

TOWN OF WEDDINGTON, NORTH CAROLINA

Audited Financial Statements

For the Fiscal Year Ended June 30, 2016

City Council Members

*Bill Deter, Mayor
Don Titherington, Mayor Pro Tem
Scott Buzzard
Janice Propst
Michael Smith*

Administrative and Financial Staff

*Leslie Gaylord, CPA, Finance Officer
Kim Woods, Tax Collector*

TOWN OF WEDDINGTON, NORTH CAROLINA

Table of Contents
June 30, 2016

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION:		
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-10
BASIC FINANCIAL STATEMENTS:		
Government-Wide Financial Statements:		
Statement of Net Position.....1.....		11
Statement of Activities.....2.....		12-13
FUND FINANCIAL STATEMENTS:		
Balance Sheet - Governmental Funds.....3.....		14
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position.....3.....		15
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....4.....		16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities of Governmental Funds.....5.....		17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund.....6.....		18
Notes to Financial Statements.....		19-36

TOWN OF WEDDINGTON, NORTH CAROLINA

Table of Contents
June 30, 2016

	<u>Statement/Schedule</u>	<u>Page</u>
REQUIRED SUPPLEMENTAL FINANCIAL DATA:		
Town of Weddington's Proportionate Share of Net Pension Liability (Asset) - Required Supplementary Information Last Three Years.....		37
Town of Weddington's Contributions - Required Supplementary Information - Last Three Years.....		38
SUPPLEMENTAL STATEMENTS:		
Individual Fund Statements and Schedules:		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	1	39-40
OTHER SCHEDULES:		
Schedule of Ad Valorem Taxes Receivable.....	1	41
Analysis of Current Tax Levy.....	2	42

FINANCIAL SECTION



7540 Matthews-Mint Hill Road
Charlotte, NC 28227
Phone: 704-545-9771
Fax: 704-545-0946
www.rowellcravenshort.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Weddington, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Weddington, North Carolina as of June 30, 2016, and the respective changes in financial position, 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 on pages 3 through 10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Rowell, Craven & Short, P.A.

Rowell, Craven & Short P.A.
Charlotte, North Carolina
December 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Weddington, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Weddington for the fiscal year ended June 30, 2016. 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

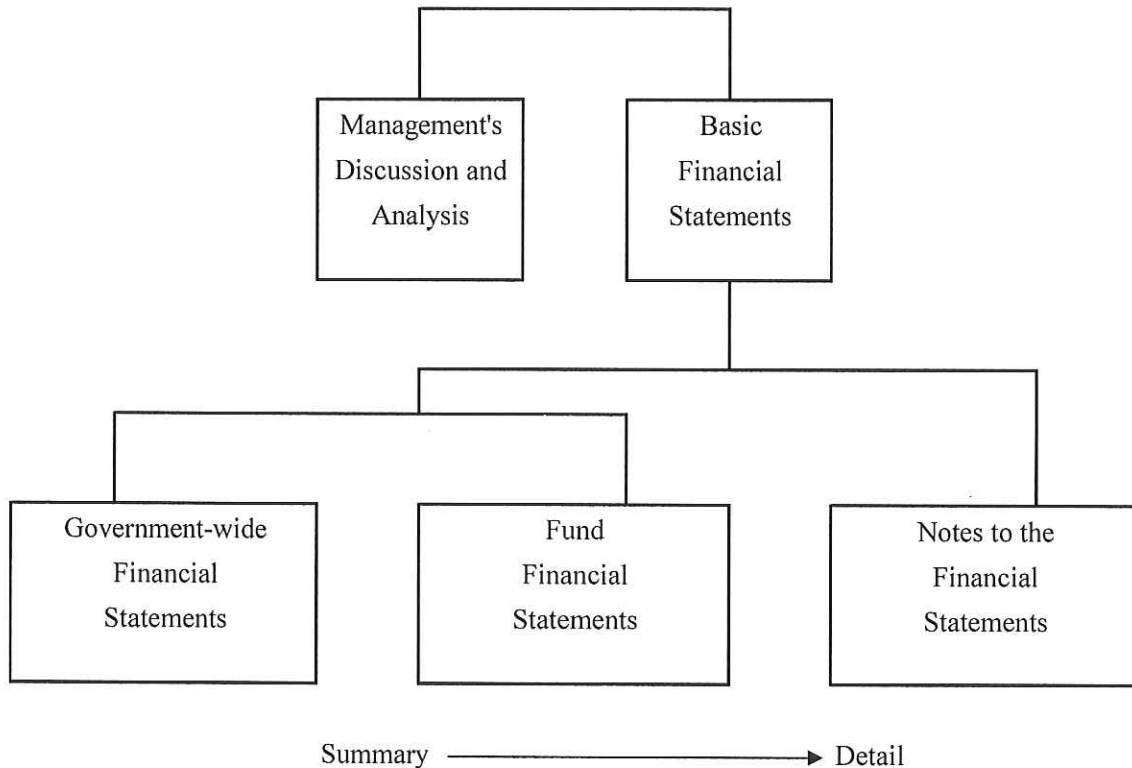
- The assets and deferred outflows of resources of the Town of Weddington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,024,626 (*net position*).
- The government's total net position increased by \$232,194 primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Weddington's governmental funds reported combined ending fund balances of \$2,570,556 with a net change of \$278,026 in fund balance. Approximately 3.65% of this total amount or \$93,821 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,422,735, or 135.08% of total general fund expenditures for the fiscal year.
- The Town of Weddington does not have any outstanding debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Weddington'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 Weddington.

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 5) 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; and 3) the proprietary fund statements, and 4) the fiduciary fund statements. The Town of Weddington has no proprietary or fiduciary funds, so these parts of the Fund Financial Statements are omitted.

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

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.

Government-wide Financial Statements - Continued

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 three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, planning and zoning and general administration. Property taxes and various state-collected taxes finance most of these activities. The Town of Weddington has no business-type activities or component units, so these categories will be omitted from the Town's government-wide statements.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Weddington, 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 Weddington are governmental funds so these will be the only funds presented in its financial statements.

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, 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 Weddington 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 Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Town Council; 2) the final budget as amended by the Town Council; 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.

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

- Continued diligence in the collection of property taxes as evidenced by maintaining a tax collection percentage that is higher than the statewide average. The Town's collection percentage increased to 99.55% in 2016 as compared to 99.42% in 2015. The statewide average in fiscal year 2015 was 98.87%.
- Decrease in public safety expenses resulting from a change in fire service providers.
- Increase in utility franchise taxes.

**Town of Weddington's Changes in Net Position
Figure 3**

	Governmental Activities		Total	
	2016	2015	2016	2015
Revenues:				
Program revenues:				
Charges for services	\$ 131,070	\$ 160,055	\$ 131,070	\$ 160,055
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	206,429	-	206,429
General revenues:				
Property taxes	1,044,234	1,147,718	1,044,234	1,147,718
Other taxes	878,815	790,647	878,815	790,647
Other	10,146	6,031	10,146	6,031
Total revenues	2,064,265	2,310,880	2,064,265	2,310,880
Expenses:				
General government	714,122	591,534	714,122	591,534
Public safety	970,297	1,009,342	970,297	1,009,342
Economic and physical development	147,652	174,505	147,652	174,505
Total expenses	1,832,071	1,775,381	1,832,071	1,775,381
Increase(decrease) in net position	232,194	535,499	232,194	535,499
Net position, July 1 (consolidated)	3,792,432	3,296,216	3,792,432	3,296,216
Restatement	-	(39,283)	-	(39,283)
Net position, beginning, restated	3,792,432	3,256,933	3,792,432	3,256,933
Net position, June 30	\$ 4,024,626	\$ 3,792,432	\$ 4,024,626	\$ 3,792,432

Governmental Activities. Governmental activities increased the Town's net assets by \$232,194. Key elements of this income are as follows:

- Increase in utility franchise taxes as a result of the Town's proportion increasing due to a change in the state's distribution method in the prior year.
- Decrease in property tax revenues as a result of a countywide revaluation of assessed real property values.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Weddington'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 Weddington's financing requirements.

The general fund is the chief operating fund of the Town of Weddington. At the end of the current fiscal year, Town of Weddington's fund balance available in the General Fund was \$2,422,735, while total fund balance reached \$2,570,556. The Governing Body of the Town of Weddington has determined that the Town should maintain an available fund balance of 50% 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 135.08% of general fund expenditures, while total fund balance represents 143.32% of the same amount.

At June 30, 2016, the governmental funds of Town of Weddington reported a combined fund balance of \$2,570,556 with a net increase in fund balance of \$278,026. As the General Fund is the Town's only governmental fund, all of this decrease is attributable to it. The increase in fund balance is primarily attributable to the high tax collection percentage and to permits and fees resulting from continued economic growth in the area.

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.

The General Fund budget for expenditures increased, primarily, due to litigation expenses related to the Town's defense of a lawsuit brought against it by a former fire service provider. The lawsuit was filed after the adoption of the Town's initial budget.

Capital Asset and Debt Administration

Capital Assets. The Town of Weddington's investment in capital assets for its governmental activities as of June 30, 2016, totals \$1,457,774 (net of accumulated depreciation). These assets include buildings, land, infrastructure, furniture and equipment and computers and software.

**Town of Weddington's Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities		Total	
	2016	2015	2016	2015
Land	\$ 482,460	\$ 482,460	\$ 482,460	\$ 482,460
Buildings and systems	943,189	983,008	943,189	983,008
Machinery and equipment	1,275	3,905	1,275	3,905
Infrastructure	22,253	23,150	22,253	23,150
Computer software	2,681	4,250	2,681	4,250
Computer equipment	5,916	5,916	5,916	5,916
Total	\$ 1,457,774	\$ 1,502,689	\$ 1,457,774	\$ 1,502,689

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

Economic Factors and Next Year's Budgets and Rates

- The Town of Weddington is located in Union County, one of the state's fastest growing counties. The North Carolina State Demographics Unit expects the County's population to grow by another 20.92% or 46,000 residents between 2015 and 2025, reaching 267,000 residents by year 2025. *(Data source: Union County CAFR for the fiscal year ending June 30, 2016).*
- The County's unemployment rate of 4.3% as of August 2016 is slightly lower than the state unemployment rate of 4.7% for the same period. *(Data source: Union County CAFR for the fiscal year ending June 30, 2016).*
- The Town's housing data is continuing to show signs of economic improvement. The Town issued 267 new structure permits in fiscal year 2016, up from 238 issued in fiscal year 2015.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: The Town's budgeted revenues for the next fiscal year are approximately \$80,000 less than current year actual revenues. This decrease is primarily due to the Town's policy to conservatively budget permit and fee revenue. The Town conservatively budgets fees only for subdivisions that are in the Town's pipeline at the time of the preparation of the budget, therefore, budgeted permit and fee revenue is less than actual revenue received in fiscal year 2016. Budgeted expenditures for the next fiscal year are approximately \$199,000 higher than current year actual expenditures. Approximately \$100,000 of this increase is a result of the Town budgeting money to be used toward infrastructure improvements.

Requests for Information

This report is designed to provide an overview of the **Town of Weddington'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's finance officer, Leslie Gaylord, at Town of Weddington, 1924 Weddington Road, Weddington, NC 28104. One can also call (704) 846-2709, visit our website at www.townofweddington.com or send an e-mail to lgaylord@townofweddington.com for more information.

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2016

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,554,777	\$ 2,554,777
Taxes receivable	15,917	15,917
Due from other governments	75,465	75,465
Prepaid items	18,356	18,356
Restricted cash and cash equivalents	75,002	75,002
Total current assets	<u>2,739,517</u>	<u>2,739,517</u>
Capital assets (Note 1):		
Land, non-depreciable improvements,	482,460	482,460
Other capital assets, net of depreciation	975,314	975,314
Total capital assets	<u>1,457,774</u>	<u>1,457,774</u>
Total assets	<u>4,197,291</u>	<u>4,215,151</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	18,164	18,164
Total deferred outflows of resources	<u>18,164</u>	<u>18,164</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	49,793	49,793
Construction deposits	75,002	75,002
Total current liabilities	<u>124,795</u>	<u>124,795</u>
Long-term liabilities:		
Net pension liability	17,860	17,860
Total liabilities	<u>142,655</u>	<u>142,655</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes	35,043	35,043
Pension deferrals	13,131	13,131
Total deferred inflows of resources	<u>48,174</u>	<u>48,174</u>
NET POSITION		
Net investment in capital assets	1,457,774	1,457,774
Restricted for:		
Stabilization by state statute	75,465	75,465
Unrestricted	2,491,387	2,491,387
Total net position	<u>\$ 4,024,626</u>	<u>\$ 4,024,626</u>

TOWN OF WEDDINGTON, NORTH CAROLINA

*Statement of Activities
For the Fiscal Year Ended June 30, 2016*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary government:		
Governmental Activities:		
General government	\$ 714,122	\$ -
Public safety	970,297	-
Economic and physical development	<u>147,652</u>	<u>131,070</u>
Total primary government	<u>\$ 1,832,071</u>	<u>\$ 131,070</u>

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

Exhibit 2

Program Revenues		Changes in Net Position Primary Government	
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
\$ -	\$ -	\$ (714,122)	\$ (714,122)
-	-	(970,297)	(970,297)
-	-	(16,582)	(16,582)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,701,001)</u>	<u>\$ (1,701,001)</u>
General revenues:			
Taxes			
Property taxes levied for general purposes		1,044,234	1,044,234
Other taxes and licenses		878,815	878,815
Unrestricted investment earnings		8,545	8,545
Miscellaneous		1,601	1,601
Total general revenues		<u>1,933,195</u>	<u>1,933,195</u>
Change in net position		<u>232,194</u>	<u>232,194</u>
Net position, beginning, previously reported		<u>3,792,432</u>	<u>3,792,432</u>
Net position, ending		<u>\$ 4,024,626</u>	<u>\$ 4,024,626</u>

TOWN OF WEDDINGTON, NORTH CAROLINA

Exhibit 3

*Balance Sheet
Governmental Funds
June 30, 2016*

	Major Fund General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 2,554,777	\$ 2,554,777
Restricted cash	75,002	75,002
Taxes receivable	15,917	15,917
Due from other governments	75,465	75,465
Prepaid expenses	18,356	18,356
	<u>2,739,517</u>	<u>2,739,517</u>
LIABILITIES		
Accounts payable and accrued liabilities	42,999	42,999
Construction deposits	75,002	75,002
Total liabilities	<u>118,001</u>	<u>118,001</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes	35,043	35,043
Property taxes receivable	15,917	15,917
Total deferred inflows of resources	<u>50,960</u>	<u>50,960</u>
FUND BALANCES		
Restricted		
Stabilization by state statute	75,465	75,465
Unspendable		
Prepaid expenses	18,356	18,356
Assigned		
Capital projects	54,000	54,000
Subsequent year's expenditures	-	-
Unassigned	2,422,735	2,422,735
Total fund balances	<u>2,570,556</u>	<u>2,570,556</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,739,517</u>	<u>\$ 2,739,517</u>

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Exhibit 3
Continued

*Reconciliation of Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2016*

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

Total fund balances - governmental funds		\$	2,570,556
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds statement.			
Gross capital assets at historical cost	\$	1,921,692	
Accumulated depreciation		<u>(463,917)</u>	1,457,775
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			18,164
Some liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			(24,655)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			15,917
Pension related deferrals			(13,131)
Net position of governmental activities		\$	<u><u>4,024,626</u></u>

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Exhibit 4

*Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Funds
June 30, 2016*

	Major Fund	Total Governmental
	General Fund	Funds
REVENUES		
Ad valorem taxes	\$ 1,054,296	\$ 1,054,296
Unrestricted intergovernmental	878,816	878,816
Permits and fees	131,070	131,070
Investment earnings	5,772	5,772
Miscellaneous	1,601	1,601
Total revenues	2,071,555	2,071,555
EXPENDITURES		
Current:		
General government	689,442	689,442
Public safety	954,234	954,234
Economic and physical development	149,853	149,853
Total expenditures	1,793,529	1,793,529
Excess (deficiency) of revenues over expenditures	278,026	278,026
Net change in fund balance	278,026	278,026
Fund balance, beginning	2,292,530	2,292,530
Fund balance, end of year	\$ 2,570,556	\$ 2,570,556

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Exhibit 5

*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities of Governmental Funds
For the Fiscal Year Ended June 30, 2016*

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

Net changes in fund balances - total governmental funds		\$ 278,026
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.		
Capital outlay expenditures which were capitalized	\$	-
Construction in progress- current year		-
Disposal of assets		-
Gain on disposal		-
Depreciation expense for governmental assets		<u>(44,915)</u>
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		18,164
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		(7,289)
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 government funds.		
Compensated absences		(2,800)
Pension expense		<u>(8,992)</u>
Total changes in net position of governmental activities		<u>\$ 232,194</u>

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Exhibit 6

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,024,825	\$ 1,039,825	\$ 1,054,296	\$ 14,471
Unrestricted intergovernmental	751,000	776,000	878,816	102,816
Permits and fees	80,000	85,000	131,070	46,070
Investment earnings	5,000	5,000	5,772	772
Miscellaneous	1,000	1,000	1,601	601
Total revenues	<u>1,861,825</u>	<u>1,906,825</u>	<u>2,071,555</u>	<u>164,730</u>
Expenditures:				
Current:				
General government	636,353	759,053	689,442	69,611
Public safety	958,572	962,372	954,234	8,138
Economic and physical development	266,900	185,400	149,853	35,547
Total expenditures	<u>1,861,825</u>	<u>1,906,825</u>	<u>1,793,529</u>	<u>113,296</u>
Revenues over (under) expenditures	-	-	278,026	278,026
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	278,026	<u>\$ 278,026</u>
Fund balance, beginning			<u>2,292,530</u>	
Fund balance, end of year			<u>\$ 2,570,556</u>	

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Weddington 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 Weddington, North Carolina, in Union County, is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town, which has no component units.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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 and various other taxes and licenses. The primary expenditures are for the general government and public safety.

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Weddington because the tax is levied by Union County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned 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. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the 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. All amendments must be approved by the governing board. During the year, amendments to the original budget were necessary and approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred 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, with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund are valued at fair value, which is the NCCMT's share price.

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Cash and Cash Equivalents

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

3. Restricted Assets

Construction deposits received by the Town are restricted to the projects for which the funds were received. These construction deposits are funds given to the Town by a developer in lieu of letters of credit and are performance and/or maintenance bonds held by the Town to ensure funds for remedy should the developer fail to complete the related subdivision to required standards. The amounts are determined by our contracted engineer at US Infrastructure and/or by Union County Public Works and are released back to the developer upon satisfactory completion and sign off by US Infrastructure or Union County Public Works. In the event the development is not completed the Town will use these funds to pay a third party to perform the necessary work.

Town of Weddington Restricted Cash
Governmental Activities
General Fund

Construction Deposits	<u>\$ 75,002</u>
Total Restricted Cash	<u><u>\$ 75,002</u></u>

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 6th. These taxes are based on the assessed values as of January 1, 2015.

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. No allowance for doubtful accounts was required as of June 30, 2016.

6. Prepaid Items

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

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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	20
Buildings	40
Furniture and equipment	10
Computer equipment	5
Computer software	5

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town of Weddington has three items that meet the criterion for this category – prepaid taxes, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty-five days earned vacation leave without such leave being fully vested when earned. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-spendable 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.

Prepaid Expenditures – portion of fund balance that is not an available resource because it represents prepaid expenditures that are not in spendable form.

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Committed Fund Balance – This classification includes amounts that can be used for specific purposes imposed by majority vote by the quorum of Town of Weddington’s governing body (highest-making authority). The Town Council 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 Town of Weddington intends to use for specific purposes.

Assigned for Capital Projects – portion of the fund balance that the council has appropriated for future expenditures related to the Town Hall and fire service.

Subsequent Year’s Expenditures – portion of the fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the finance officer to make expenditures from appropriations as necessary.

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

The Finance Officer uses 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 Town 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 50% of budgeted expenditures. In addition, fund balance appropriations in any given year (other than appropriations for a capital project encompassed as part of fund balance assigned for capital projects) shall be limited so as not to exceed 15% of General Fund budget, if available fund balance is greater than or equal to 75%, or not to exceed 10% of General Fund budget if available fund balance is less than 75%, but greater than or equal to 50%.

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

11. Pensions

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

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Total Governmental Fund Columns

In the accompanying financial statements, the "Total Governmental Funds" columns are not the equivalent of consolidated totals and do not represent consolidated financial information. These columns are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with accounting principles generally accepted in the United States of America. Inter-fund eliminations have not been made in the aggregation of this data. However, the reconciliations to net position are reflective of inter-fund eliminations and reflect financial position.

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

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

At June 30, 2016, the Town's deposits had a carrying amount of \$2,098,413 and a bank balance of \$2,100,810. Of the bank balances, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2016, the Town of Weddington had \$531,366 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk or interest rate risk.

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

III. DETAIL NOTES ON ALL FUNDS

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 482,460	\$ -	\$ -	\$ 482,460
Capital assets being depreciated:				
Buildings	1,280,849	-	-	1,280,849
Infrastructure	26,851	-	-	26,851
Equipment	39,662	-	-	39,662
Computers	31,880	-	-	31,880
Computer software	46,164	-	-	46,164
Furniture	13,825	-	-	13,825
Total capital assets being depreciated	1,439,231	-	-	1,439,231
Less accumulated depreciation for:				
Buildings	297,841	39,819	-	337,660
Infrastructure	3,701	897	-	4,598
Equipment	35,757	2,630	-	38,387
Computers	25,964	-	-	25,964
Computer software	41,914	1,569	-	43,483
Furniture	13,825	-	-	13,825
Total accumulated depreciation	419,002	44,915	-	463,917
Total capital assets being depreciated, net	1,020,229			975,314
Governmental activity capital assets, net	\$ 1,502,689			\$ 1,457,774

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

General government	\$ 28,853
Public safety	16,062
Total depreciation expense	\$ 44,915

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Weddington employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Weddington's contractually required contribution rate for the year ended June 30, 2016, was 9.67% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Weddington were \$18,164 for the year ended June 30, 2016.

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

III. DETAIL NOTES ON ALL FUNDS

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

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

At June 30, 2016, the Town reported a liability of \$17,860 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015, utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town’s proportion was 0.00398%, which was a decrease of .00051% from its proportion measured at June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$10,980. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,200
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,086
Changes in proportion and differences between Town of Weddington contributions and proportionate share of contributions	-	3,845
Town of Weddington contributions subsequent to the measurement date	18,164	-
Total	\$ 18,164	\$ 13,131

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

III. DETAIL NOTES ON ALL FUNDS

\$18,164 reported as deferred outflows of resources related to pensions resulting from Town of Weddington contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017.

Year ended June 30:

2017	\$	(7,057)
2018		(7,057)
2019		(7,045)
2020		8,028
2021		-
Thereafter		-
	\$	(13,131)

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

III. DETAIL NOTES ON ALL FUNDS

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.0%	

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

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 124,554	\$ 17,862	\$ (72,024)

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

III. DETAIL NOTES ON ALL FUNDS

Pension Plan fiduciary net position. Detail 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. Supplemental Retirement Income Plan

Plan Description. The Town employees contribute 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 is established in conformity with section 401(k) of the Internal Revenue Code of 1986 as amended. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. The Town has elected to contribute to the Supplemental Retirement Insurance Plan. Contributions for the year ended June 30, 2016 were \$21,061, which consisted of \$11,746 from the employees and \$9,315 from the Town.

2. Other Employment Benefits

The **Town of Weddington** has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employee’s 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 City 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. The City considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	<u>\$ 18,164</u>

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

III. DETAIL NOTES ON ALL FUNDS

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

Source	Amount
Prepaid taxes (General Fund)	\$ 35,043
Taxes receivable (General Fund)	15,917
Deferrals related to pensions	13,131
	\$ 64,091

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 carries commercial insurance based on management's evaluation of risk loss. The Town obtains general liability coverage of \$1,000,000 per occurrence, property coverage of \$2,857,338 and worker's compensation coverage of \$100,000. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries flood insurance for buildings and contents that are located in Flood Zone X. This zone is defined as areas outside the 1% annual chance floodplain. The deductible with respect to this coverage is \$2,500. In accordance with G.S. 159-29, the Town's employees are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

5. Long Term Obligations

A. Operating Leases

The Town has a five-year lease for a copier. The lease expires in September 2019 and requires monthly payments of \$154. Rent expense in the amount of \$1,842 was incurred during the year ended June 30, 2016.

The following is the lease payment schedule:

Year Ending June 30,	
2017	1,850
2018	1,850
2019	462
	\$ 4,162

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

III. DETAIL NOTES ON ALL FUNDS

5. Long Term Obligations

B. Changes in Long-Term Liabilities

	Balance			Balance	
	July 01, 2015	Increases	Decreases	June 30, 2016	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 3,995	\$ 2,800	\$ -	\$ 6,795	\$ 6,795
Net pension liability (LGERS)	-	17,860	-	17,860	-
	<u>\$ 3,995</u>	<u>\$ 20,660</u>	<u>\$ -</u>	<u>\$ 24,655</u>	<u>\$ 6,795</u>

Compensated absences typically have been liquidated in the General Fund.

The LGERS plan had a net pension liability as of June 30, 2016; however, the plan had a net pension asset at the beginning of the fiscal year.

6. Fund Balance

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

<i>Total fund balance-General Fund</i>	\$ 2,570,556
Less:	
Prepaid Expenditures	18,356
Stabilization by state statute	75,465
Capital Projects	54,000
Appropriated Fund Balance in 2015 Budget	-
Working Capital/Fund Balance Policy	996,325
Unassigned	1,426,410

The Town has 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 50% of budgeted expenditures. In addition, fund balance appropriations in any given year (other than appropriations for a capital project encompassed in part of fund balance assigned for capital projects) shall be limited so as not to exceed 15% of general fund budget if available fund balance is greater than or equal to 75% or not to exceed 10% of general fund budget if available fund balance is less than 75% but greater than or equal to 50%.

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016*

III. DETAIL NOTES ON ALL FUNDS

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Town of Weddington had no outstanding encumbrances at June 30, 2016.

IV. COMMITMENTS AND CONTINGENCIES

The Town has contracts with a local volunteer fire department for fire protection service. The contract is for one year, with optional one-year renewals.

In June 2015, the Town was named as a defendant to a lawsuit filed by a former volunteer fire department. The suit alleges wrongful termination of contract and seeks damages in the amount of at least \$750,000. The Town vigorously denies these allegations and has filed responsive pleadings. Although no assurances can be given and no determination can be made at this time as to the outcome of any particular lawsuit or proceeding, in the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

V. SUBSEQUENT EVENTS

Subsequent to year end, the former volunteer fire department case was heard in appellate court in August, but as of yet, there has been no ruling. The Town entered into a lease agreement with the option to purchase the building and land with a local volunteer fire department. The lease is for a one-year term and rent of \$1 per month. The lease has an automatic one-year renewal. In addition, the Town has offered the fire department an option to purchase the building and land for \$750,000.

VI. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through December 7, 2016, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Town of Weddington's Proportionate Share of Net Pension Liability (Asset)
- Town of Weddington's Contributions

TOWN OF WEDDINGTON, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Weddington's proportion of the net pension liability (asset) (%)	0.00398%	0.0044%	0.0044%
Town of Weddington's proportion of the net pension liability (asset) (\$)	17,860	\$ (26,480)	\$ 53,037
Town of Weddington's covered-employee payroll	180,953	\$ 194,830	\$ 181,570
Town of Weddington's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.87%	(13.59%)	29.21%
Plan fiduciary net position as a percentage of the total pension liability**	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 WEDDINGTON, NORTH CAROLINA

*Town of Weddington's Contributions
Required Supplementary Information
Last Three Fiscal Years*

Local Governmental Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 18,164	\$ 18,367	\$ 13,753
Contributions in relation to the contractually required contribution	18,164	18,367	13,753
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Weddington's covered-employee payroll	187,976	\$ 180,953	\$ 194,830
Contributions as a percentage of covered-employee payroll	9.66%	10.15%	7.06%

SUPPLEMENTAL STATEMENTS

TOWN OF WEDDINGTON, NORTH CAROLINA

Statement 1
Page 1 of 2

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 1,051,523	\$ -
Interest		2,773	
Total	1,039,825	1,054,296	14,471
Unrestricted intergovernmental:			
Local option sales taxes		300,404	
Utility franchise tax		533,947	
Beer and wine tax		44,465	
Total	776,000	878,816	102,816
Permits and fees:			
Subdivision fees		82,050	
Zoning fees		49,020	
Total	85,000	131,070	46,070
Investment earnings:	5,000	5,772	772
Miscellaneous:			
Other		1,601	
Total	1,000	1,601	601
Total revenues	1,906,825	2,071,555	164,730
Expenditures:			
General government:			
Governing board:			
Legal		235,371	
Other operating expenditures		17,474	
Total		252,845	
Administration:			
Salaries and employee benefits		202,188	
Professional services		8,200	
Other operating expenditures		226,209	
Capital outlay		-	
Total		436,597	
Total general government	759,053	689,442	69,611

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Statement 1
Page 2 of 2

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Contracted services		247,577	
Total		<u>247,577</u>	
Fire:			
Contracted services		703,015	
Other operating expenses		3,642	
Capital outlay		-	
Total		<u>706,657</u>	
Total public safety:	<u>962,372</u>	<u>954,234</u>	<u>8,138</u>
Economic and physical development:			
Planning:			
Salaries and employee benefits		128,071	
Contracted services		8,853	
Capital outlay		-	
Other operating expenditures		12,929	
Total		<u>149,853</u>	
Total economic and physical development	<u>185,400</u>	<u>149,853</u>	<u>35,547</u>
Total expenditures	<u>1,906,825</u>	<u>1,793,529</u>	<u>113,296</u>
Revenues over (under) expenditures	-	278,026	278,026
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>278,026</u>	<u>\$ 278,026</u>
Fund balance, beginning		<u>2,292,530</u>	
Fund balance, end of year		<u>\$ 2,570,556</u>	

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

OTHER SCHEDULES

This section contains additional information required on property taxes.

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Schedule 1

Schedule of Ad Valorem Taxes Receivable
June 30, 2016

	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015 - 2016	\$ -	\$ 1,043,187	\$ 1,038,455	\$ 4,732
2014 - 2015	6,590		3,608	2,982
2013 - 2014	5,625		2,913	2,712
2012 - 2013	6,029		3,699	2,330
2011 - 2012	1,348		967	381
2010 - 2011	1,030		300	730
2009 - 2010	1,055		190	865
2008 - 2009	1,105		71	1,034
2007 - 2008	114		20	94
2006 - 2007	57		-	57
2005 - 2006	253		253	-
	<u>\$ 23,206</u>	<u>\$ 1,043,187</u>	<u>\$ 1,050,476</u>	<u>\$ 15,917</u>

Reconcilement with revenues:

Ad Valorem Taxes - General Fund	\$ 1,054,296
Reconciling items:	
Interest collected	(2,773)
10-year write off	(253)
Adjustments and corrections	(794)
Total collections and credits	<u>\$ 1,050,476</u>

TOWN OF WEDDINGTON, NORTH CAROLINA

Schedule 2

*Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2016*

	Town-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,007,103,846	0.052	\$ 1,043,694	\$ 953,319	\$ 90,375
Penalties			119	119	
Total	<u>2,007,103,846</u>		<u>1,043,813</u>	<u>953,438</u>	<u>90,375</u>
Discoveries					
Current year taxes	1,374,210	0.052	715	715	
Abatements	<u>(2,578,850)</u>	0.052	<u>(1,341)</u>	<u>(1,341)</u>	
Net levy			1,043,187	952,812	90,375
Less, uncollected tax at June 30, 2016			<u>(4,732)</u>	<u>(4,732)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,038,455</u>	<u>\$ 948,080</u>	<u>\$ 90,375</u>
Current levy collection percentage			<u>99.55%</u>	<u>99.50%</u>	<u>100.00%</u>