</u>	<u>1,633,030</u>
NET POSITION			
Net investment in capital assets	-	-	-
Restricted for Capital Projects	-	-	-
Unrestricted	-	-	-
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Town of Wendell
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
Water and sewer taps	-	-	-
Other operating revenues	-	-	-
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Water system operations	-	-	-
Non-departmental	-	-	-
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)			
City of Raleigh - debt payment	7,911	44,012	51,923
Investment earnings	-	-	-
Interest and other charges	(7,911)	(44,012)	(51,923)
Bad debts	-	-	-
Total non-operating revenue (expenses)	<u>-</u>	<u>-</u>	<u>-</u>
Grants	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before contributions and transfers	-	-	-
Change in net position	-	-	-
Total net assets, beginning	-	-	-
Total net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Town of Wendell
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ -	\$ -	\$ -
Cash paid for goods and services	-	-	-
Cash paid to or on behalf of employees for services	-	-	-
Net customer deposits	-	-	-
Other operating revenues	-	-	-
Net cash provided (used) by operating activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
City of Raleigh contributions - debt payment	43,074	425,898	468,972
Transfers (to) from other funds	-	-	-
Total cash flows from non-capital financing activities	<u>43,074</u>	<u>425,898</u>	<u>468,972</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	-
Capital contributions	-	-	-
Principal paid on notes payable	(35,163)	(381,886)	(417,049)
Proceeds from notes payable	-	-	-
Interest paid on notes payable	<u>(7,911)</u>	<u>(44,012)</u>	<u>(51,923)</u>
Net cash provided (used) by capital and related financing activities	<u>(43,074)</u>	<u>(425,898)</u>	<u>(468,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Balances, beginning	-	-	-
Balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Town of Wendell
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019**

	Water Fund	Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ -	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	-	-
Bad debts	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
Decrease in net pension asset	-	-	-
Increase in deferred outflows of resources - pensions	-	-	-
Increase in net pension liability	-	-	-
Decrease in deferred inflows of resources - pensions	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	-	-
Increase (decrease) in customer deposits	-	-	-
Increase (decrease) in accrued vacation pay	-	-	-
Total adjustments	-	-	-
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Noncash investing, capital, and financing activities:

None.

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

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Wendell 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 financial activity of the Town.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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

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 public safety, street maintenance and construction, and sanitation services.

The Town reports no non-major governmental funds.

The Town reports the following major enterprise funds:

Water Fund. This fund is used to account for the Town's water transactions with the City of Raleigh.

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Sewer Fund. This fund is used to account for the Town's sewer transactions with the City of Raleigh.

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.

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 is materially past due and are not considered to be an available resource to finance the operations of the current year. Wake County is responsible for billing and collecting the property taxes on real property on behalf of the Town. 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 the Town. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities sales tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Wake County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating

Town of Wendell, North Carolina
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For the Fiscal Year Ended June 30, 2019

funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. They are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investments and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Liabilities payable to the City of Raleigh are also classified as restricted cash because these are funds that were prepaid by Wendell Falls. These funds do not belong to the Town, instead they are payable to the City of Raleigh.

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009.

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Prepaid Items

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

7. Capital Assets

The government defines capital assets 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: land, \$20,000; Buildings, improvements, substations, lines and other plant and distribution systems, \$20,000; infrastructure, \$10,000; furniture and equipment, \$5,000; and vehicles, \$15,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Computer equipment	3
Furniture and office equipment	10

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, contributions made to the pension plan in the 2019 fiscal year and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meets the criterion for this category – property taxes receivable and deferrals of pension expense.

Town of Wendell, North Carolina
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For the Fiscal Year Ended June 30, 2019

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

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

10. Compensated Absences

The vacation policies of the Town provide 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 fund, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Wendell's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

The Town of Wendell has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city 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 Finance Director has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Wendell has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures. Any portion of the general fund balance in excess of 40% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS'

Town of Wendell, North Carolina
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For the Fiscal Year Ended June 30, 2019

fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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 policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$4,164,789 and a bank balance of \$4,164,500. Of the bank balance, \$250,000 was covered by federal depository insurance, \$3,038,997 is insured by KS Bank, and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$100.

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Investments

At June 30, 2019, the Town of Wendell had \$5,481,717 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Adjustments to Reconcile to Schedule	Ending Balances
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 1,625,355	\$ 3,000	\$ -	\$ -	\$ 1,628,355
Land Improvements	382,557	-	-	-	382,557
Total capital assets not being depreciated	2,007,912	3,000	-	-	2,010,912
Capital assets being depreciated					
Buildings	4,117,097	107,298	-	-	4,224,395
Equipment	2,002,641	183,697	132,386	-	2,053,952
Land Improvements	75,705	-	-	-	75,705
Vehicles and motorized equipment	1,565,524	211,223	255,745	-	1,521,002
Infrastructure	210,718	-	-	-	210,718
Total capital assets being depreciated	7,971,685	502,218	388,131	-	8,085,772
Less accumulated depreciation for					
Buildings	1,683,039	104,980	-	-	1,788,019
Equipment	898,062	172,305	132,386	-	937,981
Vehicles and motorized equipment	935,344	176,269	137,490	-	974,123
Land Improvements	6,964	4,679	-	-	11,643
Infrastructure	149,055	6,322	-	-	155,377
Total accumulated depreciation	3,672,464	\$ 464,555	\$ 269,876	\$ -	3,867,143
Total capital assets being depreciated, net	4,299,221				4,218,629
Governmental activity capital assets, net	<u>\$ 6,307,133</u>				<u>\$ 6,229,541</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government 25%	\$ 116,139
Public Safety 35%	162,594
Environmental Protection 20%	92,911
Transportation 20%	92,911
	<u>\$ 464,555</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Wendell is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members, nine appointed by the Governor, one appointed by the State Senate, one appointed by the

Town of Wendell, North Carolina
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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. 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 or have completed five years of service and 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 have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2017, was 8.25% of compensation for law enforcement officers and 7.50% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$189,829 for the year ended June 30, 2019.

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 rights 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, 2019, the Town reported a liability of \$861,872 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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,

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actuarially determined. At June 30, 2019, 2018, 2017 and June 30, 2016, the Town's proportion was 0.03633%, 0.03718%, 0.03787% and 0.03714%, respectively.

For the year ended June 30, 2019, the Town recognized pension expense of \$223,442. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 132,966	\$ 4,462
Changes of assumptions	228,708	-
Net difference between projected and actual earnings on pension plan investments	118,310	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	28,617
Employer contributions subsequent to the measurement date	189,829	-
Total	<u>\$ 669,813</u>	<u>\$ 33,079</u>

\$189,829 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Future amortization:

Year Ended June 30:

2020	\$ 219,267
2021	141,417
2022	20,472
2023	65,748
Total	<u>\$ 446,904</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined by 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	7.20 percent, net pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields

Town of Wendell, North Carolina
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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 by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class of June 30, 2018 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%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,070,291	\$ 861,872	\$ (147,902)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Wendell 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

**Town of Wendell, North Carolina
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sworn law enforcement officers under the age 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 0.85 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.

The Separation Allowance covers all full time law enforcement officers of the Town. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	17
Total	18

2. Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meet the following criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases factor	3.50 to 7.35 percent, including inflation and productivity
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. 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 \$0 as benefits came due for the reporting period.

Town of Wendell, North Carolina
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a total pension liability of \$639,343. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$54,867.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,004	\$ 2,564
Changes of assumptions	26,814	32,015
County benefit payments and plan administrative expense made subsequent to the measurement date	38,180	-
	\$ 102,998	\$ 34,579

\$38,180 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ 5,783
2021	5,783
2022	5,783
2023	6,487
2024	5,409
Thereafter	994
Total	\$ 30,239

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 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease 2.64%	Discount Rate 3.64%	1% Increase 4.64%
Total pension liability	\$ 669,811	\$ 639,343	\$ 584,261

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

	2019
Beginning balance	\$ 605,877
Service Cost	30,449
Interest on the total pension liability	18,635
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	45,068
Changes of assumptions or other inputs	(28,336)
Benefit payments	(32,350)
Other changes	-
Ending balance of the total pension liability	\$ 639,343

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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:

	LGERS	LEOSSA	Total
Pension Expense	\$ 223,442	\$ 54,867	\$ 278,309
Pension Liability	861,872	639,343	1,501,215
Proportionate share of the net pension liability	0.03633%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	132,966	38,004	170,970
Changes of assumptions	228,708	26,814	255,522
Net difference between projected and actual earnings on plan investments	118,310	-	118,310
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	-	-	-
Employer contributions subsequent to the measurement date	189,829	38,180	228,009
 Deferred of Inflows of Resources			
Differences between expected and actual experience	4,462	2,564	7,026
Changes of assumptions	-	32,015	32,015
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	28,617	-	28,617

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 also make voluntary contributions to the plan.

Contributions for the year ended June 30, 2019 were \$64,217, which consisted of \$42,322 from the Town and \$21,895 from the law enforcement officers.

Supplemental Retirement Income Plan for 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 Town employees.

Funding Policy. The Town elects to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2019 were \$108,598, which consisted of \$64,624 from the Town and \$43,974 from the employees.

d. Other Post-Employment Benefits

Healthcare Benefits

Plan Description. According to a Town resolution, the Town provides post-employment 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 five years of creditable service with the Town.

The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. Currently 7 retirees are eligible for post-employment health benefits. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

The following summarizes the membership of the Plan as of June 30, 2016, the Valuation Date.

Inactive employees/beneficiaries currently receiving benefits	7
Inactive members entitled to but not yet receiving benefits	-
Active employees	47
Total	<u>54</u>

Funding Policy. By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended June 30, 2019, the Town made no payments for post-employment health benefit premiums.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC).

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

Total OPEB Liability.

The Town's OPEB liability of \$3,753,575 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

The TOL (Total OPEB Liability) was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions and other inputs:

Inflation	2.50%
Real Wage Growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General employees	3.50% – 7.75% percent
Law Enforcement Officers	3.50% – 7.35% percent
Municipal Bond Index Rate	
Prior measurement date	3.56%
Measurement date	3.78%
Health Care Cost Trends	
Pre-Medicare	7.25% for 2018 decreasing to rate of 4.75% by 2028
Medicare	5.38% for 2016 decreasing to rate of 4.75% by 2022

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality rates, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

Changes in the Total OPEB Liability.

	Total OPEB Liability
Balance at July 1, 2018	\$ 4,154,063
Changes for the year	
Service cost	181,114
Interest	147,010
Changes of benefit terms	-
Differences between expected and actual experience	(463,841)
Changes in assumptions or other inputs	(215,215)
Benefit payments	(49,556)
Net changes	<u>(400,488)</u>
Balance at June 30, 2019	<u><u>\$ 3,753,575</u></u>

Sensitivity of the Town's OPEB liability to changes in the discount rate. The following presents the Town's total OPEB liability calculated using the discount rate of 3.56 percent, as well as what the Town's total

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current rate:

	1% Decrease 2.89%	Discount Rate 3.89%	1% Increase 4.89%
Total OPEB Liability	\$ 4,544,829	\$ 3,753,575	\$ 3,139,015

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

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 3,064,027	\$ 3,753,575	\$ 4,667,819

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$200,803. At June 30, 2019, the Town reported deferred outflows or 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	\$ 18,346	\$ 410,770
Changes of assumptions	-	555,324
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ 18,346	\$ 966,094

\$20,974 reported as deferred outflows of resources related to differences between expected and actual experience will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to the OPEB liability will be recognized as follows:

Year Ended June 30:	
2019	\$ (127,321)
2020	(127,321)
2021	(127,321)
2022	(127,321)
2023	(127,321)
Thereafter	(311,143)
Total	\$ (947,748)

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment 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.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Pension deferrals - OPEB	\$ 20,974
Pension deferrals - LEO	32,747
Pension deferrals - LGERS	251,754
Contributions to the pension plan in current fiscal year - LEO	2,979
Contributions to the pension plan in current fiscal year - LGERS	172,578
Total	\$ 481,032

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

Source	Amount
Pension deferrals - OPEB	\$ 18,346
Pension deferrals - LEO	64,818
Pension deferrals - LGERS	479,984
Property taxes receivable	34,920
Total	\$ 598,068

4. 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 Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "X" area (an area determined to be outside the 0.2% annual chance and future conditions 1% annual chance floodplain) by the Federal Emergency Management Agency, the Town has purchased commercial flood insurance for \$50,000 per occurrence.

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 is individually bonded for \$500,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

5. Deposits Held

The Town owes \$1,860,266 to utility customers for deposits collected to secure services.

6. Operating Leases

The Town leases two parcels of land on an annual basis at a cost of \$1,000 and \$1,200 per parcel per year.

7. Long-Term Obligations

Serviced by the General Fund:

On June 22, 2017, the Town entered into a direct borrowing agreement with Branch Banking and Trust Company (BB&T) which was broken up into two components. The first component is related to the the construction of a multipurpose field, the purchase and up-fit of a police facility, wayfinding signage throughout the Town, construction of tennis courts and a community center. Annual installments of \$105,500 plus interest are payable on or before May 8 each year through May 2027 with an interest rate of 2.40%. The Town owes \$844,000 on the first component as of June 30, 2019. The second component is related to the purchase of open space. Annual installments of \$24,167 plus interest are payable on or before May 8 of each year through May 2023 with an interest rate of 2.11%. The Town owes \$82,736 on the second component as of June 30, 2019.

On September 14, 2015, the Town entered into a direct borrowing agreement with First Citizens Bank to finance the purchase of five police cars, a John Deere field rake, a John Deere mower, a projector, a monitor, a mini excavator, and a utility loader. Annual installments, \$62,866, are payable on or before September 16 each year through September 16, 2019, with an interest rate of 1.53%. The Town owes \$61,944 on this note as of June 30, 2019.

On September 5, 2017, the Town entered into a direct borrowing agreement with KS Bank, Inc. to finance the purchase of various equipment. The total amount of the loan is \$507,000. Annual installments of \$104,935 are payable on or before September 6 of each year through September 6, 2021. The Town owes \$304,155 on this note as of June 30, 2019.

On May 23, 2016, the Town entered into a direct borrowing with KS Bank, Inc. to finance the purchase or improvements of real or personal property. The total amount of the loan is \$1,500,00. Annual installments of \$100,000 plus interest are payable on or before May 20 each year through May 20, 2031, with an interest rate of 3.29%. The Town owes \$1,200,000 on this note as of June 30, 2019.

Serviced by the Water and Sewer Fund:

North Carolina Clean Water Loan - The Town obtained a State revolving fund loan. These funds were federal funds from the Environmental Protection Agency that were passed through the North Carolina Department of Environment, Health, and Natural Resources. The funds were used for wastewater

Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

treatment works projects pursuant to the North Carolina Clean Water Revolving Loan and Grant Act of 1987, and the Federal Clean Water Act Amendments of 1987. The project had been approved and certified by the Environmental Management Commission as being entitled to priority for State loan funds made available by the Federal Clean Water Act Amendments of 1987. The approved loan amount was \$3,860,094 with an interest rate of 3.85% payable over 20 years. The payoff date is May 1, 2022. On September 19, 2000, the Town's application for a North Carolina Water Loan, \$844,304, and Grant, \$2,000,000, was approved. As of June 30, 2004, \$668,089 had been borrowed, and \$2,000,000 of the grant had been spent. The Town owes \$105,487 on this loan as of June 30, 2019.

2006 Water Pollution Control Federal Revolving Loan - On September 6, 2005, the Town entered into a loan agreement to finance the construction of the Buffalo Creek Project. The loan at closing totaled \$6,110,168 with a \$182,400 grant from the Environmental Protection Agency. The loan bears interest at 2.305%, and interest payments are due semiannually on or before May 1 and November 1. Annual principal installments of \$381,885 are due on or before May 1. The loan matures on May 1, 2023. The Town owes \$1,527,542 on this loan as of June 30, 2019.

At June 30, 2019, the Town of Wendell had legal debt margin of \$49,225,490.

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 391,255	\$ 68,123	\$ 417,048	\$ 39,957
2021	331,035	59,010	417,048	29,572
2022	332,813	50,906	417,048	19,187
2023	215,733	42,780	381,866	8,802
2024	205,500	36,520	-	-
2025-2029	816,500	94,188	-	-
2030-2031	200,000	13,160	-	-
Total	<u>\$ 2,492,836</u>	<u>\$ 364,687</u>	<u>\$ 1,633,010</u>	<u>\$ 97,518</u>

b. Changes in Long-Term Obligation

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental activities:					
Note payable direct borrowing					
BB&T Note Payable	\$ 103,420	\$ -	\$ 20,684	\$ 82,736	\$ 24,167
BB&T Note Payable 2017	949,500	-	105,500	844,000	105,500
First Citizens Loan	122,930	-	60,986	61,944	60,986
KS Bank Loan	402,089	-	97,934	304,155	97,939
KS Bank Loan	1,300,000	-	100,000	1,200,000	100,000
OPEB obligation	4,154,063	-	400,488	3,753,575	-
Net pension liability (LGERS)	568,007	293,865	-	861,872	-
Net pension liability (LEO)	605,877	33,466	-	639,343	-
Compensated absences	199,957	45,747	30,636	215,068	215,068
Governmental activity long-term liabilities	<u>\$ 8,405,843</u>	<u>\$ 373,078</u>	<u>\$ 816,228</u>	<u>\$ 7,962,693</u>	<u>\$ 603,660</u>
Business-type activities					
NC Clean Water Loan	\$ 140,650	\$ -	\$ 35,162	\$ 105,488	\$ 35,163
Federal Revolving Loan	1,909,428	-	381,886	1,527,542	381,886
Business-type activity long-term liabilities	<u>\$ 2,050,078</u>	<u>\$ -</u>	<u>\$ 417,048</u>	<u>\$ 1,633,030</u>	<u>\$ 417,049</u>

**Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

8. Transfer of assets and operations

The Town entered into an agreement to transfer its water and sewer fund assets and operations to the City of Raleigh. This agreement was effective October 2, 2006. As a result of this agreement, \$6,978,946 in net position was transferred to the City of Raleigh during the year ended June 30, 2006. The Town of Wendell will continue to hold the debt related to the assets transferred. The City of Raleigh will reimburse the Town of Wendell for principal and interest as payments are made.

C. Fund Balance

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

Total fund balance - General Fund	7,483,728
Less:	
Stabilization by State Statute	365,136
Subsequent years expenditures	696,500
Streets	84,516
Remaining Fund Balance	\$ 6,337,576

The Town of Wendell has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Wendell has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures. Any portion of the General Fund balance in excess of 40% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

IV. Summary Disclosure of Significant Contingencies

State Assisted Programs

The Town has received proceeds from 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 moneys 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 moneys.

V. Subsequent Events – Date of Management’s Review

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors’ report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

VI. Commitment

The Town has contracted with Waste Industries for the provision of solid waste and recycling collection from July 1, 2011 through June 30, 2017. The contract was extended through June 30, 2020. Obligations are based on agreed-upon rates applied to the number of homes serviced. The Town paid \$766,538 for services rendered during the year ended June 30, 2019.

**Town of Wendell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

VII. Sale of Capital Assets

During the year ended June 30, 2019, the Town sold capital assets and received proceeds of \$89,870 which has been recorded as a gain on sale of capital assets in the financial statements.

VIII. Special Item

During the year ended June 30, 2019, the Town disposed of a vehicle. This item is reflected on the government-wide statements as a special item because it is unusual in nature but under the control of management. The transaction resulted in a loss of \$118,255. The vehicle was sold for \$89,870. The net effect of these two transactions was a loss of (\$28,385).

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule of Changes in the Total OPEB Liability and Related Ratios

Schedule of the Proportionate Share of the Net Pension Liability (Asset) for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Town of Wendell
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 181,114	\$ 207,073
Interest	147,010	129,727
Changes of benefit terms	-	-
Differences between expected and actual experience	(463,841)	23,602
Changes of assumptions	(215,215)	(469,241)
Benefit payments	<u>(49,556)</u>	<u>(93,268)</u>
Net change in total OPEB liability	<u>(400,488)</u>	<u>(202,107)</u>
Total OPEB liability - beginning	<u>4,154,063</u>	<u>4,356,170</u>
Total OPEB liability - ending	<u>\$ 3,753,575</u>	<u>\$ 4,154,063</u>
Covered payroll	\$ 2,355,277	\$ 2,092,063
Total OPEB liability as a percentage of covered payroll	159.37%	198.56%

Notes to Schedule

Changes in 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>
2019	3.18%
2018	3.09%

Town of Wendell
Town of Wendell's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal's Years *

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Wendell's proportion of the net pension liability (asset) (%)	0.36330%	0.03718%	0.03787%	0.03714%	0.03646%	0.03820%
Wendell's proportion of the net pension liability (asset) (\$)	\$ 861,872	\$ 861,872	\$ 803,729	\$ 166,683	\$ (215,021)	\$ 460,457
Wendell's covered payroll	\$ 2,108,238	\$ 2,090,524	\$ 1,972,882	\$ 1,695,390	\$ 1,838,782	\$ 1,838,782
Wendell's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	40.88115%	41.22756%	40.73883%	9.83154%	(11.69366%)	25.04141%
Plan fiduciary net position as a percentage of the total pension liability**	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 ending June 30.

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

**Town of Wendell
Town of Wendell Contributions
Required Supplementary Information
Last Six Fiscal's Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 189,829	\$ 189,829	\$ 159,048	\$ 144,231	\$ 135,248	\$ 129,421
Contributions in relation to the contractually required contribution	189,829	189,829	159,048	144,231	135,248	129,421
Contribution deficiency (excess)	<u>\$ -</u>					
Wendell's covered payroll	\$ 2,355,277	\$ 2,108,238	\$ 2,095,958	\$ 2,090,524	\$ 1,972,882	\$ 1,695,390
Contributions as a percentage of covered payroll	8.06%	9.00%	7.59%	6.90%	6.86%	7.63%

Town of Wendell
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 605,877	\$ 547,625	\$ 539,477
Service Cost	30,449	24,147	25,610
Interest on the total pension liability	18,635	20,721	18,874
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	45,068	(3,698)	-
Changes of assumptions or other inputs	(28,336)	38,680	(14,738)
Benefit payments	(32,350)	(21,598)	(21,598)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 639,343</u>	<u>\$ 605,877</u>	<u>\$ 547,625</u>

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

Town of Wendell
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 639,343	\$ 605,877	\$ 547,625
Covered payroll	874,020	869,793	874,149
Total pension liability as a percentage of covered payroll	73.15%	69.66%	62.65%

Notes to the schedules:

The Town of Wendell has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**Town of Wendell
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 3,248,565	\$
Penalties and interest		6,850	
Total	<u>3,232,988</u>	<u>3,255,415</u>	<u>22,427</u>
Other taxes and licenses:			
Motor vehicle licenses		124,242	
Total	<u>101,570</u>	<u>124,242</u>	<u>22,672</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,526,932	
Utilities sales tax		392,768	
Beer and wine tax		29,567	
Solid waste disposal tax		4,853	
Payments in lieu of taxes-outside sources		2,802	
Total	<u>1,821,399</u>	<u>1,956,922</u>	<u>135,523</u>
Restricted intergovernmental:			
Powell Bill allocation		178,830	
ABC Revenue for law enforcement		24,706	
Grant - CDBG		50,000	
Grant - NCLM		24,200	
NC Works		6,647	
PARTF		-	
Total	<u>288,588</u>	<u>284,383</u>	<u>(4,205)</u>
Restricted contributions:			
Recreation sponsor		10,220	
Total	<u>4,900</u>	<u>10,220</u>	<u>5,320</u>
Permits and fees:			
Recreation fees		101,822	
Solid waste disposal		781,334	
Cemetery fees		21,000	
Development and planning fees		176,103	
Code enforcement fees		5,324	
Court revenue		1,190	
Administrative fees		2,001	
Raleigh transaction fees		1,567	
Total	<u>978,200</u>	<u>1,090,341</u>	<u>112,141</u>
Sales and services:			
Rent and concessions		114,865	
Total	<u>89,550</u>	<u>114,865</u>	<u>25,315</u>

**Town of Wendell
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Investment earnings	114,575	168,227	53,652
Miscellaneous	-	19,688	19,688
Total revenues	6,631,770	7,024,303	392,533
Expenditures: Governing Board			
Personnel services		28,635	
Capital outlay		-	
Operating expenses		51,246	
Total	95,050	79,881	15,169
Administration			
Personnel services		604,444	
Operating expenses		70,891	
Total	702,950	675,335	27,615
Information Technology			
Personnel services		9,534	
Capital outlay		10,465	
Operating expenses		85,022	
Total	149,760	105,021	44,739
Economic Development			
Operating expenses		1,630	
Total	64,600	1,630	62,970
Community Development and Planning			
Personnel services		205,386	
Operating expenses		42,557	
Total	307,250	247,943	59,307
Police-Law Enforcement			
Personnel services		1,172,618	
Capital outlay		210,709	
Operating expenses		216,624	
Total	1,680,010	1,599,951	80,059
Fire Service	8,100	2,243	5,857
Public Buildings and Grounds			
Operating expenses		160,720	
Capital outlay		128,983	
Total	340,345	289,703	50,642

**Town of Wendell
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public Works			
Personnel services		586,048	
Capital outlay		151,728	
Operating expenses		916,831	
Total	<u>1,822,035</u>	<u>1,654,607</u>	<u>167,428</u>
Parks and Recreation			
Personnel services		157,200	
Operating expenses		537,420	
Capital outlay		69,757	
Total	<u>840,515</u>	<u>764,377</u>	<u>76,138</u>
Non-departmental			
Personnel services		359,932	
Operating expenses		114,098	
Total	<u>577,128</u>	<u>474,030</u>	<u>103,098</u>
Debt service			
Principal retirement		385,104	
Interest and other charges		139,223	
Total	<u>524,327</u>	<u>524,327</u>	<u>-</u>
Total expenditures	<u>7,112,070</u>	<u>6,419,048</u>	<u>693,022</u>
Revenues over (under) expenditures	<u>(480,300)</u>	<u>605,255</u>	<u>1,085,555</u>
Other financing sources (uses):			
Sale of assets	85,500	89,870	4,370
Issuance of debt	-	-	-
Cell tower proceeds	-	1,000	1,000
Insurance proceeds	149,000	149,000	-
Appropriated Fund Balance	245,800	-	(245,800)
Total	<u>480,300</u>	<u>239,870</u>	<u>(240,430)</u>
Revenues and other financing sources over expenditures and other financing uses	\$ <u>-</u>	845,125	\$ <u>845,125</u>
Fund balances, beginning		6,638,603	
Fund balances, ending		<u>\$ 7,483,728</u>	

**Town of Wendell
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for water	\$ -	\$ -	\$ -
Other charges	-	-	-
Total	-	-	-
Sales tax refunds	-	-	-
Other operating revenues	-	-	-
Total operating revenues	-	-	-
Non-operating revenues:			
Interest earnings	-	-	-
Total revenues	-	-	-
Expenditures:			
Water systems operations			
Other operating expenditures	-	-	-
Total	-	-	-
Non-departmental			
Other operating expenditures	-	-	-
Total	-	-	-
Debt service			
Interest and other charges	-	7,911	7,911
Principal retirement	-	35,163	35,163
Total debt service	132,149	43,074	89,075
Total expenditures	132,149	43,074	89,075
Other financing sources (uses):			
City of Raleigh - debt payment	132,149	43,074	(89,075)
Transfer - in from general fund	-	-	-
Transfer - out to general fund	-	-	-
Total other financing sources (uses)	132,149	43,074	(89,075)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	\$ -

Town of Wendell
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ -	
Reconciling items:			
Principal retirement		35,163	
Principal reimbursement		(35,163)	
Total reconciling items		-	
Net income		\$ -	

**Town of Wendell
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for sewer	\$	\$ -	\$
Other charges		-	
Total	-	-	-
Sales tax refunds	-	-	-
Other operating revenues		-	
Total operating revenues	-	-	-
Non-operating revenues:			
Interest earnings		-	
Total non-operating revenues	-	-	-
Total revenues	-	-	-
Expenditures:			
Sewer systems operations			
Personnel services		-	
Other operating expenditures		-	
Capital outlay		-	
Total	-	-	-
Wastewater treatment			
Personnel services		-	
Other operating expenditures		-	
Total	-	-	-
Non-departmental			
Personnel services		-	
Other operating expenditures		-	
Total	-	-	-
Debt service			
Interest and other charges		44,012	
Principal retirement		381,886	
Total debt service	803,807	425,898	377,909
Total expenditures	803,807	425,898	377,909

**Town of Wendell
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
City of Raleigh - debt payment	803,807	425,898	377,909
Transfer (to) from general fund	-	-	-
Total other financing sources (uses)	<u>803,807</u>	<u>425,898</u>	<u>377,909</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ -	
Reconciling items:			
Principal retirement		381,886	
Principal reimbursement		<u>(381,886)</u>	
Total reconciling items		<u>-</u>	
Net income		<u>\$ -</u>	

**Town of Wendell
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019**

Tax Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018	\$ -	\$ 3,267,770	\$ 3,259,591	\$ 8,179
2017	5,049	-	3,798	1,251
2016	1,408	-	525	883
2015	1,217	-	538	679
2014	1,274	-	379	895
2013	6,985	-	565	6,420
2012	6,584	-	517	6,067
2011	5,608	-	508	5,100
2010	6,148	-	702	5,446
2009	7,154	-	7,154	-
	<u>\$ 41,427</u>	<u>\$ 3,267,770</u>	<u>\$ 3,274,277</u>	<u>\$ 34,920</u>

Ad valorem taxes receivable - net \$ 34,920

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 3,255,415
Reconciling items:	
Interest collected	6,850
Adjustments	12,012
Subtotal	<u>18,862</u>
Total collections and credits	<u>\$ 3,274,277</u>

Town of Wendell
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current					
Real and personal property	\$ 601,513,789	0.49	\$ 2,947,418	\$ 2,947,418	\$ -
Registered motor vehicles taxed					
at prior year's rate	68,630,332	0.49	336,289	-	288,602
Discoveries	490,200		2,401	2,401	-
Releases	(3,742,400)		(18,338)	(18,338)	-
Total Property Valuation	<u>\$ 666,891,921</u>		<u>\$ 3,267,770</u>	<u>\$ 2,931,481</u>	<u>\$ 288,602</u>
Net levy			\$ 3,267,770	\$ 2,931,481	\$ 288,602
Uncollected taxes at June 30, 2019			(8,179)	(8,179)	-
Current year's taxes collected			<u>\$ 3,259,591</u>	<u>\$ 2,923,302</u>	<u>\$ 288,602</u>
Current levy collection percentage			<u>99.75%</u>	<u>99.72%</u>	<u>100.00%</u>

COMPLIANCE SECTION



PETWAY
MILLS &
PEARSON, PA
 CERTIFIED PUBLIC ACCOUNTANTS

**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**

C. Briggs Petway, Jr.
 Phyllis M. Pearson

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

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 Accountants

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Medical Group
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 Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, and each major fund of the Town of Wendell, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Wendell's basic financial statements, and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Wendell's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wendell'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 18, 2019

**Town of Wendell
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

SECTION I. – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes _____ X no

Significant deficiency (ies) identified
that are not considered to be
material weaknesses? _____ yes _____ X none reported

Noncompliance material to financial
statements noted _____ yes _____ X no

**Town of Wendell
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

SECTION II. – FINANCIAL STATEMENT FINDINGS

None Reported.

**Town of Wendell
Corrective Action Plan
For the Year Ended June 30, 2019**

SECTION II. – FINANCIAL STATEMENT FINDINGS

None Required.

Town of Wendell
Summary Schedule of Prior Year's Audit Findings
For the Year Ended June 30, 2019

SECTION II. – FINANCIAL STATEMENT FINDINGS

There were no prior year audit financial statement findings.

Town of Wendell
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2019

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through NC Department of Commerce - Rural Economic Development Division			
Community Development Block Grant (CDBG)	14.228	-	\$ 50,000
TOTAL FEDERAL AWARDS			<u>\$ 50,000</u>
NC STATE GRANTS:			
<u>NC Department of Public Safety</u>			
Governor's Crime Commission			
		PROJ012368	\$ 24,200
<u>NC Department of Transportation</u>			
Powell Bill			
		DOT-4	<u>157,281</u>
TOTAL STATE AWARDS			<u>\$ 181,481</u>
TOTAL FEDERAL AND STATE AWARDS			<u><u>\$ 231,481</u></u>

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the Town of Wendell under the programs of the State of North Carolina for the year ended June 30, 2019. The information in this Schedule of Expenditures of Federal and State Awards 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* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Wendell, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Wendell.

Summary of Significant Accounting Policies

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

Indirect Costs

The Town has not elected to charge a 10% de minimis indirect cost rate as allowed under Uniform Guidance.