

TOWN OF WEDDINGTON, NORTH CAROLINA

Audited Financial Statements

For the Fiscal Year Ended June 30, 2018

Town Council Members

*Elizabeth Callis, Mayor
Janice Propst, Mayor Pro Tem
Scott Buzzard
Jeff Perryman
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, 2018

Exhibit

Page

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 11

Statement of Activities 12-13

FUND FINANCIAL STATEMENTS:

Balance Sheet - Governmental Funds 14

Reconciliation of Balance Sheet of Governmental
Funds to the Statement of Net Position 15

Statement of Revenues, Expenditures and Changes in
Fund Balance - Governmental Funds 16

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
of Governmental Funds 17

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund 18

Notes to Financial Statements 19-36

TOWN OF WEDDINGTON, NORTH CAROLINA

Table of Contents
June 30, 2018

Statement/Schedule

Page

REQUIRED SUPPLEMENTAL FINANCIAL DATA:

Town of Weddington's Proportionate Share of Net Pension Liability (Asset) - Required Supplementary Information.....37

Last Five Years.....37

Town of Weddington's Contributions - Required Supplementary Information - Last Five 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

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, 2018, 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, 2018, 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
November 14, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Overview of the Financial Statements

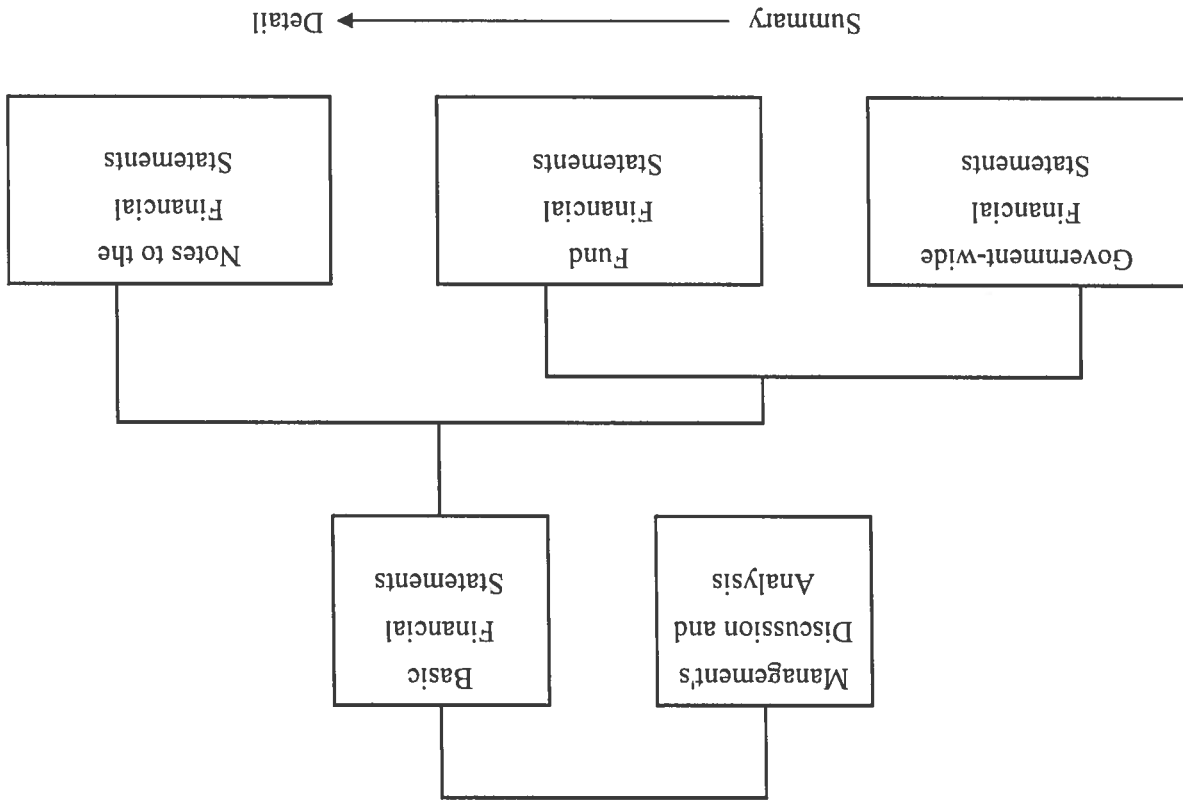
- The assets and deferred outflows of resources of the Town of Weddington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,720,661 (*net position*).
- The government's total net position increased by \$262,591 primarily due to increases in the governmental 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 \$2,744,990 with a net increase of \$295,837 in fund balance. Approximately 15.7% of this total amount or \$431,403 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,313,587, or 127.62% of total general fund expenditures for the fiscal year.
- The Town of Weddington does not have any outstanding debt.

Financial Highlights

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, 2018. 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.

Management's Discussion and Analysis

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.

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. All 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.

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 19 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 Weddington's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 37 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, 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 State laws 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 Weddington's Net Position

Figure 2

	2018	2017	2018	2017
Current and other assets	\$ 2,876,097	\$ 2,636,348	\$ 2,876,097	\$ 2,636,348
Capital assets	1,970,283	2,005,980	1,970,283	2,005,980
Deferred outflows of resources	35,270	56,631	35,270	56,631
Total assets	4,881,650	4,698,959	4,881,650	4,698,959
Long-term liabilities	46,443	64,730	46,443	64,730
Outstanding				
Other liabilities	111,138	170,486	111,138	170,486
Deferred inflows of resources	3,408	5,673	3,408	5,673
Total liabilities and deferred inflows of resources	160,989	240,889	160,989	240,889
Net position:				
Net investment in capital assets	1,970,283	2,005,980	1,970,283	2,005,980
Restricted	200,467	73,730	200,467	73,730
Unrestricted	2,549,911	2,378,360	2,549,911	2,378,360
Total net position	\$ 4,720,661	\$ 4,458,070	\$ 4,720,661	\$ 4,458,070

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 Weddington exceeded liabilities and deferred inflows of resources by \$4,720,661 as of June 30, 2018. The Town's net position increased \$262,591 for the fiscal year ended June 30, 2018. A portion (41.7%) reflects the Town's investment in capital assets (e.g. land, buildings, infrastructure, furniture, computers and equipment). The Town of Weddington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Weddington's net position, \$200,467, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,549,911 is unrestricted.

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 99.17% in 2018 as compared to 99.13% in 2017. The statewide average in fiscal year 2017 was 99.08%.
- Increase in local option sales taxes resulting from economic growth in the region.

Town of Weddington's Changes in Net Position

Figure 3

	2018	2017	2018	2017
Revenues:				
Program revenues:	\$ 74,660	\$ 86,993	\$ 74,660	\$ 86,993
Charges for services				
General revenues:				
Property taxes	1,162,692	1,149,103	1,162,692	1,149,103
Other taxes	859,236	833,615	859,236	833,615
Other	15,851	45,837	15,851	45,837
Total revenues	2,112,439	2,115,548	2,112,439	2,115,548
Expenses:				
General government	668,597	554,428	668,597	554,428
Public safety	997,360	968,776	997,360	968,776
Economic and physical development	183,891	158,900	183,891	158,900
Total expenses	1,849,848	1,682,104	1,849,848	1,682,104
Increase(decrease) in net position	262,591	433,444	262,591	433,444
Net position, July 1 (consolidated)	4,458,070	4,024,626	4,458,070	4,024,626
Net position, June 30	\$ 4,720,661	\$ 4,458,070	\$ 4,720,661	\$ 4,458,070

Governmental Activities. Governmental activities increased the Town's net assets by \$262,591. Key elements of this income are as follows:

- Increase in property tax revenues as a result of growth within the town limits.
- Increase in local option sales tax revenue as a result of increased taxable sales within the region.

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 \$2,313,587, while total fund balance was \$2,744,990. 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 127.62% of general fund expenditures, while total fund balance represents 151.4% of the same amount.

At June 30, 2018, the governmental funds of Town of Weddington reported a combined fund balance of \$2,744,990 with a net increase in fund balance of \$297,837. As the General Fund is the Town's only governmental fund, all of this increase is attributable to it. The increase in fund balance is primarily attributable to the high tax collection percentage and to permits and fees and local option sales tax revenues resulting from continued economic growth in the area offset by legal fees related to the Town's defense of litigation brought against it by a former fire service provider.

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.

Although the General Fund budget remained unchanged in total, amendments were made, primarily, to adjust estimated expenditures between departments and/or line items.

Capital Asset and Debt Administration

Capital Assets. The Town of Weddington's investment in capital assets for its governmental activities as of June 30, 2018, totals \$1,970,283 (net of accumulated depreciation). These assets include buildings, land, infrastructure, furniture and equipment and computers and software.

- The Town of Weddington is located in Union County, one of the state's fastest growing counties. Union County experienced population growth of 9.37% from fiscal year 2014 to fiscal year. (Data source: Union County CAFR for the fiscal year ending June 30, 2018).
- The County's unemployment rate of 3.5% as of August 2018 is slightly lower than the state unemployment rate of 3.9% for the same period. (Data source: Union County CAFR for the fiscal year ending June 30, 2018).
- The Town's housing data is continuing to show signs of economic improvement. Housing prices in Union County have increased 22.14% since 2014 (Data source: Union County CAFR for the fiscal year ending June 30, 2018).

Economic Factors and Next Year's Budgets and Rates

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

	2018	2017	2018	2017
Land	\$ 998,510	\$ 998,510	\$ 998,510	\$ 998,510
Buildings and systems	936,178	979,398	936,178	979,398
Machinery and equipment	-	-	-	-
Infrastructure	20,463	21,358	20,463	21,358
Computer software	10,098	1,116	10,098	1,116
Computer equipment	5,034	5,598	5,034	5,598
Total	\$ 1,970,283	\$ 2,005,980	\$ 1,970,283	\$ 2,005,980

Figure 4
Town of Weddington's Capital Assets
(Net of Depreciation)

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: The Town's budgeted revenues for the next fiscal year are approximately \$40,000 less than current year actual revenues. This decrease is partly 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 2018. Budgeted expenditures for the next fiscal year are approximately \$250,000 more than current year actual expenditures. This increase is primarily attributable to the Town budgeting \$200,000 for infrastructure improvements as well as \$60,000 for increases in public safety.

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Statement of Net Position
June 30, 2018

Primary Government		Governmental		Total	
	Activities				Total
ASSETS					
Current assets:					
Cash and cash equivalents					
	2,703,521	\$	2,703,521	\$	2,703,521
Taxes receivable					
	23,471		23,471		23,471
Due from other governments					
	71,167		71,167		71,167
Prepaid items					
	2,936		2,936		2,936
Restricted cash and cash equivalents					
	75,002		75,002		75,002
Total current assets					
	2,876,097		2,876,097		2,876,097
Capital assets (Note 1):					
Land, non-depreciable improvements,					
	998,510		998,510		998,510
Other capital assets, net of depreciation					
	971,773		971,773		971,773
Total capital assets					
	1,970,283		1,970,283		1,970,283
Total assets					
	4,846,380		4,846,380		4,846,380
DEFERRED OUTFLOWS OF RESOURCES					
Deferrals related to pensions					
	21,403		21,403		21,403
Contributions to pension plan in current fiscal year					
	13,867		13,867		13,867
Total deferred outflows of resources					
	35,270		35,270		35,270
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities					
	36,136		36,136		36,136
Construction deposits					
	75,002		75,002		75,002
Total current liabilities					
	111,138		111,138		111,138
Long-term liabilities:					
Net pension liability					
	46,443		46,443		46,443
Total liabilities					
	157,581		157,581		157,581
DEFERRED INFLOWS OF RESOURCES					
Deferrals related to pensions					
	3,408		3,408		3,408
Total deferred inflows of resources					
	3,408		3,408		3,408
NET POSITION					
Net investment in capital assets					
	1,970,283		1,970,283		1,970,283
Restricted for:					
Stabilization by state statute					
	200,467		200,467		200,467
Unrestricted					
	2,549,911		2,549,911		2,549,911
Total net position					
	4,720,661	\$	4,720,661	\$	4,720,661

Changes in Net Position		Primary Government		Governmental Activities		Total	
Program Revenues		Operating Grants and Contributions		Capital Grants and Contributions			
\$	-	\$	-	\$	(1,775,188)	\$	(1,775,188)
\$	-	\$	-	\$	(668,597)	\$	(668,597)
	-		-		(997,360)		(997,360)
	-		-		(109,231)		(109,231)
General revenues:							
Taxes							
Property taxes levied for general purposes							
Other taxes and licenses							
Unrestricted investment earnings							
Miscellaneous							
Total general revenues							
Change in net position							
Net position, beginning, previously reported							
Net position, ending							
\$	4,720,661	\$	4,720,661	\$	4,720,661	\$	4,720,661
\$	4,458,070	\$	4,458,070	\$	4,458,070	\$	4,458,070
	262,591		262,591		262,591		262,591
	2,037,779		2,037,779		2,037,779		2,037,779
	1,162,692		1,162,692		1,162,692		1,162,692
	859,236		859,236		859,236		859,236
	14,129		14,129		14,129		14,129
	1,722		1,722		1,722		1,722

TOWN OF WEDDINGTON, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2018

Major Fund		Total Governmental Funds	
Cash and cash equivalents	\$ 2,703,521	\$ 2,703,521	
Restricted cash	75,002	75,002	
Taxes receivable	23,471	23,471	
Due from other governments	71,167	71,167	
Prepaid expenses	2,936	2,936	
Total assets	2,876,097	2,876,097	
LIABILITIES			
Accounts payable and accrued liabilities	32,634	32,634	
Construction deposits	75,002	75,002	
Total liabilities	107,636	107,636	
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	23,471	23,471	
Total deferred inflows of resources	23,471	23,471	
FUND BALANCES			
Restricted	200,467	200,467	
Stabilization by state statute			
Unspendable			
Prepaid items	2,936	2,936	
Assigned			
Capital projects	228,000	228,000	
Subsequent year's expenditures	-	-	
Unassigned	2,313,587	2,313,587	
Total fund balances	2,744,990	2,744,990	
Total liabilities, deferred inflows of resources and fund balances	\$ 2,876,097	\$ 2,876,097	

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

TOWN OF WEDDINGTON, NORTH CAROLINA
Reconciliation of Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2018

Exhibit 3
 Continued

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

Total fund balances - governmental funds	\$	2,744,990
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds statement.	\$	2,508,386
Gross capital assets at historical cost		<u>(538,103)</u>
Accumulated depreciation		1,970,283
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		13,867
Some liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		(49,945)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		23,471
Pension related deferrals		17,995
Net position of governmental activities	\$	<u>4,720,661</u>

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

*Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Funds
June 30, 2018*

Major Fund		General Fund		Total Governmental Funds	
	\$	\$	\$	\$	\$
REVENUES					
Ad valorem taxes	1,161,820	1,161,820		1,161,820	
Unrestricted intergovernmental	859,236	859,236		859,236	
Permits and fees	74,660	74,660		74,660	
Investment earnings	11,302	11,302		11,302	
Miscellaneous	1,722	1,722		1,722	
Total revenues	2,108,740	2,108,740		2,108,740	
EXPENDITURES					
Current:					
General government	648,724	648,724		648,724	
Public safety	997,360	997,360		997,360	
Economic and physical development	166,819	166,819		166,819	
Total expenditures	1,812,903	1,812,903		1,812,903	
Excess (deficiency) of revenues over expenditures	295,837	295,837		295,837	
Net change in fund balance	295,837	295,837		295,837	
Fund balance, beginning	2,449,153	2,449,153		2,449,153	
Fund balance, end of year	\$ 2,744,990	\$ 2,744,990		\$ 2,744,990	

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

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, 2018

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

Net changes in fund balances - total governmental funds	\$ 295,837
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.	\$ 11,880
Construction in progress - current year	-
Disposal of assets	-
Gain on disposal	-
Depreciation expense for governmental assets	(47,577)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	13,867
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
Amount of donated assets	-
Change in unavailable revenue for tax revenues	3,700
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.	(437)
Compensated absences	(14,679)
Pension expense	-
Total changes in net position of governmental activities	<u>\$ 262,591</u>

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

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

General Fund			
Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
\$ 1,120,250	\$ 1,130,250	\$ 1,161,820	\$ 31,570
825,000	820,000	859,236	39,236
75,000	70,000	74,660	4,660
5,000	5,000	11,302	6,302
1,000	1,000	1,722	722
2,026,250	2,026,250	2,108,740	82,490
Revenues:			
Ad valorem taxes	651,485	648,724	31,761
General government	1,011,735	997,360	9,375
Public safety	363,030	166,819	172,211
Economic and physical development	2,026,250	1,812,903	213,347
Total expenditures	-	295,837	295,837
Revenues over (under) expenditures	-	-	-
Expenditures:			
Current:	-	-	-
General government	680,485	648,724	31,761
Public safety	1,011,735	997,360	9,375
Economic and physical development	363,030	166,819	172,211
Total expenditures	2,026,250	1,812,903	213,347
Revenues over (under) expenditures	-	-	-
Fund balance appropriated			
Fund balance in fund balance	-	-	-
Net change in fund balance	-	-	-
Fund balance, beginning	-	-	-
Fund balance, end of year	-	-	-
\$ -	\$ -	\$ 295,837	\$ 295,837
2,449,153	2,449,153	2,744,990	2,744,990

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, 2018

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, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 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, 2018*

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 NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 Labella and/or by Union County Public Works and are released back to the developer upon satisfactory completion and sign off by Labella 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>\$ 75,002</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, 2017.

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, 2018.

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.

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 2018 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 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 two items that meet the criterion for this category – property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty 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.

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018*

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, infrastructure 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%.

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 (LGRS) and additions to/deductions from LGRS' fiduciary net position have been determined on the same basis as they are reported by LGRS. 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 LGRS. 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 affect 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, 2018

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, 2018, the Town's deposits had a carrying amount of \$2,238,565 and a bank balance of \$2,249,150. 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, 2018, the Town of Weddington had \$539,957 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

III. DETAIL NOTES ON ALL FUNDS

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

Ending Balance	Decreases	Increases	Beginning Balance
\$ 998,510	\$ -	\$ -	\$ 998,510
1,358,049	-	-	1,358,049
26,851	-	-	26,851
24,157	15,505	-	39,662
31,880	-	-	31,880
58,044	-	11,880	46,164
10,895	-	-	10,895
1,509,876	15,505	11,880	1,513,501
421,871	-	42,191	379,680
6,388	-	895	5,493
24,157	15,505	-	39,662
26,846	-	1,593	25,253
47,946	-	2,898	45,048
10,895	-	-	10,895
538,103	15,505	47,577	506,031
971,773			1,007,470
\$ 1,970,283			\$ 2,005,980

Governmental activities:
Capital assets not being depreciated: Land
Capital assets being depreciated:
Buildings
Infrastructure
Equipment
Computers
Computer software
Furniture
Total capital assets being depreciated
Less accumulated depreciation for:
Buildings
Infrastructure
Equipment
Computers
Computer software
Furniture
Total accumulated depreciation
Total capital assets being depreciated, net
Governmental activity capital assets, net

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

General government	\$ 31,559
Public safety	16,018
Total depreciation expense	\$ 47,577

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018, was 10.62% 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 \$13,867 for the year ended June 30, 2018.

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018, the Town reported a liability of \$46,443 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017, 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, 2017, the Town's proportion was 0.00304%, which was a decrease of .00001% from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$14,679. At June 30, 2018, 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	\$ 2,676	\$ 1,315
Changes of assumptions	6,633	-
Net difference between projected and actual earnings on pension plan investments	11,277	-
Changes in proportion and differences between Town of Weddington contributions and proportionate share of contributions	818	2,093
Town of Weddington contributions subsequent to the measurement date	13,867	-
Total	\$ 35,271	\$ 3,408

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

III. DETAIL NOTES ON ALL FUNDS

\$13,867 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, 2018.

Year ended June 30:

2019	\$	1,369
2020		13,044
2021		6,838
2022		(3,257)
2023		-
Thereafter		-
	\$	<u>17,994</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2017 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LRS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

City's proportionate share of the net pension liability (asset)	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
\$ 139,422	\$ 46,443	\$ (31,166)	

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 Income Plan. Contributions for the year ended June 30, 2018 were \$11,196, which consisted of \$5,598 from the employees and \$5,598 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 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. The Town 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:

Source	Amount
Deferred outflows related to pensions	\$ 21,403
Contributions to pension plan in current fiscal year	13,867
	<u>\$ 35,270</u>

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

III. DETAIL NOTES ON ALL FUNDS

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

Source	Amount
Deferred inflows related to pensions	\$ 3,408

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

During the year ended June 30, 2017, the Town entered into a lease contract for a copier that requires monthly payments of \$307 and expires in July 2022. Rent expense in the amount of \$3,684 was incurred during the year ended June 30, 2018.

The following is the lease payment schedule:

Year Ending June 30,	\$
2019	3,684
2020	3,684
2021	3,684
2022	3,684
2023	307
	<u>15,043</u>

-Continued-

TOWN OF WEDDINGTON, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

III. DETAIL NOTES ON ALL FUNDS

5. Long Term Obligations

B. Changes in Long-Term Liabilities

Governmental Activities:	July 01, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
Compensated absences	\$ 3,065	\$ 437	\$ -	\$ 3,502	\$ 3,502
Net pension liability (LGRS)	64,730	-	18,287	46,443	-
	\$ 67,795	\$ 437	\$ 18,287	\$ 49,945	\$ 3,502

Compensated absences typically have been liquidated in the General Fund.

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>	<i>\$ 2,744,990</i>
Less:	
Prepaid Items	2,936
Stabilization by state statute	200,467
Capital Projects	228,000
Appropriated Fund Balance in 2019 Budget	-
Working Capital/Fund Balance Policy	1,033,625
Available for appropriation	1,279,962

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, 2018*

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 outstanding encumbrances totaling \$129,300 at June 30, 2018.

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. In addition, the plaintiff is seeking damages through the alleged fraud and constitutional violations. The Town vigorously denies these allegations and has filed responsive pleadings. The Town's management and the attorney representing the Town in this litigation are not able to make a meaningful estimate of the amount or range of loss that could result from an unfavorable resolution of this matter. Consequently, the Town has not provided any accruals for the wrongful termination of contract costs in the financial statements. 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 attorney representing the Town in this litigation, the range of the potential loss could be between \$750,000 and \$1,200,000.

V. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through November 14, 2018, 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 Waddington's Proportionate Share of Net Pension Liability (Asset)
- Town of Waddington's Contributions

TOWN OF WEDDINGTON, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

	2018	2017	2016	2015	2014
Town of Weddington's proportion of the net pension liability (asset) (%)	0.00304%	0.00305%	0.00398%	0.0044%	0.0044%
Town of Weddington's proportion of the net pension liability (asset) (\$)	\$ 46,443	\$ 64,730	\$ 17,860	\$ (26,480)	\$ 53,037
Town of Weddington's covered-employee payroll	\$ 157,125	\$ 187,976	\$ 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	29.56%	34.44%	9.87%	(13.59%)	29.21%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	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 WEDDINGTON, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 13,867	\$ 15,194	\$ 18,164	\$ 18,367	\$ 13,753
Contributions in relation to the contractually required contribution	\$ 13,867	15,194	18,164	18,367	13,753
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Weddington's covered-employee payroll	\$ 130,578	\$ 157,125	\$ 187,976	\$ 180,953	\$ 194,830
Contributions as a percentage of covered-employee payroll	10.62%	9.67%	9.66%	10.15%	7.06%

SUPPLEMENTAL STATEMENTS

TOWN OF WEDDINGTON, NORTH CAROLINA

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 1,158,993	\$ -
Interest		2,827	
Total	1,130,250	1,161,820	31,570
Unrestricted intergovernmental:			
Local option sales taxes		347,930	
Utility franchise tax		465,789	
Beer and wine tax		45,517	
Total	820,000	859,236	39,236
Permits and fees:			
Subdivision fees		27,330	
Zoning fees		47,330	
Total	70,000	74,660	4,660
Investment earnings:			
Miscellaneous:			
Other		1,722	
Total	1,000	1,722	722
Total revenues	2,026,250	2,108,740	82,490
Expenditures:			
General government:			
Governing board:			
Legal		237,289	
Other operating expenditures		30,332	
Total		267,621	
Administration:			
Salaries and employee benefits		128,534	
Professional services		17,200	
Other operating expenditures		223,489	
Capital outlay		11,880	
Total		381,103	
Total general government	680,485	648,724	31,761

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

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Contracted services	264,174	264,174	
Total	264,174	264,174	
Fire:			
Contracted services	733,056	733,056	
Other operating expenses	130	130	
Total	733,186	733,186	
Total public safety:	1,006,735	997,360	9,375
Economic and physical development:			
Planning:			
Salaries and employee benefits	125,053	125,053	
Contracted services	26,870	26,870	
Other operating expenditures	14,896	14,896	
Total	166,819	166,819	
Total economic and physical development	339,030	166,819	172,211
Total expenditures	2,026,250	1,812,903	213,347
Revenues over (under) expenditures	-	295,837	295,837
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	\$ 295,837	\$ 295,837
Fund balance, beginning	2,449,153	2,449,153	
Fund balance, end of year	\$ 2,744,990	\$ 2,744,990	

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

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

This section contains additional information required on property taxes.

OTHER SCHEDULES

TOWN OF WEDDINGTON, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable
June 30, 2018

	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017 - 2018	\$ -	\$ 1,162,417	\$ 1,152,806	\$ 9,611
2016 - 2017	9,707		3,425	6,282
2015 - 2016	2,909		851	2,058
2014 - 2015	2,325		657	1,668
2013 - 2014	1,718		599	1,119
2012 - 2013	946		157	789
2011 - 2012	101		49	52
2010 - 2011	575		45	530
2009 - 2010	599		45	554
2008 - 2009	808		-	808
2007 - 2008	83		83	-
	<u>\$ 19,771</u>	<u>\$ 1,162,417</u>	<u>\$ 1,158,717</u>	<u>\$ 23,471</u>
Reconciliation with revenues:				
Ad Valorem Taxes - General Fund				\$ 1,161,820
Reconciling items:				
Interest collected				(2,827)
10-year write off				83
Adjustments and corrections				(359)
Total collections and credits				<u>\$ 1,158,717</u>

TOWN OF WEDDINGTON, NORTH CAROLINA

Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2018

Property Excluding Registered Motor Vehicles		Registered Motor Vehicles		Total Levy	
Property Valuation	Amount of Levy	Property Valuation	Amount of Levy	Property Valuation	Amount of Levy
Original levy: Property taxed at current year's rate	223,506,731	1,162,235	1,063,400	\$ 98,835	
Discoveries	137,692	716	716	-	
Current year taxes	0.052	716	716	-	
Abatements	(102,692)	0.052	(534)	-	
Total Property Valuation	\$ 223,541,731				
Net levy		1,162,417	1,063,582	98,835	
Less, uncollected tax at June 30, 2018		(9,611)	(9,611)	-	
Current year's taxes collected		\$ 1,152,806	\$ 1,053,971	\$ 98,835	
Current levy collection percentage		99.17%	99.10%	100.00%	