

TOWN OF WINGATE

Audited Financial Statements

June 30, 2017

**TOWN OF WINGATE
NORTH CAROLINA**

Audited

Financial Statements

At

June 30, 2017

And

For The Year Then Ended

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POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and The Town Council
Town of Wingate, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Town of Wingate, North Carolina**, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Wingate ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Wingate A Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Wingate ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 report 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Town of Wingate, North Carolina**, as of June 30, 2017, and the respective changes in financial position, cash flows, where appropriate, there of and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Other Postemployment Benefits Schedules of Funding Progress and Schedule of Employee Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a percentage of Covered Payroll to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general 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

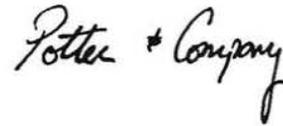
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the **Town of Wingate, North Carolina**. The combining and individual fund financial statements, budgetary schedules, other schedules, and Schedule of Expenditures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

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates 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 and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017, on our consideration of the **Town of Wingate, North Carolina's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and on other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **Town of Wingate, North Carolina's** internal control over financial reporting and compliance.

November 22, 2017
Monroe, North Carolina

A handwritten signature in cursive script that reads "Potter & Company". The signature is written in black ink and is positioned to the right of the date and location text.

TOWN OF WINGATE, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2017

As management of the Town of Wingate, we offer readers of the Town of Wingate's financial statements this narrative overview and analysis of the financial activities of the Town of Wingate for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town of Wingate's financial statements, which follow this narrative.

Financial Highlights

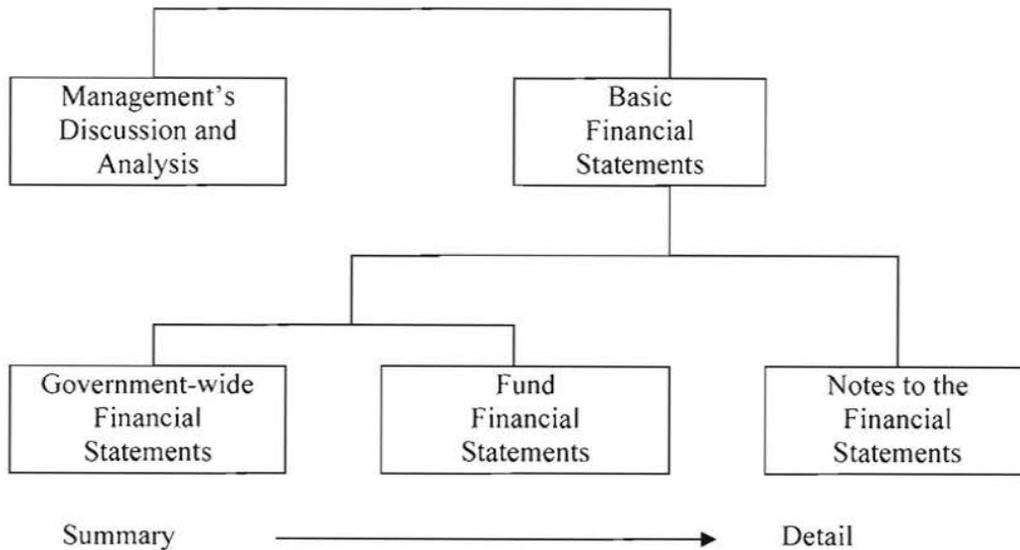
- The assets and deferred outflows of resources of the Town of Wingate exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,203,264.
- The government's total net position increased by \$175,816.
- As of the close of the current fiscal year, the Town of Wingate's governmental funds reported combined ending fund balances of \$1,206,906, with a net change of (\$1,627,511) in fund balance. Approximately 27.28% of this total amount, or \$329,233, is restricted. The decrease in fund balance is mainly due to the Town Hall and Fire Department Capital Project expenses.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$793,147, or 66.50% of total general fund expenditures for the fiscal year. This is an increase of \$164,265 from the previous year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 15-17) 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 (pages 18-24) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows 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, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the

Town charges customers to provide. These include the water and sewer services offered by the Town of Wingate. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 15 through 17 of this report.

Fund Financial Statements

The fund financial statements 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 Wingate, 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 Wingate can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give 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 Wingate adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Wingate has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Wingate uses an Enterprise Fund to account for its water and sewer activity. This Fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25 through 55 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 Wingate's progress in

funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 of this report.

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

Government-Wide Financial Analysis

The Town of Wingate's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,275,289	\$ 3,125,492	\$ 774,366	\$ 648,959	\$ 2,049,655	\$ 3,774,451
Capital assets	5,655,620	3,966,398	8,396,192	8,491,967	14,051,812	12,458,365
Total assets	<u>6,930,909</u>	<u>7,091,890</u>	<u>9,170,558</u>	<u>9,140,926</u>	<u>16,101,467</u>	<u>16,232,816</u>
Total deferred outflows of resources	<u>218,998</u>	<u>32,035</u>	<u>62,572</u>	<u>21,712</u>	<u>281,570</u>	<u>53,747</u>
Long-term liabilities	4,008,141	3,686,122	2,919,790	3,014,604	6,927,931	6,700,726
Other liabilities	46,771	264,562	169,025	168,153	215,796	432,715
Total liabilities	<u>4,054,912</u>	<u>3,950,684</u>	<u>3,088,815</u>	<u>3,182,757</u>	<u>7,143,727</u>	<u>7,133,441</u>
Total deferred inflows of resources	<u>28,929</u>	<u>35,509</u>	<u>7,117</u>	<u>24,067</u>	<u>36,046</u>	<u>59,576</u>
Net position						
Net investment in capital assets	2,139,841	2,384,904	5,569,551	5,652,467	7,709,392	8,037,371
Restricted	329,233	273,029	-	-	329,233	237,029
Unrestricted	596,992	479,799	567,647	303,347	1,164,639	783,146
Total net position	<u>\$ 3,066,066</u>	<u>\$ 3,137,732</u>	<u>\$ 6,137,198</u>	<u>\$ 5,955,814</u>	<u>\$ 9,203,264</u>	<u>\$ 9,093,546</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Wingate exceeded liabilities and deferred inflows by \$9,203,264 as of June 30, 2017. The Town's net position increased by \$175,816. However, the largest portion reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Wingate uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wingate's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wingate's net position, \$329,233, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,164,639 is unrestricted.

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

- The town completed and was reimbursed for several capital projects during FY2016-2017.
- Total expenditures were lower than total revenue in both the General Fund and the Enterprise Fund.

Town of Wingate Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 381,564	\$ 370,271	\$ 1,721,060	\$ 1,662,359	\$ 2,102,624	\$ 2,032,630
Powell Bill allocation	91,847	92,355	-	-	91,847	92,355
Federal and State grants	-	26,000	133,309	696,706	133,309	722,706
Operating grants and contributions	-	11,134	-	-	-	11,134
Capital grants and contributions	-	98,026	-	-	-	98,026
General revenues:						
Property taxes	541,747	546,903	-	-	541,747	546,903
Other taxes	333,630	295,818	-	-	333,630	295,818
Other	59,477	117	1,264	374	60,741	491
Total revenues	<u>1,408,265</u>	<u>1,440,624</u>	<u>1,855,633</u>	<u>2,359,439</u>	<u>3,263,898</u>	<u>3,800,063</u>
Expenses:						
General government	278,761	251,171	-	-	278,761	251,171
Public safety	627,347	544,078	-	-	627,347	544,078
Transportation	87,716	108,616	-	-	87,716	108,616
Environmental protection	256,895	188,275	-	-	256,895	188,275
Cultural and recreation	161,423	134,488	-	-	161,423	134,488
Other	-	50,382	-	-	-	50,382
Interest on long-term debt	1,691	2,077	83,620	72,830	85,311	74,907
Water and sewer	-	-	1,590,629	1,617,064	1,590,629	1,617,064
Total expenses	<u>1,413,833</u>	<u>1,279,087</u>	<u>1,674,249</u>	<u>1,689,894</u>	<u>3,088,082</u>	<u>2,968,981</u>
Increase (decrease) in net position before transfers	(5,568)	161,537	181,384	669,545	175,816	831,082
Transfers	-	(10,784)	-	10,784	-	-
Change in net position	(5,568)	150,753	181,384	680,329	175,816	831,082
Net position, beginning, as restated	3,071,634	2,986,979	5,955,814	5,275,485	9,027,448	8,262,464
Net position, end of year	<u>\$ 3,066,066</u>	<u>\$ 3,137,732</u>	<u>\$ 6,137,198</u>	<u>\$ 5,955,814</u>	<u>\$ 9,203,264</u>	<u>\$ 9,093,546</u>

Governmental activities. Governmental activities decreased the Town of Wingate's net position by (\$5,568) which correlates to a 3.17% decrease in total net position of the Town of Wingate.

Business-type activities. Business-type activities increased the Town's net position by \$181,384 accounting for 103.17% of the total increase in the government's net position. The increase can mostly be attributed to grant proceeds for a capital project.

Financial Analysis of the Town of Wingate's Funds

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

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

The general fund is the chief operating fund of the Town of Wingate. At the end of the current fiscal year Town of Wingate's unassigned fund balance available in the General Fund was \$793,147, while total fund balance reached \$1,127,088.

At June 30, 2017, the governmental funds of the Town of Wingate reported a combined fund balance of \$1,206,906, a 57.42% decrease from the previous fiscal year. Included in this change in fund balance is a decrease in fund balance from the Capital Project Fund.

Budgetary Highlights. During the fiscal year, the Town of Wingate 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.

Several budget amendments were made during the fiscal year ending June 30, 2017. The following summary details the amounts and reasons for making the budget amendments.

- Water & Sewer \$53,300 various line item adjustments
- Water & Sewer (\$22,000) removal of USDA debt payment not due until FY 18
- General Fund \$11,000 various line item adjustments for current expenditures & revised projections
- Water & Sewer \$35,760 various line item adjustments for current expenditures & revised projections
- Water & Sewer \$17,055 year-end budget amendments

Proprietary Funds. The Town of Wingate's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$567,647. The total increase in net position for the fund was \$181,384.

Component Unit – Town of Wingate ABC Board. See the separately issued financial statements for the Town of Wingate ABC Board.

Capital Asset and Debt Administration

Capital assets. The Town of Wingate's 2017 investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$14,051,812 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, and sewer and water infrastructure. The major capital asset transactions during the year were the construction of rehabilitated water lines, and the construction of Wingate Government Center.

**Town of Wingate's Capital Assets
Net of Accumulated Depreciation
Figure 4**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 557,368	\$ 557,368	\$ 208,937	\$ 208,937	\$ 766,305	\$ 766,305
Plant and distribution systems	-	-	7,998,771	8,090,710	7,998,771	8,090,710
Buildings and improvements	4,075,904	876,309	71,599	73,730	4,147,503	950,039
Infrastructure	808,103	856,421	26,748	-	834,851	856,421
Office furniture and equipment	137,938	3,046	-	-	137,938	3,046
Other equipment	1,575	2,818	67,517	83,202	69,092	86,020
Vehicles	65,131	70,766	22,620	35,388	87,751	106,154
Construction in progress	9,601	1,617,670	-	-	9,601	1,617,670
Total	\$ 5,655,620	\$ 3,984,398	\$ 8,396,192	\$ 8,491,967	\$ 14,051,812	\$ 12,476,365

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2017, the Town of Wingate had no outstanding bonded debt.

**Town of Wingate's Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Installment debt	\$ 3,515,777	\$ 3,525,110	\$ 1,817,641	\$ 1,941,138	\$ 5,333,418	\$ 5,466,248

Long-term debt

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Wingate is \$10,533,237.

Additional information regarding the Town of Wingate's long-term debt can be found in Note 3.B.4 of the Basic Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Pursuant to Section 159-11 of the North Carolina General Statutes, the Town of Wingate's proposed budget for the fiscal year beginning July 1st 2017 and ending June 30th 2018 is submitted for your consideration.

General Fund

Revenue

The town's four largest revenue streams are Property Tax, Sales and Use Tax, Franchise Utility Tax, and Wingate University's Contribution. The proposed property tax rate for FY2017-2018 is \$.43 per \$100 of valuation. This represents a \$.01 cent tax increase from FY2016-2017. This increase is to help fund a part time police position. The Town of Wingate's projected tax revenue is \$541,077.40. This includes both real and motor vehicle property with a collection rate of 98%. The towns total valuation is \$127,520,581.

The State of North Carolina continues to adjust the method with which sales tax is distributed. For FY2017-2018 we are not anticipating a sales tax increase. Currently, there is proposed legislation that would reduce the amount of sales tax distributed to the town. At this time, it does appear this legislation will pass, and while total sales tax collection is projected to increase, the proposed bill would reduce our sales tax distribution. With the projected increase in revenue offset by the proposed legislation, we anticipate sales tax revenue to be approximately what we received last year.



Wingate University has also increased their contribution from \$160,000 to \$185,000.

Expenditures

Fire Department/Town Hall

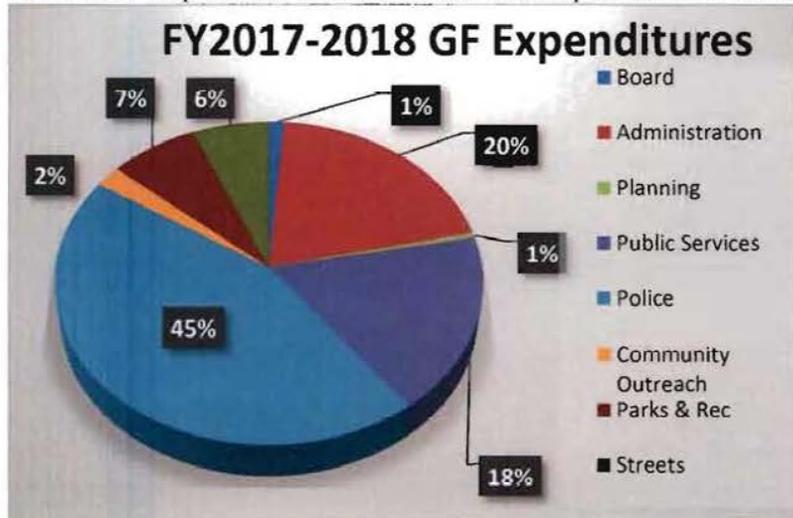
The Fire Department/Town Hall was completed in December of 2016. The first debt service payment for the building will be due December 2017. The total payment for the building is \$135,777; of this \$88,247 will come from the general fund.

Police Department

This is the first year the town will try and formalize our part-time department. In the past, we have had an occasional reserve officer that would be able to cover certain shifts. It has become apparent that we can no longer rely on reserve officers to assist with covering shifts. We have struggled in the past with retaining officers; we have lost 3 in the last two years to larger departments. When one of these officers moves, it increases the burden for the remaining officers. This has led to large accumulations of both comp and vacation time. In this budget, we have \$30,000 for part-time officers' salaries. This goal by the end of the fiscal year is to provide approximately 80 hours every two weeks in part-time assistance.

For FY2017-2018, we have budgeted for the replacement of a full-time police vehicle. We do not plan to surplus a vehicle. The car that is being replaced will be added to the part-time fleet. We have increased maintenance and repair due to the expected increase.

The Police Department was one of the first departments in Union County to have officers outfitted with



body cameras. These cameras while functional were not very effective. We are currently looking into a more advanced technology that will give us a reliable recording device. At the current time, we do not have a budget, but we do anticipate bringing a proposal to board at some point in the next fiscal year.

Three years ago, the town began increasing patrol officers' salaries every six months to remain competitive with surrounding agencies. Our last scheduled increase occurred July 1, 2016. This increase

brought all patrol officer's salaries up to at least \$41,000. This amount is currently the base starting salary for an officer; we plan to monitor and adjust as we move forward.

Administration

The largest increase to the administration department is the inclusion of the debt service payment for the new Town Hall/Fire Department Facility. Outside of the debt service payment, the administration department remains largely unchanged.

Health Insurance

We recently received our renewal information for health insurance and it was projected to be a 23% increase in the annual premiums to remain with Atena. This increase is more than we absorb into the budget without significantly affecting other line items. The alternate plan we have selected is a United Healthcare plan. This plan is not only a savings from the projected renewal, it is also a savings from the prior year. The deductible is higher, but we are going to offset this increase with a preloaded health debit card that employees can use for prescriptions, premiums, co-pays, etc. We feel this plan will give both the town and employees the greatest flexibility.

Water & Sewer Fund

The town of Wingate is currently working on three capital projects for the water system. Faculty Drive, Old Hwy 74, and Evans Street all have galvanized water lines that will be replaced with PVC. With the exception of the environmental review, these projects are being funded 100% by the county's CDBG program.

We received notice on May 8th that the town's bulk water rate will increase to \$2.60 per 1,000 beginning July 1, 2017. We also received notice that the City of Monroe plans approximately \$4million in rehab and renovation to the Monroe plant. Our share of this will be approximately \$20,000 a year.

Both water and sewer rates will be increased this year. The comprehensive rate structure is included, but a residential user that uses 5,000 gallons of water per month can expect to pay \$3.25 more per month. Currently, 2,000 gallons of water usage is included in everyone's base bill. This year will be the first year, of a four-year plan, to eliminate this. The town will reduce this amount 500 gallons a year. The base rate has been adjusted to reflect the elimination.

Patrick K. Niland
Town Manager

BASIC FINANCIAL STATEMENTS

TOWN OF WINGATE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2017

Exhibit A
Page 1 of 2

	Primary Government			Town of Wingate ABC Board
	Governmental	Business-type	Total	
	Activities	Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 903,236	\$ 553,286	\$ 1,456,522	\$ 310,787
Restricted cash	181,872	39,370	221,242	-
Taxes receivable, net	21,612	-	21,612	-
Accounts receivable, net	113,259	181,710	294,969	-
Due from other governments	50,602	-	50,602	-
Inventory	-	-	-	45,862
Prepaid Items	4,708	-	4,708	3,429
Total current assets	1,275,289	774,366	2,049,655	360,078
Non-current assets				
Refundable deposit	-	-	-	2,000
Land, non-depreciable improvements, and construction in progress	566,969	208,937	775,906	-
Other capital assets, net of depreciation	5,088,651	8,187,256	13,275,907	74,628
Total capital assets	5,655,620	8,396,193	14,051,813	76,628
Total assets	6,930,909	9,170,559	16,101,468	436,706
 DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	218,998	62,573	281,571	-
Total deferred outflows of resources	218,998	62,573	281,571	-

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

TOWN OF WINGATE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2017

Exhibit A
Page 2 of 2

	Primary Government			Town of Wingate ABC Board
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 45,271	\$ 132,848	\$ 178,119	\$ 71,941
Customer deposits	1,500	35,170	36,670	-
Taxes payable	-	-	-	35,439
Distributions payable	-	-	-	31,933
Unearned revenue	-	1,008	1,008	-
Accrued expenses	-	-	-	1,799
Total current liabilities	46,771	169,026	215,797	141,112
Long-term liabilities				
Net pension liability	389,945	75,320	465,265	-
Due within one year	62,438	142,063	204,501	-
Due in more than one year	3,555,758	2,702,407	6,258,165	-
Total long-term liabilities	4,008,141	2,919,790	6,927,931	-
Total liabilities	4,054,912	3,088,816	7,143,728	141,112
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	28,929	7,118	36,047	-
Total deferred inflows of resources	28,929	7,118	36,047	-
NET POSITION				
Net investment in capital assets	2,139,841	5,569,552	7,709,393	74,628
Restricted for:				
Stabilization by State Statute	163,862	-	163,862	-
Streets - Powell Bill	165,371	-	165,371	-
Working Capital	-	-	-	46,199
Unrestricted	596,992	567,646	1,164,638	174,767
Total net position	\$ 3,066,066	\$ 6,137,198	\$ 9,203,264	\$ 295,594

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

TOWN OF WINGATE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of Wingate ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 278,761	\$ 13,235	\$ -	\$ -	\$ (265,526)	\$ -	\$ (265,526)	\$ -
Public safety	627,347	161,626	-	-	(465,721)	-	(465,721)	-
Transportation	87,716	-	91,847	-	4,131	-	4,131	-
Environmental protection	256,895	192,553	-	-	(64,342)	-	(64,342)	-
Cultural and recreation	161,423	14,150	-	-	(147,273)	-	(147,273)	-
Interest on long-term debt	1,691	-	-	-	(1,691)	-	(1,691)	-
Total governmental activities	<u>1,413,833</u>	<u>381,564</u>	<u>91,847</u>	<u>-</u>	<u>(940,422)</u>	<u>-</u>	<u>(940,422)</u>	<u>-</u>
Business-type activities:								
Water and sewer	1,590,629	1,721,060	-	133,309	-	263,740	263,740	-
Interest on long-term debt	83,620	-	-	-	-	(83,620)	(83,620)	-
Total business-type activities	<u>1,674,249</u>	<u>1,721,060</u>	<u>-</u>	<u>133,309</u>	<u>-</u>	<u>180,120</u>	<u>180,120</u>	<u>-</u>
Total primary government	<u>\$ 3,088,082</u>	<u>\$ 2,102,624</u>	<u>\$ 91,847</u>	<u>\$ 133,309</u>	<u>\$ (940,422)</u>	<u>\$ 180,120</u>	<u>\$ (760,302)</u>	<u>\$ -</u>
Component Unit:								
ABC Board	\$ 1,496,070	\$ 1,550,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,883
Total component units	<u>\$ 1,496,070</u>	<u>\$ 1,550,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,883</u>
General revenues:								
Taxes:								
Property taxes levied for general purpose					541,747	-	541,747	-
Other taxes					333,630	-	333,630	-
Grants and contributions not restricted to specific programs					-	-	-	-
Unrestricted intergovernmental revenue					4,000	-	4,000	-
Unrestricted investment earnings					1,287	1,264	2,551	-
Restricted investment earnings					360	-	360	-
Miscellaneous					39,970	-	39,970	-
Gain/(Loss) on sale of capital assets					13,860	-	13,860	-
Total general revenues not including transfers					<u>934,854</u>	<u>1,264</u>	<u>936,118</u>	<u>-</u>
Transfers					-	-	-	-
Total general revenues including transfers					<u>934,854</u>	<u>1,264</u>	<u>936,118</u>	<u>-</u>
Change in net position					(5,568)	181,384	175,816	54,883
Net position, beginning, as restated - see note 6 and 7					3,071,634	5,955,814	9,027,448	240,711
Net position, ending					<u>\$ 3,066,066</u>	<u>\$ 6,137,198</u>	<u>\$ 9,203,264</u>	<u>\$ 295,594</u>

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

TOWN OF WINGATE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Exhibit C

	Major Funds		Total Governmental Funds
	General	Town Hall and Fire Department Capital Project	
ASSETS			
Cash and cash equivalents	\$ 823,418	\$ 79,818	\$ 903,236
Restricted cash	181,872	-	181,872
Receivables, net			
Taxes	21,612	-	21,612
Utilities	24,373	-	24,373
Due from other governments	139,489	-	139,489
Prepaid expenses	4,708	-	4,708
Total assets	\$ 1,195,472	\$ 79,818	\$ 1,275,290
LIABILITIES			
Accounts payable and accrued liabilities	\$ 45,272	\$ -	\$ 45,272
Deposits	1,500	-	1,500
Total liabilities	46,772	-	46,772
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	21,612	-	21,612
Total deferred inflows of resources	21,612	-	21,612
FUND BALANCES			
Non-spendable:			
Prepays	4,708	-	4,708
Restricted:			
Stabilization by State Statue	163,862	-	163,862
Streets - Powell Bill	165,371	-	165,371
Unassigned	793,147	79,818	872,965
Total fund balances	1,127,088	79,818	1,206,906
Total liabilities, deferred inflows of resources and fund balances	\$ 1,195,472	\$ 79,818	\$ 1,275,290

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

Total Fund balance, governmental funds	\$ 1,206,906
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Gross capital assets at historical cost	7,394,323
Accumulated depreciation	(1,738,703)
Net pension liability	(389,945)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	218,998
Pension related deferrals	(28,929)
Liabilities for earned revenues considered deferred inflows of resources in fund statements	21,612
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Installment financing agreement	(3,515,776)
Compensated absences	(33,704)
OPEB Liability	(68,716)
Net position of governmental activities	\$ 3,066,066

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Major Funds		Total Governmental Funds
	General	Town Hall Fire Department Capital Project	
REVENUES			
Ad valorem taxes	\$ 546,648	\$ -	\$ 546,648
Other taxes and licenses	165	-	165
Unrestricted intergovernmental	372,041	-	372,041
Restricted intergovernmental	97,691	-	97,691
Permits and fees	2,933	-	2,933
Sales and services	366,703	-	366,703
Investment earnings	1,620	-	1,620
Miscellaneous	25,338	-	25,338
Total revenues	<u>1,413,139</u>	<u>-</u>	<u>1,413,139</u>
EXPENDITURES			
Current:			
General government	189,166	1,847,988	2,037,154
Public safety	596,608	-	596,608
Transportation	56,655	-	56,655
Cultural and recreation	84,820	-	84,820
Environmental protection	223,094	-	223,094
Community outreach	31,323	-	31,323
Debt service:			
Principal	9,333	-	9,333
Interest and other charges	1,691	-	1,691
Total expenditures	<u>1,192,690</u>	<u>1,847,988</u>	<u>3,040,678</u>
Excess (deficiency) of revenues over expenditures	<u>220,449</u>	<u>(1,847,988)</u>	<u>(1,627,539)</u>
OTHER FINANCING SOURCES (USES)			
Interest income	-	28	28
Total other financing sources (uses)	<u>-</u>	<u>28</u>	<u>28</u>
Net change in fund balance	220,449	(1,847,960)	(1,627,511)
Fund balances, beginning	906,639	1,927,778	2,834,417
Fund balances, ending	<u>\$ 1,127,088</u>	<u>\$ 79,818</u>	<u>\$ 1,206,906</u>

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

TOWN OF WINGATE, NORTH CAROLINA

Exhibit E

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds		\$ (1,627,511)
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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 depreciation exceeded capital outlays in the current period.

Capital outlay expenditures which were capitalized	1,876,437	
Depreciation expense for governmental assets	<u>(205,216)</u>	1,671,221

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		(4,486)
--	--	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	9,333	9,333
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	6,237	
LGERS Pension (Expense)/Revenue	(31,658)	
LEO pension expense	(14,066)	
Other postemployment benefits	<u>(14,638)</u>	<u>(54,125)</u>
Total changes in net position of governmental activities		<u>\$ (5,568)</u>

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

TOWN OF WINGATE, NORTH CAROLINA *Exhibit F*
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Ad valorem taxes	\$ 539,000	\$ 553,100	\$ 546,648	\$ (6,452)
Other taxes and licenses	-	165	165	-
Unrestricted intergovernmental	354,600	357,950	372,041	14,091
Restricted intergovernmental	98,000	98,000	97,691	(309)
Permits and fees	4,200	2,868	2,933	65
Sales and services	375,500	371,600	366,703	(4,897)
Investment earnings	1,350	1,392	1,620	228
Miscellaneous	6,001	7,108	25,338	18,230
Total revenues	1,378,651	1,392,183	1,413,139	20,956
Expenditures				
Current:				
General government	200,347	272,568	189,166	83,402
Public safety	605,486	618,036	596,608	21,428
Transportation	127,000	129,500	56,655	72,845
Cultural and recreation	113,942	103,288	84,820	18,468
Environmental protection	219,500	226,295	31,323	194,972
Other	26,172	31,472	-	31,472
Debt service:				
Principal retirement	84,513	9,333	9,333	-
Interest and other charges	1,691	1,691	1,691	-
Total expenditures	1,378,651	1,392,183	1,192,690	199,493
Revenues over (under) expenditures	-	-	220,449	220,449
Net change in fund balance	\$ -	\$ -	220,449	\$ 220,449
Fund balance - beginning			906,639	
Fund balance - end of year			\$ 1,127,088	

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

TOWN OF WINGATE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

Exhibit G

	<u>Water and Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 553,286	\$ 553,286
Restricted Cash	39,370	39,370
Accounts Receivable (net)	181,710	181,710
Total current assets	<u>774,366</u>	<u>774,366</u>
Non-current assets		
Capital Asset:		
Land and construction in progress	208,937	208,937
Other capital assets, net depreciation	8,187,256	8,187,256
Total capital assets	<u>8,396,193</u>	<u>8,396,193</u>
Total Noncurrent Assets	<u>8,396,193</u>	<u>8,396,193</u>
Total assets	<u>9,170,559</u>	<u>9,170,559</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	<u>62,573</u>	<u>62,573</u>
Total deferred outflows of resources	<u>62,573</u>	<u>62,573</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	132,848	132,848
Customer deposits	35,170	35,170
Unavailable revenue	1,008	1,008
Current portion of long-term debt	142,063	142,063
Total current liabilities	<u>311,089</u>	<u>311,089</u>
Long-term liabilities		
Net pension liability	75,320	75,320
Compensated absences	17,829	17,829
Long-term debt	2,684,578	2,684,578
Total long-term liabilities	<u>2,777,727</u>	<u>2,777,727</u>
Total liabilities	<u>3,088,816</u>	<u>3,088,816</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>7,118</u>	<u>7,118</u>
Total deferred inflows of resources	<u>7,118</u>	<u>7,118</u>
NET POSITION		
Net investment in capital assets	5,569,552	5,569,552
Unrestricted	567,646	567,646
Total net position	<u>\$ 6,137,198</u>	<u>\$ 6,137,198</u>

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

TOWN OF WINGATE, NORTH CAROLINA *Exhibit H*
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Enterprise Funds	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Water charges	\$ 735,168	\$ 735,168
Sewer charges	890,598	890,598
Water and sewer taps	15,402	15,402
Other operating revenues	79,892	79,892
Total operating revenues	1,721,060	1,721,060
OPERATING EXPENSES		
Water operations	621,778	621,778
Sewer operations	734,086	734,086
Depreciation	234,765	234,765
Total operating expenses	1,590,629	1,590,629
Operating income (loss)	130,431	130,431
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	1,264	1,264
Interest expense	(83,620)	(83,620)
Grants	133,309	133,309
Total nonoperating revenues (expenses)	50,953	50,953
Income (loss) before contributions and transfers	181,384	181,384
Change in net position	181,384	181,384
Total net position, beginning	5,955,814	5,955,814
Total net position, ending	\$ 6,137,198	\$ 6,137,198

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

TOWN OF WINGATE, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017
Business-Type Activities

Exhibit I

	Enterprise Funds	
	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,683,278	\$ 1,683,278
Cash paid for goods and services	(900,437)	(900,437)
Cash paid to or on behalf of employees for services	(469,022)	(469,022)
Other operating revenues	44,497	44,497
Net cash provided by (used in) operating activities	358,316	358,316
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(138,497)	(138,497)
Interest paid	(83,619)	(83,619)
Fixed asset additions	(138,990)	(138,990)
Capital contributions - grants	194,230	194,230
Net cash provided by (used in) capital and related financing activities	(166,876)	(166,876)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,264	1,264
Net cash provided by (used in) investing activities	1,264	1,264
Net increase (decrease) in cash and cash equivalents	192,704	192,704
Cash balances, beginning of year	399,952	399,952
Cash balances, end of year	\$ 592,656	\$ 592,656
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 130,431	\$ 130,431
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	234,765	234,765
Pension expense/(revenue)	35,056	35,056
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	6,194	6,194
(Increase) decrease in prepaid expenses	180	180
Increase (decrease) in accounts payable	350	350
Increase (decrease) in accrued compensated balances	(8,322)	(8,322)
Increase (decrease) in unavailable revenues	(2,208)	(2,208)
Increase (decrease) in customer deposits	2,730	2,730
Increase (decrease) in deferred outflows of resources for pensions	(40,860)	(40,860)
Total adjustments	227,885	227,885
Net cash provided (used) by operating activities	\$ 358,316	\$ 358,316

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Town of Wingate ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Wingate ABC Board, 4104 Highway 74, Wingate, North Carolina 28174.

B. Basis of Presentation

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

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

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

The Town reports the following major governmental 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 public safety, street maintenance and construction, sanitation services, and general government services.

Town Hall and Fire Department Capital Project Fund – This fund is used to account for construction of a new Town Hall and Fire Department.

The Town reports the following major enterprise fund:

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

The Town reports the following non-major enterprise fund:

Highland Park Water Rehabilitation Capital Project Fund – This fund is used to account for water rehabilitation construction.

C. Measurement Focus and Basis of Accounting

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

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Wingate 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Town hall and fire department capital project fund and Highland Park water rehabilitation capital project fund. The water and sewer project funds are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager may transfer amounts between objects of expenditure within a department without limitations. If the transfer exceeds \$3,000, then the Town Manager shall report the transfer to the Board of Commissioners at the first regular meeting that occurs after the transfer takes place. The Town Manager may transfer amounts up to \$1,000 between departments of the same fund with a report of such transfers being given at the first regular meeting of the Board of Commissioners that occurs after the transfer takes place. During the year, several amendments to the original budget were necessary, the effects of which were not material.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost which is the NCCMT's share price. The NCCMT – Term portfolio's securities are valued at fair value.

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Cash

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

Town of Wingate Restricted Cash

Government Activities General Fund	
Streets	\$ 165,372
Customer deposits	1,500
Reserve for future USDA debt service	15,000
Total Governmental Activities	<u>\$ 181,872</u>
Business-type Activities	
Water and Sewer Fund	
Customer deposits	\$ 35,170
Reserve for future USDA debt service	4,200
Total Business-type Activities	<u>\$ 39,370</u>

TOWN OF WINGATE NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

4. Ad Valorem Taxes Receivable

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016.

5. Allowance for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the ABC Board are valued at the lower of cost or market on the first-in, first-out method.

The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of those inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, other plant and distribution systems, infrastructure, \$5,000; furniture and equipment, \$5,000; and vehicles and motorized equipment, \$5,000; computer software and computer equipment, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town has elected not to report major general infrastructure assets retroactively in the Statement of Net Assets as permitted for Phase Three governments under Governmental Auditing Standards Board Statement 34. Thus any amounts expended for infrastructure prior to July 1, 2003, are not reported as capital assets. 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.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

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

Asset Class	Estimated Useful Lives
Buildings	40
Infrastructure	50
Equipment and furniture	10
Vehicles and motorized equipment	7
Computer equipment	5
Computer software	3
Substations, lines, and other plant & distribution systems	50

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

Asset Class	Estimated Useful Lives
Buildings and improvement	40
Store equipment	5 – 10
Office equipment	5 – 10

8. Deferred Outflows /Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

The Town has one item that meets this criterion, contributions made to the pension plan in the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension related deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position.

*TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017*

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

In fund financial statements the face amount of debt issued is reported as other financial sources.

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

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)].

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Wingate’s employer contributions are recognized when due and the Town of Wingate 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.

NOTE 2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Significant Violations of Finance-Related Legal and Contractual Provisions

Wingate ABC Board

The ABC Board is not making quarterly distributions as required by G.S. 18B-805(g). for the year ended June 30, 2017 and 2016. For the year ended June 30, 2017, there were variances between the amounts approved in the budget and amounts expended on various line items. The ABC Board put procedures in place to monitor these noncompliance issues in the future.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2017, the Town's deposits had a carrying amount of \$1,431,017 and a bank balance of \$1,460,760. Of the bank balance, \$751,810 was covered by federal depository insurance, and \$708,950 in interest bearing deposits was covered by collateral held under the pooling method. The Town had cash on hand of \$480 at June 30, 2017. The ABC Board's deposits had a carrying amount of \$296,423 and a bank balance of \$306,227. Of the bank balance, \$250,000 was covered by federal depository insurance and \$56,227 was covered by collateral held under the pooling method.

2. Investments

At June 30, 2017, the town had invested \$246,267 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 formal policy regarding credit risk of its investments.

At June 30, 2017 the ABC Board had no investments. Local ABC Boards are allowed to invest idle funds in accordance with G.S. 159-30(c).

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

3. Receivables-Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and Statement of Net Position included no penalties levied and outstanding.

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2017 are net of the following allowances for doubtful accounts:

General Fund:			
Taxes receivable	\$	5,000	
Accounts receivable		513	
Total		<u>5,513</u>	
Proprietary Fund			
Total	\$	<u>7,558</u>	

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Primary Government				
Government Activities:				
Capital assets not being depreciated:				
Land	\$ 557,368	\$ -	\$ -	\$ 557,368
Construction in progress	<u>1,617,670</u>	<u>3,109</u>	<u>(1,611,178)</u>	<u>9,601</u>
Total capital assets not being depreciated	2,175,038	3,109	(1,611,178)	566,969
Capital assets being depreciated:				
Buildings and improvements	1,575,712	3,306,771	-	4,882,483
Infrastructure	1,017,818	8,100	-	1,025,918
Office furniture and equipment	75,050	144,024	-	219,074
Other equipment	66,401	-	-	66,401
Vehicles	<u>627,893</u>	<u>25,611</u>	<u>(20,026)</u>	<u>633,478</u>
Total capital assets being depreciated	3,362,874	3,484,506	(20,026)	6,827,354
Less: accumulated depreciation for:				
Building and improvements	699,403	107,176	-	806,579
Infrastructure	161,397	56,418	-	217,815
Office furniture and equipment	72,004	9,132	-	81,136
Other equipment	63,583	1,243	-	64,826
Vehicles	<u>557,127</u>	<u>31,246</u>	<u>(20,026)</u>	<u>568,347</u>
Total accumulated depreciation	<u>1,553,514</u>	<u>\$ 205,215</u>	<u>\$ (20,026)</u>	<u>1,738,703</u>
Total capital assets being depreciated, net	<u>1,809,360</u>			<u>5,088,651</u>
Governmental activity capital assets, net	<u>\$ 3,984,398</u>			<u>\$ 5,655,620</u>

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

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

Environmental	\$	124
General government		65,205
Public safety		31,589
Public services department		64,738
Parks and recreation department		43,559
Total depreciation expense	\$	<u>205,215</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 208,937	\$ -	\$ -	\$ 208,937
Total capital assets not being depreciated	<u>208,937</u>	<u>-</u>	<u>-</u>	<u>208,937</u>
Capital assets being depreciated:				
Plant and distribution systems	10,080,995	112,242	-	10,193,237
Buildings and improvements	81,645	-	-	81,645
Infrastructure	-	26,749	-	26,749
Maintenance equipment	524,138	-	-	524,138
Office furniture and equipment	31,662	-	-	31,662
Vehicles	76,308	-	-	76,308
Total capital assets being depreciated	<u>10,794,748</u>	<u>138,990</u>	<u>-</u>	<u>10,933,739</u>
Less: accumulated depreciation for:				
Plant and distribution systems	1,990,285	204,181	-	2,194,466
Building and improvements	7,915	2,131	-	10,046
Maintenance equipment	440,936	15,685	-	456,621
Office furniture and equipment	31,662	-	-	31,662
Vehicles	40,920	12,768	-	53,688
Total accumulated depreciation	<u>2,511,718</u>	<u>\$ 234,765</u>	<u>\$ -</u>	<u>2,746,483</u>
Total capital assets being depreciated, net	<u>8,283,030</u>			<u>8,187,256</u>
Business-type activity capital assets, net	<u>\$ 8,491,967</u>			<u>\$ 8,396,193</u>

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2017, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, net				
Leasehold improvements	\$ 78,032	\$ -	\$ -	\$ 78,032
Store equipment	42,689	-	-	43,689
Office equipment	<u>41,044</u>	<u>1,068</u>	-	<u>43,113</u>
Total capital assets being depreciated	<u>161,765</u>	<u>1,068</u>	<u>-</u>	<u>162,834</u>
Less accumulated depreciation for:				
Leasehold improvements	21,784	5,202	-	26,986
Store equipment	25,209	8,413	-	33,622
Office equipment	<u>20,476</u>	<u>7,120</u>	-	<u>27,598</u>
Total accumulated depreciation	<u>67,469</u>	<u>\$ 20,735</u>	<u>\$ -</u>	<u>88,206</u>
ABC capital assets, net	<u>\$ 94,296</u>			<u>\$ 74,628</u>

B. Liabilities

1. Pension Plan Obligations

a. **Local Governmental Employees' Retirement System**

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Wingate 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 Wingate's contractually required contribution rate of the year ended June 30, 2017, was 8.0% of compensation for law enforcement officers and 7.25% 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 Wingate were \$60,757 for the year ended June 30, 2017.

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.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

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

At June 30, 2017, the Town reported a liability of \$338,938 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the Town's proportion was .01597%, which was an increase of .00311% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$86,609. At June 30, 2017, 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	\$ 6,368	\$ 11,877
Changes of assumptions	23,215	-
Net difference between projected and actual earnings on pension plan investments	187,390	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,840	20,151
Town contributions subsequent to the measurement date	60,757	-
Total	<u>\$ 281,570</u>	<u>\$ 32,028</u>

\$60,757 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	22,704
2019		22,808
2020		88,579
2021		54,693
2022		-
Thereafter		-

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

Actuarial Assumptions. The total pension liability in the December 31, 2015 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 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return 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 7.25%. 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’s proportionate share of the net pension liability to change in the discount rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 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%)
Town’s proportionate share of the net pension liability (asset)	\$ 804,455	\$ 338,938	\$ (49,899)

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

b. Law Enforcement Officers’ Special Separation Allowance

(1) Plan Description

The Town of Wingate, NC administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The plan does not issue a separate financial report.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
Total	<u>7</u>

(2) Summary of Significant Accounting Policies

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

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

(3) Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 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 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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. All mortality rates are projected from RP-2014 Total Data Set Mortality Tables using generational improvement with Scale MP-2015.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

(4) Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefit earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town has not paid any benefits for this reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$126,327. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing standard actuarial techniques incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$14,066.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,018
Changes of assumptions		
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ -	\$ 4,018

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (621)
2019	(621)
2020	(621)
2021	(621)
2022	(621)
2023	(913)

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 143,009	\$ 126,327	\$ 111,503

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

	2017
Beginning balance	\$ 116,279
Service Cost	10,536
Interest on the total pension liability	4,151
Changes of benefit terms	
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(4,639)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 126,327

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

d. Other Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare benefits plan (the HCB Plan). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employee’s Retirement System and have at least fifteen years of creditable service with the Town. The Town pays a maximum annual stipend to retired persons based on the number of years of service. The Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2017:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	2	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active Plan Members	10	7
Total	<u>12</u>	<u>7</u>

Funding Policy. By Town resolution, the Town pays a maximum annual stipend to be used for the health benefits of qualified retirees. The stipend varies based on the number of years of service. The Town has chosen to fund the healthcare benefits on a pay as you go basis. During the fiscal year ended June 30, 2017, the Town’s total contributions were \$1,380.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

The following table shows the components of the Town’s annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation for the healthcare benefits:

Annual required contributions	\$	9,779
Interest on net OPEB obligation		194
Adjustment to annual required contribution		6,045
Annual OPEB cost (expense)		<u>16,018</u>
Contributions made		<u>(1,380)</u>
Increase (decrease) in net OPEB obligation		14,638
Net OPEB obligation, beginning of year		<u>54,078</u>
Net OPEB obligation, end of year	\$	<u><u>68,716</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 9,779	14.11%	\$ 68,716
2016	8,875	30.4%	54,078
2015	7,678	35.2%	47,903

Funding Status and Funding Progress. As of June 30, 2017 the actuarial accrued liability for benefits was \$68,716, which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$785,586 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.75 percent.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2013 United States Life Tables for Males and Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 12.00 percent initially, reduced to an ultimate rate of 6.00 percent after six years, was used.

Health insurance premiums – 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.8 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2013 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was 3.0%.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.00 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2017, was 14 years.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

Other Post Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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.

2. Deferred outflows and Inflows of Resources

Deferred outflows of resources at June 30, 2017, consist of the following:

Contributions to pension plan in current fiscal year	\$	60,757
Differences between expected and actual experience		6,368
Changes of assumptions		23,215
Net difference between projected and actual		187,390
Changes in proportion and differences between employer contributions and proportionate share of contributions		3,840
Total	\$	<u>281,570</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 21,612
Differences between expected and actual experience	15,895	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,151	-
Total	<u>\$ 36,046</u>	<u>\$ 21,612</u>

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$5 million and auto liability coverage of \$3 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of total insurance values. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town does not carry flood insurance because no significant property of the Town is in an area that has been mapped as a flood zone.

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

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

Town of Wingate ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The ABC Board has commercial property, general liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage.

Claims have not exceeded coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage in the prior year. In accordance with G.S. 18B-700(i) each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

4. Long-Term Obligations

a. Community Center

On April 18, 2006, the Town obtained financing from a bank for the construction of a new community center. Principal payments of \$778 and interest payments at 4.14% are to be made monthly with the last payment due April 2021.

Balances at June 30, 2017 are as follows:

Note payable	\$	35,777
Less portion due within one year		<u>(9,333)</u>
Long-term debt	\$	<u>26,444</u>

The following summarizes the annual required payments for the community center.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,333	\$ 1,304	\$ 10,637
2019	9,333	917	10,250
2020	9,333	532	9,865
2021	7,778	148	7,926
Thereafter	-	-	-
	\$ <u>35,777</u>	\$ <u>2,901</u>	\$ <u>38,678</u>

b. Town Hall and Fire Department

On December 7, 2016, the Town obtained financing from USDA and paid the Interim loan with the bank regarding the construction of the new town hall and fire department loan. The USDA note paid off the BB&T \$3,480,000 debt. The principal and all accrued and unpaid interest (2.375%) are due December 2056.

Note Payable	\$	3,480,000
Less portion due within one year		<u>(53,105)</u>
Long-term debt	\$	<u>3,426,895</u>

The following summarizes the annual requirements to amortize the installment purchase for the new town hall and fire department USDA loan.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 53,105	\$ 82,650	\$ 135,755
2019	54,366	81,389	135,755
2020	55,657	80,098	135,755
2021	56,979	78,776	135,755
2022	58,333	77,422	135,755
Thereafter	3,201,560	1,548,073	4,749,633
	\$ <u>3,480,000</u>	\$ <u>1,948,408</u>	\$ <u>5,428,408</u>

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

c. Water and Sewer Rehabilitation Projects

On November 12, 2009 the Town obtained financing from a bank to improve water and sewer lines related to the Dianne Street and Bivens Street projects. Under this note, monthly payments are \$2,926 which includes interest at 4.92 percent. The note matures in November 2029.

Balances at June 30, 2017 are as follows:

Notes Payable	\$	325,729
Less portion due within one year		<u>(19,519)</u>
Long-term debt	\$	<u>306,210</u>

The following summarizes the annual requirements to amortize the installment purchase for the sewer rehabilitation:

Fiscal Year	Principal	Interest	Total
2018	\$ 19,519	\$ 15,590	\$ 35,109
2019	20,502	14,607	35,109
2020	21,533	13,576	35,109
2021	22,617	12,492	35,109
2022	23,755	11,354	35,109
Thereafter	217,803	42,589	260,392
	<u>\$ 325,729</u>	<u>\$ 110,208</u>	<u>\$ 435,937</u>

On May 10, 2012 the Town obtained financing from a bank to improve water lines related to the Camden Street project. Under this note, semi-annual payments of \$34,239 include interest at 3.39 percent. The note matures in May 2027.

Balances at June 30, 2017 are as follows:

Notes payable	\$	576,698
Less portion due within one year		<u>(49,343)</u>
Long-term debt	\$	<u>527,355</u>

The following summarizes the annual requirements to amortize the installment purchase for the sewer rehabilitation:

Fiscal Year	Principal	Interest	Total
2018	\$ 49,343	\$ 19,136	\$ 68,479
2019	51,030	17,449	68,479
2020	52,775	15,704	68,479
2021	54,579	13,900	68,479
2022	56,445	12,034	68,479
Thereafter	312,526	29,867	342,393
	<u>\$ 576,698</u>	<u>\$ 108,090</u>	<u>\$ 684,788</u>

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

In July 2012 the Town obtained financing to improve the Town’s water and sewer system. The note is due in annual principal payments of \$57,201 and semi-annual interest payments accrued at a rate of 2%. Additionally, \$1,000,000 of the loan will be forgiven. The remainder of the note is due in May 2033.

Balances at June 30, 2017 are as follows:

Notes payable	\$	915,214
Less portion due within one year		(57,201)
Long-term debt	\$	<u>858,013</u>

The following summarizes the annual requirements to amortize the installment purchase for the sewer rehabilitation:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 57,201	\$ 18,304	\$ 75,505
2019	57,201	17,160	74,361
2020	57,201	16,016	73,217
2021	57,201	14,872	72,073
2022	57,201	13,728	70,929
Thereafter	629,209	75,505	704,714
	<u>\$ 915,214</u>	<u>\$ 155,585</u>	<u>\$ 1,070,799</u>

Revenue Bond

Serviced by the Water & Sewer Fund:

\$1,039,000 water and sewer revenue bond, series 2015, issued for water and sewer system improvements with annual principal payments starting at \$15,000 and increasing periodically thereafter. Interest is payable annually at a rate of 2.625%.

Balances at June 30, 2017 are as follows:

Bond	\$	1,009,000
Less portion due within one year		(16,000)
Long-term debt	\$	<u>993,000</u>

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS** – Continued

The future payments of the revenue bond are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2018	\$ 16,000	\$ 26,486
2019	16,000	26,066
2020	17,000	25,646
2021	17,000	25,200
2022 – 2026	92,000	119,017
2027 – 2031	105,000	106,339
2032 – 2036	120,000	91,770
2037 – 2041	137,000	75,154
2042 – 2046	155,000	56,306
2047 – 2051	175,000	34,913
2052 – 2055	159,000	10,605
Total	\$ 1,009,000	\$ 597,502

The Town is in compliance with the covenants as to rates, fees and charges in Article VII, of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bond, Series 2015. Section 5.01 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2017, is as follows:

Operating revenues	\$	1,721,060
Operating expenses*		1,355,864
Operating income		365,196
Nonoperating revenues (expenses)**		77,833
Income available for debt service		443,029
Debt service, principal and interest paid (Revenue bond only)	\$	41,880
Debt service coverage ratio		1058%

* Per rate covenants, this does not include the depreciation expense of \$234,765.

** Per rate covenants, this does not include revenue bond interest paid of \$26,880.

The Town has pledged future water and sewer revenues, net of specified operating expenses, to repay the \$1,039,000 water and sewer revenue bond issued in December 2015. Proceeds from the bond provided financing for water and sewer system improvements. The bond is payable solely from water and sewer net revenues and is payable through 2055. Annual principal and interest payments on the bond are expected to require less than 9.5% of net revenues. The total principal and interest remaining to be paid on the bond is \$1,606,502. Principal and interest paid for the current year and total net revenues were \$41,880 and \$443,029 respectively.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - **DETAIL NOTES ON ALL FUNDS** – Continued

Changes in Long-Term Liabilities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 3,525,110	\$ -	\$ 9,333	\$ 3,515,777	\$ 62,438
Compensated absences	40,353	-	6,650	33,703	-
Other postemployment benefits	54,078	14,638	-	68,716	-
Net pension liability (LGERS)	34,400	229,218	-	263,618	-
Net pension obligation (LEO)	32,181	94,146	-	126,327	-
Governmental activity Long-term liabilities:	<u>\$ 3,686,122</u>	<u>\$ 338,002</u>	<u>\$ 15,983</u>	<u>\$ 4,008,141</u>	<u>\$ 62,438</u>
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
Business-type activities:					
Installment purchases	\$ 1,941,138	\$ -	\$ 123,497	\$ 1,817,641	\$ 126,063
General bond obligations	1,024,000	-	15,000	1,009,000	16,000
Net pension liability (LGERS)	23,315	52,005	-	75,320	-
Compensated absences	26,151	-	8,322	17,829	-
Business-type activity Long-term debt	<u>\$ 3,014,604</u>	<u>\$ 52,005</u>	<u>\$ 146,819</u>	<u>\$ 2,919,790</u>	<u>\$ 142,063</u>

For governmental activities, compensated absences and the installment purchases are liquidated by the general fund.

Fund Balance

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

Total fund balance – General Fund	\$ 1,127,088
Less:	
Prepays	4,708
Stabilization by State Statute	163,862
Streets – Powell Bill	165,371
Remaining Fund Balance	<u>\$ 793,147</u>

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued.

NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased by \$84,098.

NOTE 7 - PRIOR PERIOD ADJUSTMENT

During the current year it was noted that \$18,000 of land was not capitalized in the prior year. A prior period adjustment was made to beginning net assets.

Net assets as previously reported	\$ 3,137,732
Prior period adjustment	18,000
Change in account in principle/restatement – See Note 6	<u>(84,098)</u>
Beginning net assets as restated	<u>\$ 3,071,634</u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF WINGATE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

Exhibit J

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b - a)/c)
6/30/2017	\$ -	\$ 68,716	\$ 68,716	0%	\$ 785,586	8.7%
6/30/2016	-	62,879	62,879	0%	639,154	9.8%
6/30/2015	-	53,660	53,660	0%	602,472	8.9%
6/30/2014	-	54,823	54,823	0%	611,549	9.0%
6/30/2013	-	52,526	52,526	0%	746,300	7.0%
6/30/2012	-	58,814	58,814	0%	611,649	9.6%
6/30/2011	-	87,911	87,911	0%	697,479	12.6%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2017	\$ 9,779	14.1%
2016	8,875	30.4%
2015	7,678	35.2%
2014	7,722	35.0%
2013	7,368	36.6%
2012	7,500	36.0%
2011	11,591	23.3%

TOWN OF WINGATE, NORTH CAROLINA
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
*Last Four Fiscal Years**

Exhibit K

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Wingate's proportion of the net pension liability (asset) %	0.01597%	0.01286%	0.01318%	0.01580%
Wingate's proportion of net pension liability (asset) \$	\$ 338,937	\$ 57,715	\$ (77,729)	\$ 190,451
Wingate's covered-employee payroll	\$ 757,161	\$ 687,332	\$ 643,321	\$ 688,510
Wingate's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	42.51%	8.40%	(12.08%)	27.66%
Plan fiduciary net position as a percentage of the total pension liability	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.

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Last Four Fiscal Years

Exhibit L

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 47,841	\$ 53,747	\$ 47,336	\$ 44,941
Contributions in relation to the contractually required contribution	<u>47,841</u>	<u>53,747</u>	<u>47,336</u>	<u>44,941</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wingate's covered-employee payroll	\$ 797,336	\$ 757,161	\$ 687,332	\$ 643,321
Contributions as a percentage of covered-employee payroll	6.00%	7.10%	6.89%	6.99%

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

Exhibit M

	2017
Beginning Balance	\$ 116,279
Service Cost	10,536
Interest on the total pension liability	4,151
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	-
Benefit payments	(4,639)
Other changes	-
Ending balance of the total pension liability	\$ 126,327

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

TOWN OF WINGATE, NORTH CAROLINA
TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit N

	<u>2017</u>
Total pension liability	\$ 126,327
Covered payroll	332,134
Total pension liability as a percentage of covered payroll	38.030%

Notes to the schedules:

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

December 31, 2016 Measurement Rate: The Municipal Bond Index Rate increased from 3.57% to 3.86%.

SUPPLEMENTARY INFORMATION

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

Schedule 1
Page 1 of 3

	2017		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes:			
Taxes	\$ 550,400	\$ 543,941	\$ (6,459)
Penalties and interest	2,700	2,707	7
Total ad valorem taxes	<u>553,100</u>	<u>546,648</u>	<u>(6,452)</u>
Other taxes and licenses			
Privilege licenses	165	165	-
Total other taxes and licenses	<u>165</u>	<u>165</u>	<u>-</u>
Unrestricted intergovernmental:			
Local option sales tax	164,500	166,568	2,068
Utility franchise tax	149,300	148,887	(413)
Beer and wine tax	16,300	16,330	30
Drug taxes	250	286	36
Cable TV franchise	2,600	-	(2,600)
ABC profit distribution	25,000	39,970	14,970
Total unrestricted intergovernmental	<u>357,950</u>	<u>372,041</u>	<u>14,091</u>
Restricted intergovernmental			
Powell Bill allocation	92,000	91,847	(153)
Solid waste disposal tax	2,000	1,844	(156)
ABC revenue for law enforcement	4,000	4,000	-
Total restricted intergovernmental	<u>98,000</u>	<u>97,691</u>	<u>(309)</u>
Permits and fees:			
Court fees	1,068	1,068	-
Zoning fees	1,800	1,865	65
Total permits and fees	<u>2,868</u>	<u>2,933</u>	<u>65</u>
Sales and service:			
Garbage collection	198,000	192,553	(5,447)
Security service	160,000	160,000	-
Park concessions and rents	13,600	14,150	550
Total sales and service	<u>371,600</u>	<u>366,703</u>	<u>(4,897)</u>

Continued

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
For the Year Ended June 30, 2017

Schedule 1
Page 2 of 3

	2017		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Other general revenues:			
Cemetery	\$ 5,200	\$ 5,625	\$ 425
Miscellaneous	1,908	19,713	17,805
Total other general revenues	<u>7,108</u>	<u>25,338</u>	<u>18,230</u>
Investment earnings	1,392	1,620	-
Total revenues	<u>1,392,183</u>	<u>1,413,139</u>	<u>20,728</u>
Expenditures			
Elected Officials:			
Salaries and employee benefits	12,960	12,272	688
Operating expenditures	49,199	547	48,652
Total general government	<u>62,159</u>	<u>12,819</u>	<u>49,340</u>
Administration:			
Salaries and employees benefits	107,552	99,169	8,383
Operating expenditures	96,682	73,934	22,748
Total administration	<u>204,234</u>	<u>173,103</u>	<u>31,131</u>
Planning:			
Salaries and employees benefits	2,225	350	1,875
Operating expenditures	3,950	2,894	1,056
Total public buildings	<u>6,175</u>	<u>3,244</u>	<u>2,931</u>
Total general governmental	<u>272,568</u>	<u>189,166</u>	<u>80,471</u>
Public safety			
Police:			
Salaries and employee benefits	518,195	499,783	18,412
Operating expenditures	80,041	68,105	11,936
Capital outlay	19,800	28,720	(8,920)
Total police	<u>618,036</u>	<u>596,608</u>	<u>21,428</u>
Total public safety	<u>618,036</u>	<u>596,608</u>	<u>21,428</u>

Continued

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

Schedule 1
Page 3 of 3

GENERAL FUND

For the Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
Transportation			
Streets:			
Operating expenditures	\$ 78,500	\$ 56,655	\$ 21,845
Capital outlay	51,000	-	51,000
Total transportation	<u>129,500</u>	<u>56,655</u>	<u>72,845</u>
Environmental Protection			
Public Services:			
Sanitation	187,000	185,848	1,152
Operating expenditures	39,295	37,246	2,049
Total environmental protection	<u>226,295</u>	<u>223,094</u>	<u>3,201</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	76,534	65,315	11,219
Operating expenditure	24,254	19,505	4,749
Capital outlay	2,500	-	2,500
Total culture and recreation	<u>103,288</u>	<u>84,820</u>	<u>18,468</u>
Community Outreach:			
Community enrichment	31,472	31,323	149
Total community outreach	<u>31,472</u>	<u>31,323</u>	<u>149</u>
Debt service:			
Principal retirement	9,333	9,333	-
Interest and other charges	1,691	1,691	-
Total debt service	<u>11,024</u>	<u>11,024</u>	<u>-</u>
Total expenditures	<u>1,392,183</u>	<u>1,192,690</u>	<u>196,562</u>
Revenues over (under) expenditures	<u>-</u>	<u>220,449</u>	<u>220,449</u>
Net change in fund balance	<u>\$ -</u>	<u>220,449</u>	<u>\$ -</u>
Fund balances, beginning		<u>906,639</u>	
Fund balances, ending		<u>\$ 1,127,088</u>	

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
TOWN HALL AND FIRE DEPARTMENT CAPITAL PROJECT FUND
From Inception and For the Year Ended June 30, 2017

Schedule 3

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:					
Capital outlay:					
Construction	2,893,000	1,239,778	1,574,823	2,814,601	78,399
Legal fees	10,000	15,834	90,790	106,624	(96,624)
Professional services	245,000	347,466	38,351	385,817	(140,817)
Furnishings	210,000	-	144,024	144,024	65,976
Contingency	142,000	-	-	-	142,000
Total expenditures	<u>3,500,000</u>	<u>1,603,078</u>	<u>1,847,988</u>	<u>3,451,066</u>	<u>48,934</u>
REVENUES OVER					
(UNDER) EXPENDITURES	<u>(3,500,000)</u>	<u>(1,603,078)</u>	<u>(1,847,988)</u>	<u>(3,451,066)</u>	<u>(48,934)</u>
OTHER FINANCING SOURCES/(USES):					
Loan proceeds	3,480,000	3,480,000	-	3,480,000	-
Transfer from General Fund:					
Water & Sewer Fund	-	27,457		27,457	27,457
General fund	20,000	23,128		23,128	3,128
Interest income	-	271	28	299	299
Total other financing sources:	<u>3,500,000</u>	<u>3,530,856</u>	<u>28</u>	<u>3,530,884</u>	<u>30,884</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,927,778</u>	<u>(1,847,960)</u>	<u>\$ 79,818</u>	<u>\$ (18,050)</u>
Fund balance, beginning			<u>1,927,778</u>		
Fund balance, ending			<u>\$ 79,818</u>		

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
WATER AND SEWER FUND
For the Year Ended June 30, 2017

Schedule 4
Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Water sales	\$ 784,100	\$ 735,168	\$ (48,932)
Sewer charges	893,000	890,598	(2,402)
Water and sewer taps	20,000	15,402	(4,598)
Other operating revenues	42,255	79,892	37,637
Total operating revenues	1,739,355	1,721,060	(18,295)
Nonoperating revenues			
Interest on Investments	1,000	1,264	264
Total nonoperating revenues	1,000	1,264	264
Total revenues	1,740,355	1,722,324	(18,031)
Expenditures			
Water Operations:			
Salaries and employee benefits	247,372	234,512	12,860
Other operating expenditures	439,420	394,329	45,091
Total	686,792	628,841	57,951
Sewer Operations			
Salaries and employees benefits	247,372	234,511	12,861
Other operating expenditures	583,128	506,638	76,490
Total	830,500	741,149	89,351
Debt Service			
Interest Fees	83,709	83,620	89
Principal Retirement	147,418	138,497	8,921
Total	231,127	222,117	9,010
Capital Outlay:			
Equipment and Improvements	26,748	26,748	-
Total	26,748	26,748	-
Total Expenditures	1,775,167	1,618,855	156,312
Revenues Over/(Under) Expenditures	\$ (34,812)	\$ 103,469	\$ 138,281

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
WATER AND SEWER FUND
For the Year Ended June 30, 2017

Schedule 4
Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses)			
Transfers (to) from other funds			
Unappropriated fund balance	\$ 34,812	\$ -	\$ (34,812)
Total other financing sources (uses)	34,812	-	(34,812)
Revenues and other financing sources (uses)			
over (under) expenditures	-	\$ 103,469	\$ 103,469
Reconciliation from budgetary basis (modified accrual)			
to full accrual basis			
Net change in fund balance		\$ 103,469	
Principal retirement		138,497	
Capital outlay		26,748	
Increase in Accrued Vacation		8,321	
Pension Revenue/(Expense)			
Deferred outflow of resources for contributions made			
to pension plan in the current fiscal year.		5,805	
Depreciation		(199,229)	
Highland Park Water Rehabilitation Capital Project Fund:			
Grants		133,309	
Deprecation		(35,536)	
Total reconciling items		77,915	
Change in net position		\$ 181,384	

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
HIGHLAND PARK WATER REHABILITATION CAPITAL PROJECT FUND
For the Year Ended June 30, 2017

Schedule 5

	Budget	Prior Year	Actual - Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental:					
Federal grants	\$ 830,015	\$ 696,706	\$ 133,309	\$ 830,015	\$ -
State Grants	-	-	-	-	-
Total revenues	830,015	696,706	133,309	830,015	-
Expenditures					
Debt Service:					
Principal Retirement	-	15,000	-	15,000	(15,000)
Interest	-	12,478	-	12,478	(12,478)
Total Debt Service	-	27,478	-	27,478	(27,478)
Capital Outlay:					
Legal & Professional Fees	389,015	345,482	24,380	369,862	19,153
Construction	1,400,000	1,405,658	87,862	1,493,520	(93,520)
Contingency	80,000	-	-	-	80,000
Total Capital Outlay	1,869,015	1,751,140	112,242	1,863,382	(74,367)
Total expenditures	1,869,015	1,778,618	112,242	1,890,860	(101,845)
Revenues (under) expenditures	(1,039,000)	(1,081,912)	21,067	(1,060,845)	(21,845)
Other financing sources (uses)					
USDA bond proceeds	1,039,000	1,039,000	-	1,039,000	-
Interest income	-	85	42	127	127
Transfer from water & sewer fund	-	225,180	-	225,180	225,180
Transfer from general fund	-	4,210	-	4,210	4,210
Total other financing sources	1,039,000	1,268,475	42	1,268,517	229,517
Net change in fund balance	\$ -	\$ 186,563	\$ 21,109	\$ 207,672	\$ 207,672

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF NET POSITION
WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2017

Schedule 6

	Water	Sewer	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 273,876	\$ 279,411	\$ 553,287
Restricted Cash	39,370	-	39,370
Accounts Receivable (net) - billed	43,950	64,011	107,961
Accounts Receivable (net) - unbilled	31,318	42,431	73,749
Total current assets	388,514	385,853	774,367
Non-current assets			
Capital Asset:			
Land and construction in progress	113,186	95,751	208,937
Other capital assets, net depreciation	4,165,013	4,022,243	8,187,256
Total capital assets	4,278,199	4,117,994	8,396,193
Total Noncurrent Assets	4,278,199	4,117,994	8,396,193
Total assets	4,666,713	4,503,847	9,170,560
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in			
current fiscal year	31,287	31,286	62,573
Total deferred outflows of resources	31,287	31,286	62,573
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	50,714	82,134	132,848
Customer deposits	35,170	-	35,170
Unavailable revenue	504	503	1,007
Current portion of long-term debt	84,862	57,201	142,063
Total current liabilities	171,250	139,838	311,088
Long-term liabilities			
Net pension liability	37,660	37,660	75,320
Compensated absences	8,915	8,914	17,829
Long-term debt	1,822,365	862,213	2,684,578
Total long-term liabilities	1,868,940	908,787	2,777,727
Total liabilities	2,040,190	1,048,625	3,088,815
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals			
	3,559	3,559	7,118
Total deferred inflows of resources	3,559	3,559	7,118
NET POSITION			
Net investment in capital assets	2,370,971	3,198,580	5,569,551
Unrestricted	283,279	284,369	567,648
Total net position	\$ 2,654,250	\$ 3,482,949	\$ 6,137,199

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

TOWN OF WINGATE, NORTH CAROLINA *Schedule 7*
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2017

	Water	Sewer	Total
OPERATING REVENUES			
Charges for Service	\$ 770,562	\$ 890,598	\$ 1,661,160
Water and Sewer Taps	4,980	10,422	15,402
Other operating revenues	44,497	-	44,497
Total operating revenues	820,039	901,020	1,721,059
OPERATING EXPENSES			
Salaries	227,449	227,448	454,897
Operations	121,653	84,163	205,816
Water Treatment and Distribution	272,676	-	272,676
Waste Collection and Treatment	-	422,475	422,475
Depreciation	133,144	101,620	234,764
Total operating expenses	754,922	835,706	1,590,628
Operating income (loss)	65,117	65,314	130,431
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	679	585	1,264
Grants	133,309	-	133,309
Interest and other Charges	(64,171)	(19,448)	(83,619)
Total nonoperating revenues (expenses)	69,817	(18,863)	50,954
Income (loss) before contributions and transfers	134,934	46,451	181,385
Change in net position	134,934	46,451	181,385
Total net position, beginning as previously reported	2,519,316	3,436,498	5,955,814
Total net position, ending	\$ 2,654,250	\$ 3,482,949	\$ 6,137,199

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

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2017

Schedule 8
Page 1 of 2

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 786,590	\$ 896,688	\$ 1,683,278
Cash paid for goods and services	(402,115)	(498,322)	(900,437)
Cash paid to or on behalf of employees for services	(234,511)	(234,511)	(469,022)
Other operating revenues	44,497	-	44,497
Net cash provided by (used in) operating activities	194,461	163,855	358,316
 CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(72,004)	(66,493)	(138,497)
Interest paid	(64,171)	(19,448)	(83,619)
Fixed asset additions	(138,990)	-	(138,990)
Capital contributions - grants	194,231	-	194,231
Net cash provided by (used in) capital and related financing activities	(80,934)	(85,941)	(166,875)
 CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	679	585	1,264
Net cash provided by (used in) investing activities	679	585	1,264
Net increase (decrease) in cash and cash equivalents	114,206	78,499	192,705
Cash balances, beginning of year	199,040	200,912	399,952
Cash balances, end of year	\$ 313,246	\$ 279,411	\$ 592,657

Continued

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2017
Business-Type Activities

Schedule 8
Page 2 of 2

Reconciliation of operating income to net cash	Water	Sewer	Total
provided by operating activities:			
Operating income (loss)	\$ 65,117	\$ 65,314	\$ 130,431
Adjustments to reconcile operating income to net cash			
provided by operating activities:			
Depreciation	133,144	101,621	234,765
Pension expense/(revenue)	17,528	17,528	35,056
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	9,422	(3,228)	6,194
(Increase) decrease in prepaid expenses	90	90	180
Increase (decrease) in accounts payable	(7,876)	8,226	350
Increase (decrease) in compensated absences	(4,161)	(4,161)	(8,322)
Increase (decrease) in unavailable revenues	(1,104)	(1,104)	(2,208)
Increase (decrease) in customer deposits	2,730	-	2,730
Increase (decrease) in deferred outflows of resources for pensions	(20,430)	(20,430)	(40,860)
Total adjustments	129,343	98,542	227,885
Net cash provided (used) by operating activities	\$ 194,460	\$ 163,856	\$ 358,316

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

OTHER SCHEDULES

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND
June 30, 2017

Schedule 9

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 552,995	\$ 545,597	\$ 7,398
2015-2016	8,353	-	5,905	2,448
2014-2015	3,197	-	1,496	1,701
2013-2014	3,245	-	786	2,459
2012-2013	2,028	-	483	1,545
2011-2012	1,640	73	194	1,519
2010-2011	1,806	-	735	1,071
2009-2010	1,247	-	132	1,115
2008-2009	1,916	-	278	1,638
2007-2008	5,718	-	-	5,718
2006-2007	4,011	-	4,011	-
	<u>\$ 33,161</u>	<u>\$ 553,068</u>	<u>\$ 559,617</u>	26,612
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(5,000)</u>
Ad valorem taxes receivable - net				<u>\$ 21,612</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 546,648</u>
Taxes written off/ miscellaneous adjustments				15,676
Interest collected				<u>(2,707)</u>
Total collections and credits				<u>\$ 559,617</u>

TOWN OF WINGATE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Year Ended June 30, 2017

Schedule 10

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxes at current year's rate	\$ 130,025,235	0.42	\$ 546,106	\$ 483,335	\$ 62,771
Discoveries:					
Current year taxes	2,003,095	0.42	8,413	4,344	4,069
Abatements:	(362,857)	0.59	(1,524)	(1,524)	-
Total valuation	\$ 131,665,473				
Net levy			552,995	486,155	66,840
Uncollected taxes at June 30, 2017			(7,398)	(7,398)	-
Current year's taxes collected			\$ 545,597	\$ 478,757	\$ 66,840
Current levy collection percentage			98.66%	98.48%	100.00%

COMPLIANCE SECTION



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the **Town of Wingate, North Carolina**, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the **Town of Wingate's** basic financial statements, and have issued our report thereon dated November 22, 2017. Our report includes a reference to other auditors who have audited the financial statements of the Town of Wingate ABC Board, as described in our report on the **Town of Wingate, North Carolina's** financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Town of Wingate ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may

exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [17-1]

Compliance and Other Matters

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

Town of Wingate's Responses to Findings

The **Town of Wingate's** responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

November 22, 2017
Monroe, North Carolina





POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the **Town of Wingate, North Carolina**, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the **Town of Wingate's** major federal programs for the year ended June 30, 2017. The **Town of Wingate's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the **Town of Wingate** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

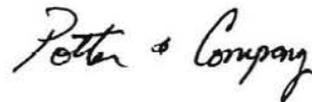
Management of the **Town of Wingate** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the **Town of Wingate's** internal control over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

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

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

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

November 22, 2017
Monroe, North Carolina



*TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017*

Section II - Financial Statement Findings

Finding 2017-1

SIGNIFICANT DEFICIENCY

- Criteria:*** The Town should have the internal controls in place to prepare its own financial statements and note disclosures for audit.
- Condition:*** The Town relies on the audit firm to prepare their annual financial statements and related note disclosures.
- Effect:*** The decision by the Town to place the burden for financial statement preparation with the audit firm results in a de facto significant deficiency in internal control. This internal control deficiency is mitigated from a material weakness to a significant deficiency by the fact that the Town Manager reviews and assists in the preparation of the financial statements.
- Cause:*** The Town has a small staff and limited financial resources to prepare the Town's financial statements.
- Recommendation:*** Financial statement preparation must continue to be monitored by a qualified Town employee and the responsibility for all management decisions must continue to lie with Town personnel.
- View of responsible officials and planned corrective actions:*** The Town agrees with this finding. The Town will continue to monitor the cost versus benefit of having Town personnel prepare the Town's financial statements.

*TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017*

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

*TOWN OF WINGATE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2017*

Section V – Corrective Action Plan

Finding 2017-1

Name of contact person: Karen Wingo, Finance Officer

Corrective action: Management will continue to monitor the cost versus benefit of having Town personnel prepare the Town's financial statements and the need to address such an issue internally.

Proposed Completion Date: The governing board will implement the above procedure immediately.

*TOWN OF WINGATE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2017*

Section VI – Summary Schedule of Prior Year Findings

Finding 2016-1

Status: Corrected

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct & - Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL AWARDS					
<u>U.S. Department of Agriculture</u>					
Direct Programs:					
Rural Utility Service (note 3)	10.760	NA	\$ 112,242	\$ -	\$ -
Community Facilities Loan (note 3)	10.766	NA	1,847,988	-	-
Total assistance federal awards			<u>1,960,230</u>	<u>-</u>	<u>-</u>
STATE AWARDS					
<u>N.C. Department of Transportation</u>					
Powell Bill		32570	-	23,659	-
Total assistance state awards			<u>-</u>	<u>23,659</u>	<u>-</u>
Total assistance			<u>\$ 1,960,230</u>	<u>\$ 23,659</u>	<u>\$ -</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Wingate under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Wingate.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Loans Outstanding

The Town of Wingate had the following loan balances at June 30, 2017 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2017 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>State / Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Rural Utility Service Funds	10.760	XXX	\$ 1,009,000
Community Facilities Loan	10.766	XXX	3,480,000