



**Town of Valdese
Town Council Meeting
Valdese Town Hall
102 Massel Avenue SW, Valdese
Monday, January 6, 2020
6:00 P.M.**

- 1. Call Meeting to Order**
- 2. Invocation**
- 3. Pledge of Allegiance**

4. Informational Items:

- A. Communication Notes
- B. Reading Material

5. Open Forum/Public Comment

- A. Recognition of Carolyn Curtis, HR Coordinator – Bimbo Bakery Toy Drive
- B. Big Brothers Big Sisters of Burke County Proclamation

6. Consent Agenda

All items below are considered to be routine by the Town Council and will be enacted by one motion. There will be no separate discussion of these items unless a Council Member so requests. In which event, the item will be removed from the Consent Agenda and considered under Item 7.

- A. Approval of Regular Meeting Minutes of December 2, 2019
- B. Budget Amendment

7. New Business

- A. Introduction of New Employees
- B. Presentation & Offer to Purchase Crowhill Park Property Located at 605 Pineburr Ave.
- C. Audit Report Presentation – FY 18-19 – Lowdermilk Church & Co., LLP
- D. Approval of FY 19-20 Audit Contract – Lowdermilk Church & Co., LLP
- E. Approval of Ordinance Declaring Road Closures for Town of Valdese Annual Events
- F. Award of Bid - Centrifuge Project
- G. Award of Bid - Paving Wastewater Plant
- H. Connelly Springs Wastewater Management Services Contract
- I. Adoption of Backflow Ordinance

8. Manager's Report

- A. Movies at the Rock: Wizard of Oz, January 10, 2020 at 7:00 p.m.
- B. Concerts at the Rock presents: Darin & Brooke Aldridge, January 11, 2020 at 7:30 p.m.
- C. Town Offices Closed Monday, January 20, 2020 in Observance of Martin Luther King Day
- D. Old Colony Players Productions Tennessee William's: Cat on a Hot Tin Roof, January 31 and February 1-2, 6-9, 2020. Visit www.oldcolonyplayers.com for location information and to purchase tickets.
- E. Next Council meeting scheduled for Monday, February 3, 2020, 6:00 p.m.

9. Mayor and Council Comments

10. Adjournment

COMMUNICATION NOTES

To: Mayor Black
Town Council

From: Seth Eckard, Town Manager

Date: January 3rd, 2020

Subject: Monday, January 6th, 2020 Council Meeting

6. Consent Agenda:

A. Approval of Regular Meeting Minutes of December 2, 2019

B. Budget Amendments

Enclosed in the agenda packet are budget amendments prepared by Finance Director Bo Weichel. These amendments will move funds into appropriate expenditure accounts.

7. New Business:

A. Introduction of New Employees

Public Works Director Bryan Duckworth will introduce Utility Field Service Technician I Jeremy Hudson.

B. Offer to Purchase Town-owned Property-Crowhill Park

Western North Carolina Housing Partnership contacted Town Manager Seth Eckard regarding the submittal of a new application for grant funds to build affordable workforce housing on two parcels located at 605 Pineburr Avenue (Crowhill property) comprised of five acres suitable for building. In 2016, Western NC Housing Partnership applied for funding for a similar project, but funding was not approved. WNC Housing Partnership is offering \$61,800 if the current application is approved. Enclosed in your packet is a memo from the Planning Department, a presentation from Western North Carolina Housing Partnership, and an Option to Purchase.

Requested Action: Staff recommends that Council adopt the Resolution and Option to Western NC Housing Partnership, Inc., to Purchase Town Property (Crowhill) Pursuant to G.S. 160A-279, contingent upon funding approval.

C. Audit Report Presentation – FY 18-19 – Lowdermilk Church & Co., LLP

Enclosed in the agenda packet is a copy of the FY 18-19 Audit Report. Rick Hammer, with Lowdermilk Church & Co., LLP, will be at the meeting to present the findings of the audit.

Requested Action: Staff recommends that Council adopt the audit as presented.

D. Approval of FY 19-20 Audit Contract – Lowdermilk Church & Co., LLP

Enclosed in the agenda packet is a memo from Finance Director Bo Weichel and a contract with Lowdermilk Church & Co., LLP, to audit the Town's accounts for FY 2019-2020, in the amount of \$15,960.00. The contract price will remain the same.

Requested Action: Staff recommends that Council approve the FY 19-20 audit contract in the amount of \$15,960.00.

E. Approval of Ordinance Declaring Road Closures for Town of Valdese Annual Events

Enclosed in the agenda packet is a request to close part of US 70/Main Street in Valdese for the Independence Day Celebration, Annual Waldensian Festival Events, Treats in the Streets, and Annual Christmas Parade. Actual dates and times are listed in the agenda packet along with street maps of each event road closure.

Requested Action: Staff recommends that Council approve the Ordinance Declaring Road Closures as presented.

F. Award of Bid - Centrifuge Project

Enclosed in the agenda packet is a bid to purchase centrifuge control equipment to Andritz Separation Inc. for the amount of \$219,989.00. The purchasing of this equipment is necessary for continued operation and compliance of the wastewater plant. This project is identified in the Capital Improvements Plan (CIP) and will be funded from the utility fund.

Requested Action: Staff recommends that Council approve the bid to Andritz Separation Inc. for the amount of \$219,989.00 to purchase centrifuge control equipment.

G. Award of Bid - Paving Waterwaste Plant

Enclosed in your agenda packet are bid tabulations for the paving of the Waterwaste Plant. This project is to mill existing pavement and pave the defined area. This is necessary to the upkeep and maintenance of the Wastewater Facility. A total of three bids were received; the lowest bid was submitted by Evans Construction Co. Inc., in the amount of \$46,050.00. This project is identified in the Capital Improvements Plan (CIP) and will be funded from the utility fund.

Requested Action: Staff requests that Council approve the bid to the lowest bidder, Evans Construction Co, Inc., in the amount of \$46,050.00 for the paving of the Waterwaste plant.

H. Connelly Springs Sewer Maintenance Contract

Enclosed in your agenda packet is a memo from Public Works Director Bryan Duckworth and a renewal contract with the Town of Connelly Springs for Wastewater Management Services. The

contract is for services dealing with repair and maintenance of the collections system with the town limits of Connelly Springs.

Requested Action: Staff recommends that Council approve the renewal of the maintenance contract with Connelly Springs as presented.

I. Adoption of Backflow Ordinance

Enclosed in your packet is a memo from Public Works Director Bryan Duckworth, a short informative of "What is Cross Connections," explaining how hazards can enter the Public Water System and a Backflow Ordinance for adoption. The NC Division of Water Quality requires an adopted ordinance as a part of the backflow/cross connection program.

Requested Action: Staff requests that Council approve the adoption of the Backflow Ordinance as part of the Utility Ordinance.

READING MATERIAL

VALDESE FIRE DEPARTMENT - MONTHLY ACTIVITY REPORT

NOVEMBER 1st-30th, 2019

THE BELOW REPORT OUTLINES THE ACTIVITIES PERFORMED BY THE FIRE DEPARTMENT DURING THE MONTH OF NOVEMBER, 2019. THE REPORT SHOWS THE AMOUNT OF TIME SPENT ON EACH ACTIVITY AND THE TYPE AND NUMBER OF EMERGENCY FIRE DEPARTMENT RESPONSES.

<u>ACTIVITY / FUNCTION</u>	<u>TOTAL HOURS</u>
STATION DUTY	120 HOURS
VEHICLE DUTY	90 HOURS
EQUIPMENT DUTY	52.5 HOURS
FIRE ADMINISTRATION	20 HOURS
TRAINING ADMINISTRATION	7 HOURS
MEETINGS	10 HOURS
FIRE PREVENTION ADMINISTRATION	16 HOURS
FIRE PREVENTION INSPECTIONS	9 HOURS
<u>TYPE / NUMBER OF INSPECTIONS:</u>	
ASSEMBLY	1
BUSINESS	2
DAYCARE	0
FACTORY	2
HAZARDOUS	1
MERCANTILE	6
RESIDENTIAL	0
STORAGE	<u>2</u>
TOTAL INSPECTIONS:	14
<u>VIOLATIONS NOTED:</u>	54
SAFE KIDS ADMIN/CRS INSPECTIONS	2 HOURS
PUBLIC RELATIONS	14 HOURS
HYDRANT MAINTENANCE	0 HOURS
SAFETY ADMINISTRATION	32 HOURS
PHYSICAL TRAINING	15 HOURS
TRAINING	37.5 HOURS
ON-DUTY EMERGENCY RESPONSES	63 HOURS
OFF-DUTY EMERGENCY RESPONSES	59.5 HOURS
FIRE/MEDICAL STANDBY	3 HOURS
OFF-DUTY TRAINING	85 HOURS
TOTAL TRAINING MANHOURS:	
(INCLUDES VOLUNTEER FIREFIGHTERS)	203.5 HOURS

FIRE DEPARTMENT EMERGENCY RESPONSES:**FIRE:**

FIRE ALARM	7
CARBON MONOXIDE ALARM	1
ODOR/SMOKE INVESTIGATION	1
MUTUAL AID TO STATION 56	1
MUTUAL AID TO STATION 67	0
STRUCTURE	2
OUTSIDE FIRE	0
STANDBY	1
SERVICE	0
ELECTRICAL HAZARD	<u>0</u>
	13

MEDICAL:

ABDOMINAL PAIN	2
ALLERGIC REACTION	0
ASSAULT	0
ASSIST EMS	0
BACK PAIN	1
CANCELLED ENROUTE	0
CARDIAC	1
CHEST PAIN	4
CHOKING	0
CODE BLUE	0
DIABETIC	1
DOA	0
FAINTING	0
FALL	13
GUNSHOT	0
LACERATION/HEMORRAGE	2
MOTOR VEHICLE ACCIDENT	4
OTHER	3
OVERDOSE/INTOXICATED	0
PREGNACY	0
PSYCHIATRIC	0
RESPIRATORY	2
SEIZURE	1
SICK	3
STABBING	0
STROKE	3
TRAUMATIC INJURY	2
UNCONSCIOUS	<u>3</u>
	45

FIRE AND MEDICAL:

MVA	0
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TOTAL: 58 RESPONSES

GREG STAFFORD, CHIEF
VALDESE FIRE DEPARTMENT



TOWN OF VALDESE, NC

ADVANCED METERING INFRASTRUCTURE IMPLEMENTATION PROJECT

MONTHLY PROJECT SUMMARY REPORT

December 15, 2019

Prepared by:



703 W. Johnson St.
Raleigh, NC 27603

I. PROJECT SUMMARY

Overall Project Completion:

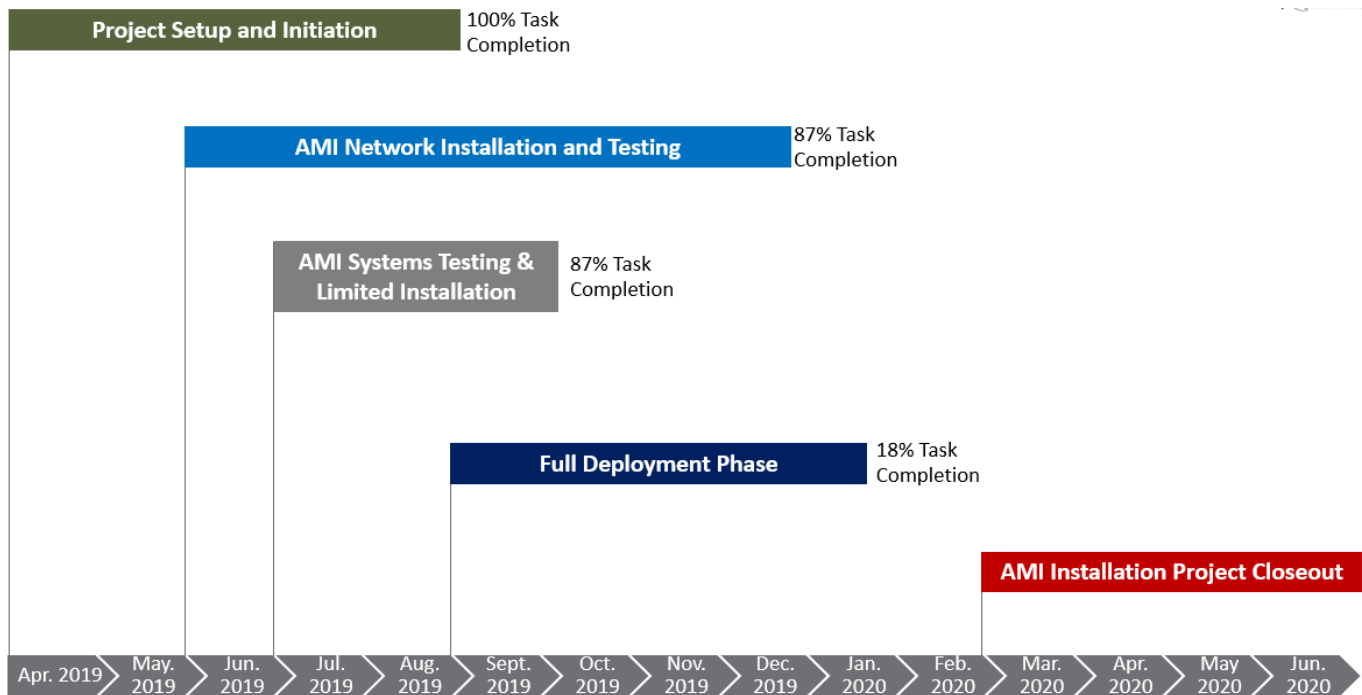


Figure 1. Town of Valdese AMI Project Progression Status

- The tasks for network install and systems testing were scheduled to have been completed in the original project timeline estimates, but are still in progress; details on the remaining activities and reasons for the shifted timeline are in their respective sub-sections below

II. NETWORK

- Mueller instated a new Project Manager in September; the documentation for the network field inspections conducted by the previous PM was lost, so those inspections had to be redone
- Mueller then determined some locations were not viable which required a new propagation analysis study to be run and additional field inspections to be completed
- Mueller has been coordinating with DOT on locations for new pole sets; the encroachment agreement between the DOT and City for these 3 locations is still in progress

Issue Resolution:

The following network issues were experienced this past month, along with the respective resolution

Issue: Logan St. collector was not receiving or sending RF signals, delaying server install messages and affecting the communication of installed meters and radios in Route 61

Resolution: MeterSYS Project Lead issued a hard reboot on the collector and worked with Mueller NOC to send server install messages to meters

Note: Since the Town needed reads for Route 61 for billing and the processing delay of ~48 hours after system reboot would have impacted the read window for bills, MeterSYS allocated field resources to collect these reads

via drive-by on 12/16-12/18, allowing the Town to not impact customer bills

Issue: Repeater at 806 Oakland Ave. was reported as stolen; 65 new meters in route 43 were paired to this repeater and required reads to be collected via drive-by for billing

Resolution: These reads were captured via drive-by by MeterSYS staff so as to not affect the Town's billing schedule; we recommend the Town file a police report and authorize the order of a replacement repeater

Completed

- 5 collectors have been installed on Town-owned elevated structures and all are correctly reporting
- 3 out of 6 new pole sets have been installed and their collectors mounted: Drexel Rd., Baxter St., and McGalliard park (pending power)
- 36 repeaters have been installed; 28 routed to collectors and reporting on the network (6 need to be routed)

Location	Connection Type	IP Address	Last Connection Time
Milton Road Pump Station	4G	10.144.10.121	12/13/2019 12:00:02 PM
Conservation Camp	4G	10.144.10.113	12/13/2019 12:00:02 PM
Water Treatment Plant	4G	10.144.10.186	12/13/2019 12:00:02 PM
Logan Street Tank Site	4G	10.144.10.106	12/13/2019 12:00:02 PM
Public Works Communications Tower	4G	10.144.10.188	12/13/2019 12:00:01 PM

Figure 2. Valdese Collector Network Performance in Mi.Net

In Progress

- 3 new pole sets and their collectors are ready for install: Westwood Dr., Huffman Bridge Rd., and intersection at Merritt/Enon Rd.; Mueller is coordinating with the Town to add these to the existing encroachment agreement with DOT and finalize exact locations
- Network testing is still occurring, and data cleanup is ongoing; MeterSYS Project Lead is continually monitoring system performance and working with Mueller NOC to optimize the system
- As of Dec. 15th, ~93% of meters were reporting on the network; electrical work on Drexel Rd. site should improve this by bringing that collector online
- Project team is working towards the goal of providing 98.5% of all reads over a 3-day read window

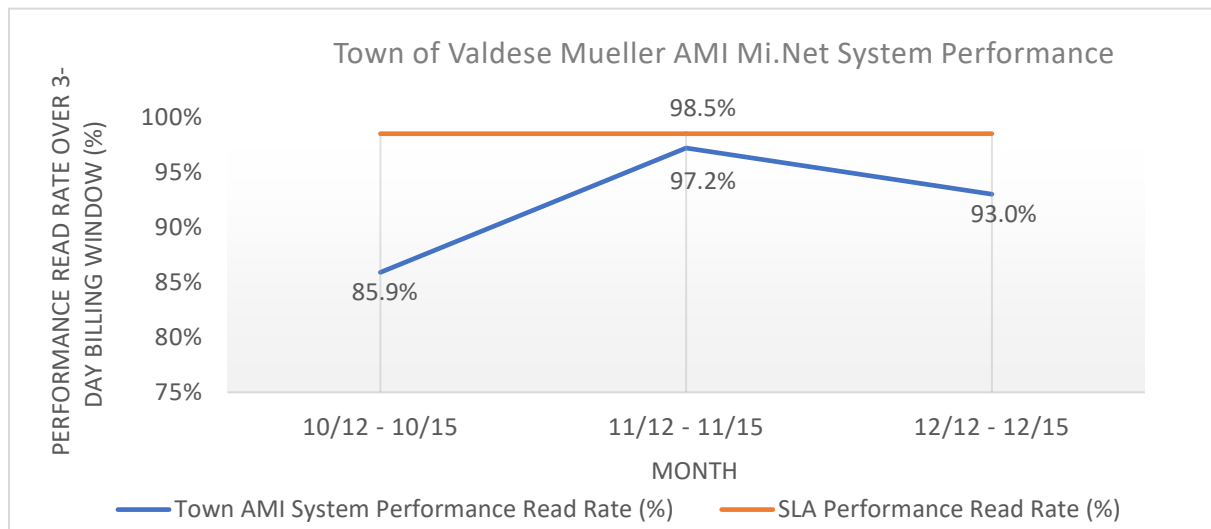


Figure 3. Town of Valdese AMI Network Performance Summary

III. INSTALLATION/EQUIPMENT

Completed:

- Installs completed in routes 47, 32, 61, 43; Current route: 45 (to be completed 12/23)

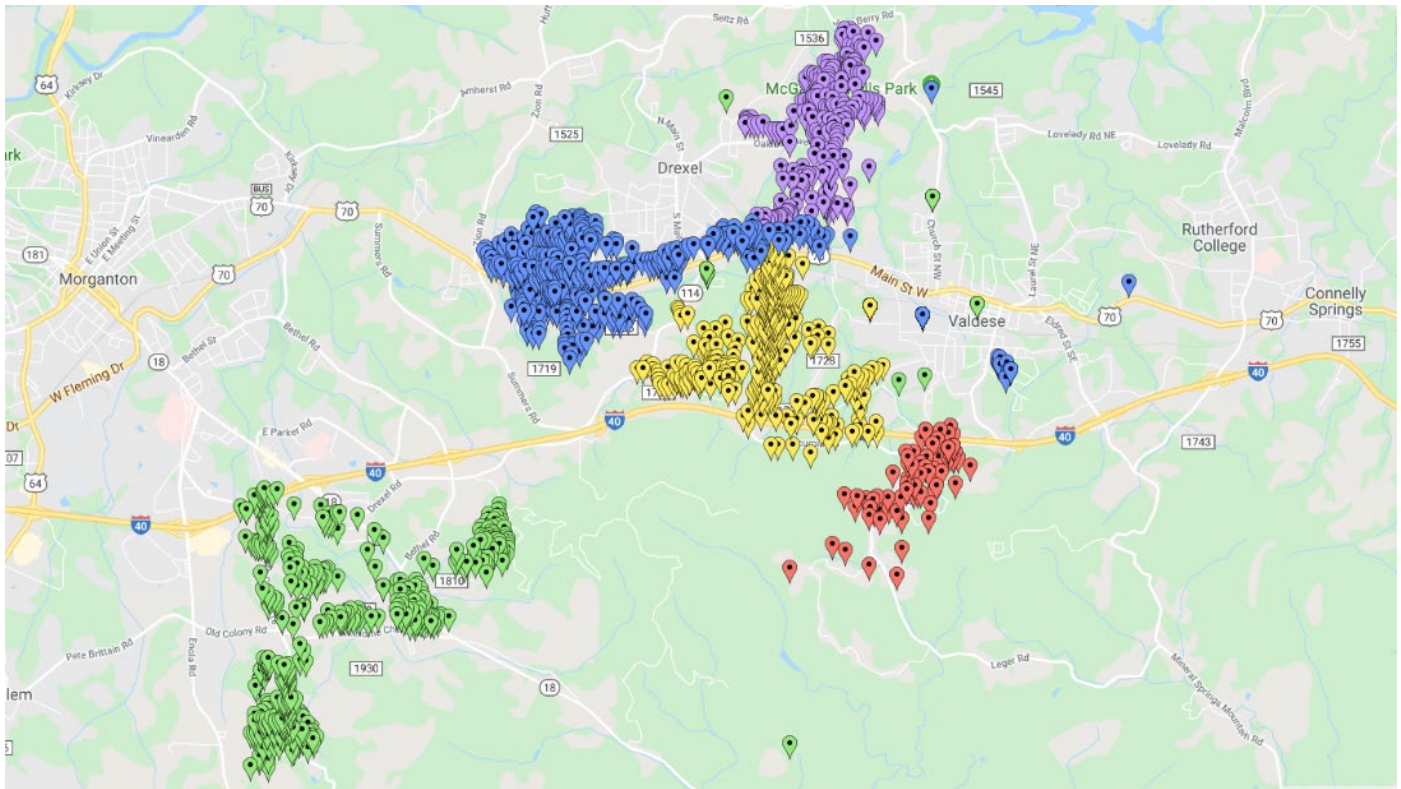


Figure 4. Town of Valdese Meter Install Progression Map

- The table below shows installs completed by route as of 12/15; while there is a route schedule for the installers, the Town is also conducting replacements of failed meters, and meters outside of routes 32, 47, 61, and 43 were replaced by Town staff

Routes	Total Active in Route	Installs Completed to Date	Inactive/Not Installed	RTU	Follow Up/Issues
Commission Only	0	36	0	0	0
2	11	11	0	0	0
3	6	6	0	0	0
4	1	1	0	0	0
5	5	5	0	0	0
6	5	5	0	0	0
7	1	1	0	0	0
8	6	6	0	0	0
9	1	1	0	0	0
10	12	12	0	0	0
11	1	1	0	0	0
26	2	2	0	0	0
31	2	2	0	0	0
32	528	528	0	0	0
43	237	219	0	16	2
45	355	0	0	0	0
47	90	90	0	0	0
51	1	1	0	0	0
61	506	478	0	24	4
Total	1806	1405	0	40	6

Table 1. Town of Valdese AMI Meter Installs Progression Summary

Next Steps:

- Large meter right-sizing analysis by Mueller in progress
- MeterSYS Project Lead will be onsite 1/30 to conduct field Quality Assurance (QA) in completed routes and inventory Quality Control (QC)

EQUIPMENT	INVENTORY QUANTITY	REMAINING (AS OF 12/15)
5/8 X 3/4	5100	3755
1"	31	14
1.5"	13	11
2"	10	1
3"	3	2
4"	16	15
6"	12	12
8"	3	3
10"	1	1

Table 2. Town of Valdese AMI Meter Inventory Data

IV. SYSTEMS INTEGRATION

Completed:

- Processed meter changeout file for routes 61 and 43
- Generated read files from AMI system for bills for routes 47, 32, 61, 43

In Progress:

- Mueller to update MMCO file field for date and time

Next Steps:

- Harris to test MMCO file for route 45 to confirm Mueller date/time field changes correct
- When testing confirmed accurate, process meter changeout file for route 45 on 1/2
- Generate read files for billing on 1/14

V. FINANCIALS MANAGEMENT

Project Element	Total Value	Total Expended to Date	Total % Expended
Equipment (excludes sales tax)	\$ 1,533,724	\$ 1,533,724	100%
Labor (excludes sales tax)	\$ 328,992	\$ 24,500	7%
Software	\$ 52,530.09	\$ 52,530	0%
Mueller Project Management	\$ 59,235.00	\$ 59,235	0%
Bond	\$ 15,700.00	\$ 15,700	0%
MeterSYS Program Management	\$ 198,743	\$ 69,780	35%
Harris Systems Integration	\$ 2,475	\$ 1,050	42%

Table 3. Valdese AMI Project Financials Summary

VI. UPCOMING ACTIVITIES

- 12/16 – 12/23: Changeout meters in Route 45
- 1/30: Onsite monthly project status meeting

December 2, 2019, MB#31

**TOWN OF VALDESE
TOWN COUNCIL REGULAR MEETING
DECEMBER 2, 2019**

The Town of Valdese Town Council met on Monday, December 2, 2019, at 6:00 p.m., in the Town Council Chambers at Town Hall, 102 Massel Avenue, SW, Valdese, North Carolina. The following were present: Mayor John F. "Chip" Black, Jr., Councilman Keith Ogle, Councilwoman Frances Hildebran, Councilwoman Susan Stevenson, Councilman J. Andrew Thompson, and Councilman Roy F. Sweezy. Also present were: Town Attorney Marc Mitchell, Town Manager Seth Eckard, Deputy Town Clerk Jessica Lail, and various department heads.

Absent: None.

A quorum was present.

Mayor Black called the meeting to order at 6:00 p.m. He offered the invocation and led in the Pledge of Allegiance to the Flag.

OPEN FORUM/PUBLIC COMMENT:

NEIGHBORHOOD WATCH Program - WILL MUELLER, 610 DIXIE AVE., VALDESE: Mr. Mueller thanked Mayor Black, Councilman Ogle, Manager Eckard, Chief of Police Moss, Sargent Beck, and Director of Public Works Duckworth for their encouragement, enthusiasm, and help for the Neighborhood Watch Program on "Rabbit Hill." The watch area covers the 300 block of Morganton St., 600/700 block of Dixie, 600 block of Washington Ave., and 700 block of Maple. The project started with 14 homes and approximately 24 members, and that number has increased to 24 homes and 39 members. Mr. Mueller has asked the program members to donate four hours a year to help keep the neighborhood safe. Mr. Mueller distributed to the Council minutes from the last meeting and shared an update on a few properties and concern with dogs running in the neighborhood. Mayor Black expressed his appreciation to Mr. Mueller and the members that have contributed their time to the Neighborhood Watch. Mr. Mueller invited other Council members to talk with him about how to start a watch program in their Wards. Mr. Mueller presented Councilman Ogle with a plaque and a card thanking him for all the work he has contributed to this program.

OATHS OF OFFICE: Burke County Clerk of Superior Court Mabel H. Lowman administered Oaths of Office to Councilman Keith Ogle Ward 5, while his wife, Elizabeth, held the Bible; Councilman Andy Thompson Ward 1, while his wife, Connie, held the Bible; Councilwoman Frances Hildebran Ward 4, while her grandson, Luke, held the Bible.

Mayor Black thanked Ms. Lowman for administering the oaths.

CONSENT AGENDA: (enacted by one motion)

APPROVED REGULAR MEETING MINUTES OF NOVEMBER 4, 2019

APPROVED REGULAR MEETING MINUTES OF NOVEMBER 14, 2019

RESOLUTION ADOPTING 2020 TOWN COUNCIL MEETING SCHEDULE:

**TOWN OF VALDESE
RESOLUTION ADOPTING 2020 TOWN COUNCIL MEETING SCHEDULE**

WHEREAS, pursuant to Section 2-1011 of the Town of Valdese Code of Ordinances, there shall be a regular meeting of the council at the town hall, on the first Monday in each month, at 6:00 p.m., unless another place, date or time shall be designated.

NOW, THEREFORE, BE IT RESOLVED that the Town of Valdese Town Council adopts the following Meeting Schedule for 2020:

January 6, 2020	
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December 2, 2019, MB#31

February 3, 2020	
March 2, 2020	
March 23, 2020	Annual Budget Retreat - Old Rock School - Waldensian Room Day 1: 9:00 a.m. – 5:00 p.m.
March 24, 2020	Annual Budget Retreat - Old Rock School - Waldensian Room Day 2: 1:00 p.m. – 5:00 p.m.
April 6, 2020	
April 20, 2020	Council Budget Workshop Dinner Town Hall - Community Room, 6:00 p.m.
May 4, 2020	
June 1, 2020	
June 29, 2020	Budget Public Hearing; serves as the July Council Meeting
August 3, 2020	
September 8, 2020	Tuesday, due to Labor Day Holiday
October 5, 2020	
November 2, 2020	
November 10, 2020	Tuesday, Annual Dinner Meeting with Valdese Merchants Association Old Rock School - Waldensian Room, 6:30 p.m.
December 7, 2020	

This 2nd day of December, 2019.

/s/ John F. "Chip" Black, Jr., Mayor

APPOINTMENTS/REAPPOINTMENTS TO BOARDS AND COMMISSIONS:

2020 Board and Commission Appointments/Reappointments

Arbor-Beautification (3-year terms)

Reappointment of Rose Mueller
Reappointment of Theresa Pizzelanti

Parks and Recreation Commission (3-year terms)

Reappointment of Robert Murray
Appointment of Cindy Powell

Public Art Commission (3-year terms)

Reappointment of Marc Mitchell
Leaving Hamilton Williams

Valdese Housing Authority (3-year terms)

Appointment of Dan Hoyle who is completing the unexpired term of Miriam Vaught

Valdese Youth Council

Reappointment of the following students:
Hannah Johnson, Gillian Abee-Freeze, Trey Blackwood and Alex Hoover

VEDIC (3-year terms)

Appointment of Byron Keith Ogle, Councilman who is completing the unexpired term of Thomas Winfield

December 2, 2019, MB#31

APPROVED BUDGET AMENDMENTS:

Valdese Town Council Meeting

Monday, December 2, 2019

Budget Amendment #

9

Subject:

Emergency repairs for sewer line at Old Harris St.
Notice to proceed at 11/4/19 meeting.

Proposed Action:

BE IT ORDAINED by the Council of the Town of Valdese that, pursuant to Section 15 of Chapter 159 of the General Statutes of North Carolina, the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2020.

Section I:

The following revenues available to the Town will be increased:

Account	Description	Decrease/ Debit	Increase/ Credit
30.3990.000	Fund Balance Appropriated-Utility		29,920
	Total	\$0	\$29,920

Amounts appropriated for expenditure are hereby amended as follows:

Account	Description	Increase/ Debit	Decrease/ Credit
30.8120.740	Capital Outlay	29,920	
	Total	\$29,920	\$0

Section II:

Copies of this budget amendment shall be furnished to the Clerk to the Governing Board, to the Budget Officer and the Finance Officer for their direction.

Valdese Town Council Meeting

Monday, December 2, 2019

Budget Amendment #

10

Memo

To adjust budgeted amounts of state and county sales tax.

Proposed Action:

BE IT ORDAINED by the Council of the Town of Valdese that, pursuant to Section 15 of Chapter 159 of the General Statutes of North Carolina, the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2020.

Section I:

The following revenues available to the Town will be adjusted:

Account	Description	Decrease/ Debit	Increase/ Credit
10.3670.000	Sales Tax	68,000	
	Total	\$68,000	\$0

Amounts appropriated for expenditure are hereby amended as follows:

Account	Description	Increase/ Debit	Decrease/ Credit
10.4200.370	State Sales Tax		46,000
10.4200.390	County Sales Tax		22,000
	Total	\$0	\$68,000

Section II:

Copies of this budget amendment shall be furnished to the Clerk to the Governing Board, to the Budget Officer and the Finance Officer for their direction.

Valdese Town Council Meeting

Monday, December 2, 2019

Budget Amendment #

11

Memo

Replacement of patrol unit #115 and equipment, totaled during pursuit on
10/27/19

Proposed Action:

BE IT ORDAINED by the Council of the Town of Valdese that, pursuant to Section 15 of Chapter 159 of the General Statutes of North Carolina, the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2020.

Section I:

The following revenues available to the Town will be adjusted:

Account	Description	Decrease/ Debit	Increase/ Credit
10.3970.931	Insurance Refund		31,817
	Total	\$0	\$31,817

Amounts appropriated for expenditure are hereby amended as follows:

Account	Description	Increase/ Debit	Decrease/ Credit
10.5100.740	Capital Outlay	31,817	
	Total	\$31,817	\$0

Section II:

Copies of this budget amendment shall be furnished to the Clerk to the Governing Board, to the Budget Officer and the Finance Officer for their direction.

Councilman Ogle made a motion to approve the aforementioned items on the Consent Agenda, seconded by Councilwoman Stevenson. The vote was unanimous.

End Consent Agenda**ITEMS REMOVED FROM CONSENT AGENDA:** None

COUNCIL ORGANIZATIONAL MEETING: Councilwoman Hildebran made a motion to appoint Councilwoman Susan T. Stevenson as Mayor Pro Tem, seconded by Councilman Roy Sweezy. The vote was unanimous.

Mayor Black asked the Council if any changes needed to be made to the Rules and Procedures after reviewing. Council suggested no changes to the Rules and Procedures adopted on May 6, 2019.

Mayor John F. "Chip" Black, Jr.

Elected 11/04/97: Term 12/01/97 - 12/03/01

Reelected 11/06/01: Term 12/03/01 - 12/05/05

Reelected 11/08/05: Term 12/05/05 - 12/07/09

Reelected 11/03/09: Term 12/07/09 - 12/02/13

Reelected 11/05/13: Term 12/02/13 - 2/02/15*

*Appointed Mayor 2/2/15 and required to run for reelection in November 2015 for the Mayor's unexpired term which ended 12/4/17

Elected Mayor 11/03/2015

Reelected 11/07/17: Term 12/04/17 - 12/06/21

Black & Associates Financial Mgmt.

BDI Board

WPCOG Policy Board Delegate

2010 Vice President

2011 President

2012 President

Community Foundation of Burke Co

2015 President

Rotary Club Burke Sunrise

December 2, 2019, MB#31

Ward 1 Andy Thompson

Appointed by Council 10/01/2018

**Required to run for reelection in November 2019 for Ward 1
unexpired term ending 12/6/21, due to Councilman Delp's
resignation on 6/30/18*

Elected 11/05/19: Term 12/02/19 – 12/06/21

Heritage Funeral Home Owner
Public Art Commission
Street Paving Committee
WPCOG Policy Board Alternate

Ward 2 Susan T. Stevenson

Appointed by Council 01/10/2000

Elected 11/06/01: Term 12/03/01 – 12/05/05

Reelected 11/08/05: Term 12/05/05 – 12/07/09

Reelected 11/03/09: Term 12/07/09 – 12/02/13

Reelected 11/05/13: Term 12/02/13 – 12/04/17

Reelected 11/07/17: Term 12/04/17 - 12/06/21

Retired Physical Therapist
Mayor Pro Tem
Assistant Treasurer
WPCOG Metropolitan Planning Organization
Railroad Committee
OCP Board Member

Ward 3 Roy F. Sweezy

Appointed by Council 03/02/2015

** Required to run for reelection in November 2015 for the
Ward 3 Councilman's unexpired term which ended
12/04/17*

Elected 11/03/15

Reelected 11/07/17: Term 12/04/17 - 12/06/21

Retired School Teacher
Planning Board Chairman
Agape Board of Directors, Vice Chairman
Library Board
Parks & Recreation Commission
Treasurer

Ward 4 Frances M. Hildebran

Elected 11/08/11: Term 12/05/11 – 12/07/15

Reelected 11/03/15: Term 12/07/15 – 12/02/19

Reelected 11/05/19: Term 12/02/19 – 12/04/23

Blue Ridge HealthCare, Executive Assistant
Town Clerk
Retired Local Government
Citizens for Affordable Housing
Street Paving Committee

Ward 5**B. Keith Ogle**

Elected 11/04/03: Term 12/01/03 – 12/03/07

Reelected 11/06/07: Term 12/03/07 – 12/05/11

Reelected 11/08/11: Term 12/05/11 – 12/07/15

Reelected 11/03/15: Term 12/07/15 – 12/02/19

Reelected 11/05/19: Term 12/02/19 – 12/04/23

Retired HR Professional
Retired Military
Arbor-Beautification Committee
Downtown Revitalization
Former WPCOG MPO and Policy Board Alt.
Street Paving Committee
VEDIC Board

Town Manager**Seth Eckard**

Assistant Town Manager 06/18/15 – 06/30/15

Appointed Town Manager: 07/01/2015

Catawba-Wateree Water Management Group
WPCOG Water Resources Committee
VEDIC Member
Valdese ABC Board – Chairman
Valdese Tourism Commission
BDI Board, Chairman
LPDA Member
Street Paving Committee

Town Attorney**Marcus W. H. Mitchell, Jr.**

Marc Mitchell, P.A., Attorney at Law
Public Art Commission

No changes were made to the presented Council Organizational Meeting.

OATH OF OFFICE: Councilwoman Hildebran administered the Oath of Office to Deputy Town Clerk Jessica Lail.

PUBLIC HEARING FOR STORMWATER ORDINANCE AMENDMENT: Mayor Black introduced Alison Adams from the Western Piedmont Council of Government and declared the public hearing open.

Ms. Adams presented the State of North Carolina has come out with a new state stormwater ordinance template and a list of discharge ordinance. This new ordinance has been revised to reflect changes the Environmental Protection Agency has imposed on the NC Division of Water Quality. The Western Piedmont Council of Government manages the stormwater management plan as well as the duties. Ms. Adams recommends that Council have this new ordinance in place by the time the town gets the stormwater management plan back and NPDES permit which will be good for five years. Ms. Adams recommends Council to appeal the existing stormwater ordinance and adopt the new ordinance code.

ARTICLE R

Phase II Stormwater

Section 9-3301 General Provisions.

Section 9-3301.1 Title.

This ordinance shall be officially known as “The Phase II Stormwater Ordinance.” It is referred to herein as “this ordinance.”

Section 9-3301.2 Authority.

The Town of Valdese is authorized to adopt this ordinance pursuant to North Carolina law, including but not limited to Article 14, Section 5 of the Constitution of North Carolina; Town of Valdese; North Carolina General Statutes 143-214.7 and rules promulgated by the Environmental Management Commission thereunder; Session Law 2004-163; Chapter 160A, §§ 174, 185.

Section 9-3301.3 Findings.

It is hereby determined that:

Development and *redevelopment* alter the hydrologic response of local watersheds and increase stormwater runoff rates and volumes, flooding, soil erosion, stream channel erosion, nonpoint and point source pollution, and sediment transport and deposition, as well as reducing groundwater recharge;

These changes in stormwater runoff contribute to increased quantities of water-borne pollutants and alterations in hydrology that are harmful to public health and safety as well as to the natural environment; and

These effects can be managed and minimized by applying proper design and well-planned controls to manage stormwater runoff from *development* sites.

Further, the Federal Water Pollution Control Act of 1972 (“Clean Water Act”) and federal Phase II Stormwater Rules promulgated under it, as well as rules of the North Carolina Environmental Management Commission promulgated in response to federal Phase II requirements, compel certain urbanized areas, including this jurisdiction, to adopt minimum stormwater controls such as those included in this ordinance.

Therefore, the Town of Valdese establishes this set of water quality and quantity regulations to meet the requirements of state and federal law regarding control of stormwater runoff and discharge.

Section 9-3301.4 Purpose

(A) General

The purpose of this ordinance is to protect, maintain and enhance the public health, safety, environment and general welfare by establishing minimum requirements and procedures to control the adverse effects of increased post-*development* stormwater runoff and nonpoint and point source pollution associated with new *development* and *redevelopment* [as well as illicit discharges into municipal stormwater systems]. It has been determined that proper management of construction-related and post-*development* stormwater runoff will minimize damage to public and

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private property and infrastructure; safeguard the public health, safety, and general welfare; and protect water and aquatic resources.

(B) Specific

This ordinance seeks to meet its general purpose through the following specific objectives and means:

1. Establishing decision-making processes for *development* that protect the integrity of watersheds and preserve the health of water resources;
2. Requiring that new *development* and *redevelopment* maintain the pre-*development* hydrologic response in their post-*development* state as nearly as practicable for the applicable design storm to reduce flooding, streambank erosion, nonpoint and point source pollution and increases in stream temperature, and to maintain the integrity of stream channels and aquatic habitats;
3. Establishing minimum post-*development* stormwater management standards and design criteria for the regulation and control of stormwater runoff quantity and quality;
4. Establishing design and review criteria for the construction, function, and use of *structural stormwater best management practices (BMPs)* that may be used to meet the minimum post-*development* stormwater management standards;
5. Encouraging the use of better management and site design practices, such as the use of vegetated conveyances for stormwater and the preservation of greenspace, riparian buffers and other conservation areas to the maximum extent practicable;
6. Establishing provisions for the long-term responsibility for and maintenance of *structural and nonstructural stormwater BMPs* to ensure that they continue to function as designed, are maintained appropriately, and pose no threat to public safety;
7. Establishing administrative procedures for the submission, review, approval and disapproval of *stormwater management plans*, for the inspection of approved projects, and to assure appropriate long-term maintenance.
8. Coordinating site design plans that include open space and natural areas with the Town of Valdese,
9. Controlling illicit discharges into the municipal separate stormwater system.

Section 9-33011.5**Applicability and Jurisdiction****(A) General**

Beginning with and subsequent to its effective date, this ordinance shall be applicable to all *development* and *redevelopment*, including, but not limited to, site plan applications, subdivision applications, and grading applications, unless exempt pursuant to Subsection (B) of this Section, Exemptions.

(B) Exemptions

Development that cumulatively disturbs less than one acre and does not exceed 20,000 square feet or impervious area and does not include disturbances within a stream buffer, filling or excavation in excess of 1,000 cubic yards or filling and excavation that would impact an adjoining parcel through alteration or drainage paths, ponding or water or velocity of stormwater flow is not part of a *larger common plan of development or sale* is exempt from the provisions of this ordinance.

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Redevelopment that cumulatively disturbs less than one acre and does not have a net increase in impervious area and is not part of a larger common plan of *development* or sale is exempt from the provisions of this ordinance.

Development and *redevelopment* that disturb less than one acre are not exempt if such activities are part of a *larger common plan of development or sale*, even though multiple, separate or distinct activities take place at different times on different schedules.

Activities that are exempt from permit requirements of Section 404 of the federal Clean Water Act as specified in 40 CFR 232 (primarily, ongoing farming and forestry activities) are exempt from the provisions of this ordinance.

(C) No Development or Redevelopment Until Compliance and Permit

No *development* or *redevelopment* shall occur except in compliance with the provisions of this ordinance or unless exempted. No *development* for which a permit is required pursuant to this ordinance shall occur except in compliance with the provisions, conditions, and limitations of the permit.

(D) Map

The provisions of this ordinance shall apply within the areas designated on the map titled "Phase II Stormwater Map of Town of Valdese, North Carolina" ("the Stormwater Map"), which is adopted simultaneously herewith. The Stormwater Map and all explanatory matter contained thereon accompanies and is hereby made a part of this ordinance.

The Stormwater Map shall be kept on file by the Stormwater Administrator and shall be updated to take into account changes in the land area covered by this ordinance and the geographic location of all *structural BMPs* permitted under this ordinance. In the event of a dispute, the applicability of this ordinance to a particular area of land or BMP shall be determined by reference to the North Carolina Statutes, the North Carolina Administrative Code, and local zoning and jurisdictional boundary ordinances.

Section 9-33011.6

Interpretation

(A) Meaning and Intent

All provisions, terms, phrases, and expressions contained in this ordinance shall be construed according to the general and specific purposes set forth in Section 104, Purpose. If a different or more specific meaning is given for a term defined elsewhere in Town of Valdese Code of Ordinances, the meaning and application of the term in this ordinance shall control for purposes of application of this ordinance.

(B) Text Controls in Event of Conflict

In the event of a conflict or inconsistency between the text of this ordinance and any heading, caption, figure, illustration, table, or map, the text shall control.

(C) Authority for Interpretation

The Stormwater Administrator has authority to determine the interpretation of this ordinance. Any person may request an interpretation by submitting a written request to the Stormwater Administrator, who shall respond in writing within 30 days. The Stormwater Administrator shall keep on file a record of all written interpretations of this ordinance.

(D) References to Statutes, Regulations, and Documents

Whenever reference is made to a resolution, ordinance, statute, regulation, manual (including the *Design Manual*), or document, it shall be construed as a reference to the most recent edition of such that has been finalized and published with due provision for notice and comment, unless otherwise specifically stated.

(E) Computation of Time

The time in which an act is to be done shall be computed by excluding the first day and including the last day. If a deadline or required date of action falls on a Saturday, Sunday, or holiday observed by the Town of Valdese, the deadline or required date of action shall be the next day that is not a Saturday, Sunday or holiday observed by the Town of Valdese. References to days are calendar days unless otherwise stated.

(F) Delegation of Authority

Any act authorized by this Ordinance to be carried out by the Stormwater Administrator of Town of Valdese may be carried out by his or her designee.

(G) Usage**(1) Mandatory and Discretionary Terms**

The words “shall,” “must,” and “will” are mandatory in nature, establishing an obligation or duty to comply with the particular provision. The words “may” and “should” are permissive in nature.

(2) Conjunctions

Unless the context clearly indicates the contrary, conjunctions shall be interpreted as follows: The word “and” indicates that all connected items, conditions, provisions and events apply. The word “or” indicates that one or more of the connected items, conditions, provisions or events apply.

(3) Tense, Plurals, and Gender

Words used in the present tense include the future tense. Words used in the singular number include the plural number and the plural number includes the singular number, unless the context of the particular usage clearly indicates otherwise. Words used in the masculine gender include the feminine gender, and vice versa.

(H) Measurement and Computation

Lot area refers to the amount of horizontal land area contained inside the lot lines of a lot or site.

Section 9-33011.7***Design Manual*****(A) Reference to *Design Manual***

The Stormwater Administrator shall use the policy, criteria, and information, including technical specifications and standards, in the *Design Manual* as the basis for decisions about stormwater permits and about the design, implementation and performance of *structural and non-structural stormwater BMPs*.

The *Design Manual* includes a list of acceptable stormwater treatment practices, including specific design criteria for each stormwater practice. Stormwater treatment practices that are designed, constructed, and maintained in accordance with these design and sizing criteria will be presumed to meet the minimum water quality performance standards of the Phase II laws.

(B) Relationship of *Design Manual* to Other Laws and Regulations

If the specifications or guidelines of the *Design Manual* are more restrictive or apply a higher standard than other laws or regulations, that fact shall not prevent application of the specifications or guidelines in the *Design Manual*.

(C) Changes to Standards and Specifications

If the standards, specifications, guidelines, policies, criteria, or other information in the *Design Manual* are amended subsequent to the submittal of an application for approval pursuant to this ordinance but prior to approval, the new information shall control and shall be utilized in reviewing the application and in implementing this ordinance with regard to the application.

Section 9-33011.8**Relationship to Other Laws, Regulations and Private Agreements****(A) Conflict of Laws**

This ordinance is not intended to modify or repeal any other ordinance, rule, regulation or other provision of law. The requirements of this ordinance are in addition to the requirements of any other ordinance, rule, regulation or other provision of law. Where any provision of this ordinance imposes restrictions different from those imposed by any other ordinance, rule, regulation or other provision of law, whichever provision is more restrictive or imposes higher protective standards for human or environmental health, safety, and welfare shall control.

(B) Private Agreements

This ordinance is not intended to revoke or repeal any easement, covenant, or other private agreement. However, where the regulations of this ordinance are more restrictive or impose higher standards or requirements than such an easement, covenant, or other private agreement, the requirements of this ordinance shall govern. Nothing in this ordinance shall modify or repeal any private covenant or deed restriction, but such covenant or restriction shall not legitimize any failure to comply with this ordinance. In no case shall Town of Valdese be obligated to enforce the provisions of any easements, covenants, or agreements between private parties.

Section 9-33011.9**Severability**

If the provisions of any section, subsection, paragraph, subdivision or clause of this ordinance shall be adjudged invalid by a court of competent jurisdiction, such judgment shall not affect or invalidate the remainder of any section, subsection, paragraph, subdivision or clause of this ordinance.

Section 9-33011.10**Effective Date and Transitional Provisions****(A) Effective Date**

This Ordinance shall take effect on December 2, 2019.

(B) Final Approvals, Complete Applications

All *development* and *redevelopment* projects for which complete and full applications were submitted and approved by the Town of Valdese prior to the effective date of this ordinance and which remain valid, unexpired, unrevoked and not otherwise terminated at the time of *development* or *redevelopment* shall be exempt from complying with all provisions of this ordinance dealing with the control and/or management of post-construction runoff, but shall be required to comply with all other applicable provisions, including but not limited to illicit discharge provisions.

A phased development plan shall be deemed approved prior to the effective date of this ordinance if it has been approved by all necessary government units, it remains valid, unexpired, unrevoked and not otherwise terminated, and it shows:

1. For the initial or first phase of development, the type and intensity of use for a specific parcel or parcels, including at a minimum, the boundaries of the project and a subdivision plan that has been approved.
2. For any subsequent phase of development, sufficient detail so that implementation of the requirements of this ordinance to that phase of development would require a material change in that phase of the plan.

(C) Violations Continue

Any violation of provisions existing on the effective date of this ordinance shall continue to be a violation under this ordinance and be subject to penalties and enforcement under this ordinance unless the use, *development*, construction, or other activity complies with the provisions of this ordinance.

Section 9-3302 Administration and Procedures.**Section 9-3302.1 Review and Decision-Making Entities.****(A) Stormwater Administrator****(1) Designation**

A Stormwater Administrator shall be designated by the Town Council to administer and enforce this ordinance.

(2) Powers and Duties

In addition to the powers and duties that may be conferred by other provisions of the Town Code of Ordinances and other laws, the Stormwater Administrator shall have the following powers and duties under this ordinance:

- a. To review and approve, approve with conditions, or disapprove applications for approval of plans pursuant to this ordinance.
- b. To make determinations and render interpretations of this ordinance.
- c. To establish application requirements and schedules for submittal and review of applications and appeals, to review and make recommendations to the Town Council on applications for *development or redevelopment* approvals.
- d. To enforce the provisions of this ordinance in accordance with its enforcement provisions.
- e. To maintain records, maps, forms and other official materials as relate to the adoption, amendment, enforcement, and administration of this ordinance.
- f. To provide expertise and technical assistance to the Town Council, upon request.
- g. To designate appropriate other person(s) who shall carry out the powers and duties of the Stormwater Administrator.
- h. To take any other action necessary to administer the provisions of this ordinance.

Section 9-3302.2 Review Procedures.**(A) Permit Required; Must Apply for Permit**

A stormwater permit is required for all *development* and *redevelopment* unless exempt pursuant to this ordinance. A permit may only be issued subsequent to a properly submitted and reviewed permit application, pursuant to this section.

(B) Effect of Permit

A stormwater permit shall govern the design, installation, and construction of stormwater management and control practices on the site, including *structural BMPs* and elements of site design for stormwater management other than *structural BMPs*.

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The permit is intended to provide a mechanism for the review, approval, and inspection of the approach to be used for the management and control of stormwater for the *development* or *redevelopment* site consistent with the requirements of this ordinance, whether the approach consists of *structural BMPs* or other techniques such as low-impact or low-density design. The permit does not continue in existence indefinitely after the completion of the project; rather, compliance after project construction is assured by the maintenance provisions of this ordinance.

(C) Authority to File Applications

All applications required pursuant to this Code shall be submitted to the Stormwater Administrator by the land *owner* or the land *owner's* duly authorized agent.

(D) Establishment of Application Requirements, Schedule, and Fees**(1) Application Contents and Form**

The Stormwater Administrator [Stormwater Advisory Board] shall establish requirements for the content and form of all applications and shall amend and update those requirements from time to time. At a minimum, the stormwater permit application shall describe in detail how post-*development* stormwater runoff will be controlled and managed, the design of all stormwater facilities and practices, and how the proposed project will meet the requirements of this ordinance.

(2) Submission Schedule

The Stormwater Administrator shall establish a submission schedule for applications. The schedule shall establish deadlines by which complete applications must be submitted for the purpose of ensuring that there is adequate time to review applications; and that the various stages in the review process are accommodated.

(3) Permit Review Fees

The Town Council shall establish permit review fees, as well as, policies regarding refund of any fees upon withdrawal of an application, and may amend and update the fees and policies from time to time.

(4) Administrative Manual

For applications required under this Code, the Stormwater Administrator shall compile the application requirements, submission schedule, fee schedule, a copy of this ordinance, and information on how and where to obtain the Design Manual in an Administrative Manual, which shall be made available to the public.

(E) Submittal of Complete Application

Applications shall be submitted to the Stormwater Administrator pursuant to the application submittal schedule in the form established by the Stormwater Administrator, along with the appropriate fee established pursuant to this section.

An application shall be considered as timely submitted only when it contains all elements of a complete application pursuant to this ordinance, along with the appropriate fee. If the Stormwater Administrator finds that an application is incomplete, the applicant shall be notified of the deficient elements and shall be provided with an opportunity to submit a complete application. However, the submittal of an incomplete application shall not suffice to meet a deadline contained in the submission schedule established above.

(F) Review

Within 30 working days after a complete application is submitted, the Stormwater Administrator shall review the application and determine whether the application complies with the standards of this ordinance.

(1) Approval

If the Stormwater Administrator finds that the application complies with the standards of this ordinance, the Stormwater Administrator shall approve the application. The Stormwater Administrator may impose conditions of approval as needed to ensure compliance with this ordinance. The conditions shall be included as part of the approval.

(2) Fails to Comply

If the Stormwater Administrator finds that the application fails to comply with the standards of this ordinance, the Stormwater Administrator shall notify the applicant and shall indicate how the application fails to comply. The applicant shall have an opportunity to submit a revised application.

(3) Revision and Subsequent Review

A complete revised application shall be reviewed by the Stormwater Administrator within 15 working days after its re-submittal and shall be approved, approved with conditions or disapproved.

If a revised application is not re-submitted within thirty (30) calendar days from the date the applicant was notified, the application shall be considered withdrawn, and a new submittal for the same or substantially the same project shall be required along with the appropriate fee for a new submittal.

One re-submittal of a revised application may be submitted without payment of an additional permit review fee. Any re-submittal after the first re-submittal shall be accompanied by a permit review fee additional fee, as established pursuant to this ordinance.

Section 9-3302.3 Applications for Approval.**(A) Concept Plan and Consultation Meeting**

Before a stormwater management permit application is deemed complete, the Stormwater Administrator or developer may request a consultation on a concept plan for the post-construction stormwater management system to be utilized in the proposed *development* project. This consultation meeting should take place at the time of the preliminary plan of subdivision or other early step in the *development* process. The purpose of this meeting is to discuss the post-construction stormwater management measures necessary for the proposed project, as well as to discuss and assess constraints, opportunities and potential approaches to stormwater management designs before formal site design engineering is commenced. Local watershed plans and other relevant resource protection plans should be consulted in the discussion of the concept plan.

To accomplish this goal, the following information should be included in the concept plan, which should be submitted in advance of the meeting:

(1) Existing Conditions / Proposed Site Plans

Existing conditions and proposed site layout sketch plans, which illustrate at a minimum: existing and proposed topography; perennial and intermittent streams; mapping of predominant soils from soil surveys (if available); boundaries of existing predominant vegetation; proposed limits of clearing and grading; and location of existing and proposed roads, buildings, parking areas and other impervious surfaces.

(2) Natural Resources Inventory

A written or graphic inventory of natural resources at the site and surrounding area as it exists prior to the commencement of the project. This description should include a discussion of soil conditions, forest cover, geologic features, topography, wetlands, and native vegetative areas on the site, as well as the location and boundaries of other natural feature protection and conservation areas such as lakes, ponds, floodplains, stream buffers and other setbacks (e.g., drinking water well setbacks, septic setbacks, etc.). Particular attention should be paid to environmentally sensitive features that provide particular opportunities or constraints for *development and stormwater management*.

(3) Stormwater Management System Concept Plan

A written or graphic concept plan of the proposed post-*development* stormwater management system including: preliminary selection and location of proposed structural stormwater controls; low-impact design elements; location of existing and proposed conveyance systems such as grass channels, swales, and storm drains; flow paths; location of floodplain/floodway limits; relationship of site to upstream and downstream properties and drainages; and preliminary location of any proposed stream channel modifications, such as bridge or culvert crossings.

(B) Stormwater Management Permit Application

The stormwater management permit application shall detail how post-*development* stormwater runoff will be controlled and managed and how the proposed project will meet the requirements of this ordinance, including Section 3, Standards. All such plans shall be prepared by a qualified registered North Carolina professional engineer, surveyor, soil scientist or landscape architect, and the engineer, surveyor, soil scientist or landscape architect shall perform services only in their area of competence, and shall verify that the design of all stormwater management facilities and practices meets the submittal requirements for complete applications, that the designs and plans are sufficient to comply with applicable standards and policies found in the *Design Manual*, and that the designs and plans ensure compliance with this ordinance.

The submittal shall include all of the information required in the submittal checklist established by the Stormwater Administrator. Incomplete submittals shall be treated pursuant to Section 2-202(D).

(C) As-Built Plans and Final Approval

Upon completion of a project, and before a certificate of occupancy shall be granted, the applicant shall certify that the completed project is in accordance with the approved stormwater management plans and designs, and shall submit actual “as built” plans for all stormwater management facilities or practices after final construction is completed.

The plans shall show the final design specifications for all stormwater management facilities and practices and the field location, size, depth, and planted vegetation of all measures, controls, and devices, as installed. The designer of the stormwater management measures and plans shall certify, under seal, that the as-built stormwater measures, controls, and devices are in compliance with the approved stormwater management plans and designs and with the requirements of this ordinance. A final inspection and approval by the Stormwater Administrator shall occur before the release of any performance securities.

(D) Other Permits

No certificate of compliance or occupancy shall be issued by the Burke County Building Inspectors without final as-built plans and a final inspection and approval by the Stormwater Administrator, except where multiple units are served by the stormwater practice or facilities, in which case the Burke County Building Inspections Department may elect to withhold a percentage of permits or certificates of occupancy until as-built plans are submitted and final inspection and approval has occurred.

Section 9-3302.4 Approvals.**(A) Effect of Approval**

Approval authorizes the applicant to go forward with only the specific plans and activities authorized in the permit. The approval shall not be construed to exempt the applicant from obtaining other applicable approvals from local, state, and federal authorities.

(B) Time Limit/Expiration

An approved plan shall become null and void if the applicant fails to make *substantial progress* on the site within one year after the date of approval. The Stormwater Administrator may grant a single, one-year extension of this time limit, for good cause shown, upon receiving a written request from the applicant before the expiration of the approved plan.

In granting an extension, the Stormwater Administrator may require compliance with standards adopted since the original application was submitted unless there has been substantial reliance on the original permit and the change in standards would infringe the applicant's vested rights.

Section 9-3302.5 Appeals.**(A) Right of Appeal**

Any aggrieved person affected by any decision, order, requirement, or determination relating to the interpretation or application of this ordinance made by the Stormwater Administrator, may file an appeal to the Board of Adjustment within 30 days.

(B) Filing of Appeal and Procedures

Appeals shall be taken within the specified time period by filing a notice of appeal and specifying the grounds for appeal on forms provided by Town of Valdese. The Stormwater Administrator shall transmit to the Board of Adjustment all documents constituting the record on which the decision appealed from was taken.

The hearing conducted by the Board of Adjustment shall be conducted in the nature of a quasi-judicial proceeding with all findings of fact supported by competent, material evidence.

(C) Review by Superior Court

Every decision of the Board of Adjustment shall be subject to Superior Court review by proceedings in the nature of certiorari. Petition for review by the Superior Court shall be filed with the Clerk of Superior Court within thirty (30) days after the latter of the following:

(1) The decision of the Board of Adjustment is filed; or

(2) A written copy of the decision is delivered to every aggrieved party who has filed a written request for such copy with the Chair of the Board of Adjustment at the time of its hearing of the case.

Section 9-3303 Standards.**Section 9-3303.1 General Standards.**

All *development* and *redevelopment* to which this ordinance applies shall comply with the standards of this section.

Section 9-3303.2 Development Standards for Low-Density Projects.

Low-density projects shall comply with each of the following standards:

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- (A) Stormwater runoff from the *development* shall be transported from the *development* by vegetated conveyances to the maximum extent practicable.
- (B) Stream buffers shall be maintained on all sides of perennial and intermittent surface waters. The size of the buffer for perennial surface waters shall be an undisturbed width of 30 feet, plus a vegetated setback of 20 feet. Buffers for intermittent surface waters shall be an undisturbed width of 30 feet. The buffer width is measured perpendicularly from the top of the streambank. A perennial or intermittent surface water shall be deemed present if the feature is approximately shown on either the most recent version of the soil survey map prepared by the Natural Resources Conservation Service of the United States Department of Agriculture (USDA) or the most recent version of the 1:24,000 scale (7.5 minute) quadrangle topographic maps prepared by the United States Geologic Survey (USGS). An exception to this requirement may be allowed when surface waters are not present in accordance with the provisions of 15A NCAC 2B .0233 (3) (a) or similar site-specific determination made using Division-approved methodology.
- (C) The approval of the stormwater permit shall require an enforceable restriction on property usage that runs with the land, such as a recorded deed restriction or protective covenants, to ensure that future *development* and *redevelopment* maintains the site consistent with the approved project plans.

Section 9-3303.3 Development standards for High-Density Projects.

High-density projects shall implement stormwater control measures that comply with each of the following standards:

- (A) The measures shall control and treat runoff from the first inch of rain, runoff volume drawdown time shall be a minimum of 48 hours, but not more than 120 hours.
- (B) All structural stormwater treatment systems used to meet these requirements shall be designed to have a minimum of 85% average annual removal for Total Suspended Solids (TSS);
- (C) General engineering design criteria for all projects shall be in accordance with 15A NCAC 2H .1008(c), as explained in the *Design Manual*;
- (D) Stream buffers shall be maintained on all sides of perennial and intermittent surface waters. The size of the buffer for perennial surface waters shall be an undisturbed width of 30 feet, plus a vegetated setback of 20 feet. Buffers for intermittent surface waters shall be an undisturbed width of 30 feet. The buffer width is measured perpendicularly from the top of the streambank. A surface water shall be deemed present if the feature is approximately shown on either the most recent version of the soil survey map prepared by the Natural Resources Conservation Service of the United States Department of Agriculture (USDA) or the most recent version of the 1:24,000 scale (7.5 minute) quadrangle topographic maps prepared by the United States Geologic Survey (USGS). An exception to this requirement may be allowed when surface waters are not present in accordance with the provisions of 15A NCAC 2B .0233 (3) (a) or similar site-specific determination made using Division-approved methodology.
- (E) On-site verification of intermittent and perennial streams by a qualified professional is required for all development exceeding a cumulative 5 acres and 24 percent impervious coverage, or any commercial development.
- (F) The approval of the stormwater permit shall require an enforceable restriction on property usage that runs with the land, such as recorded deed restrictions or protective covenants, to ensure that future *development* and *redevelopment* maintains the *site* consistent with the approved project plans.

Section 9-3303.4 Standards for Stormwater Control Measures.**(A) Evaluation According to Contents of *Design Manual***

All stormwater control measures and stormwater treatment practices (also referred to as Best Management Practices, or BMPs) required under this ordinance shall be evaluated by the Stormwater Administrator according to the policies, criteria, and information, including technical specifications and standards and the specific design criteria for each stormwater practice, in the *Design Manual*. The Stormwater Administrator shall determine whether proposed BMPs will be adequate to meet the requirements of this ordinance.

(B) Determination of Adequacy; Presumptions and Alternatives

Stormwater treatment practices that are designed, ~~and~~ constructed, and maintained in accordance with the criteria and specifications in the *Design Manual* will be presumed to meet the minimum water quality and quantity performance standards of this ordinance. Whenever an applicant proposes to utilize a practice or practices not designed and constructed in accordance with the criteria and specifications in the *Design Manual*, the applicant shall have the burden of demonstrating that the practice(s) will satisfy the minimum water quality and quantity performance standards of this ordinance. The Stormwater Administrator may require the applicant to provide the documentation, calculations, and examples necessary for the Stormwater Administrator to determine whether such an affirmative showing is made.

(C) Separation from Seasonal High Water Table

For BMPs that require a separation from the seasonal high-water table, the separation shall be provided by at least 12 inches of naturally occurring soil above the seasonal high-water table.

Section 9-3303.5 Dedication of BMPS, Facilities & Improvements.

The Town of Valdese may accept dedication of any existing or future stormwater management facility for maintenance, provided such facility meets all the requirements of this ordinance and includes adequate and perpetual access and sufficient area, by easement or otherwise, for inspection and regular maintenance.

Section 9-3303.6 Variances.

(A) Any person may petition the Town of Valdese for a variance granting permission to use the person's land in a manner otherwise prohibited by this ordinance. To qualify for a variance, the petitioner must show all of the following:

- (1) Unnecessary hardships would result from strict application of this ordinance.
- (2) The hardships result from conditions that are peculiar to the property, such as the location, size, or topography of the property.
- (3) The hardships did not result from actions taken by the petitioner.
- (4) The requested variance is consistent with the spirit, purpose, and intent of this ordinance; will secure public safety and welfare; and will preserve substantial justice.

(B) The Town of Valdese may impose reasonable and appropriate conditions and safeguards upon any variance it grants.

(C) Statutory exceptions

Notwithstanding subdivision (A) of this section, exceptions from the 30-foot landward location of built-upon area requirement as well as the deed restrictions and protective covenants requirements shall be granted in any of the following instances:

- (1) When there is a lack of practical alternatives for a road crossing, railroad crossing, bridge, airport facility, or utility crossing as long as it is located, designed, constructed, and maintained to

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minimize disturbance, provide maximum nutrient removal, protect against erosion and sedimentation, have the least adverse effects on aquatic life and habitat, and protect water quality to the maximum extent practicable through the use of BMPs.

(2) When there is a lack of practical alternatives for a stormwater management facility; a stormwater management pond; or a utility, including, but not limited to, water, sewer, or gas construction and maintenance corridor, as long as it is located 15 feet landward of all perennial and intermittent surface waters and as long as it is located, designed, constructed, and maintained to minimize disturbance, provide maximum nutrient removal, protect against erosion and sedimentation, have the least adverse effects on aquatic life and habitat, and protect water quality to the maximum extent practicable through the use of BMPs.

(3) A lack of practical alternatives may be shown by demonstrating that, considering the potential for a reduction in size, configuration, or density of the proposed activity and all alternative designs, the basic project purpose cannot be practically accomplished in a manner which would avoid or result in less adverse impact to surface waters.

Section 9-3303.7 Additional standards for special situations.**(A) Pet waste****(1) Restrictions on Pet Waste**

(a) It shall be unlawful for the owner or custodian of any dog to take it off the owner's own property limits without the means to properly remove and dispose of the dog's feces from any public or private property.

(b) It is the responsibility of a dog's owner or custodian to clean up the dog's feces from any public or private property outside of the dog's owner's own property limits. Such property includes, but is not limited to, parks, rights-of-way, paths, and public access areas.

(c) "Means to properly remove and dispose of feces" shall consist of having on or near one's person a device such as a plastic bag, or other suitable plastic or paper container, that can be used to clean up and contain dog waste until it can be disposed of in an appropriate container. Such a device must be produced and shown, upon request, to anyone authorized to enforce these ordinances.

(d) This provision shall not apply to handicapped persons assisted by trained guide or assistance dogs.

(e) "Public nuisance" is defined to include "a dog which deposits feces on public property or on private property without the consent of the owner or person in lawful possession of the private property, and the person owning, possessing, harboring or having the care, charge, control or custody of the dog fails to remove the feces so deposited. Provided, however, this definition shall not apply to any dog assisting a handicapped person.

Section 9-3303.8 Onsite wastewater.**(A) Operation and Maintenance Requirements**

New and replaced onsite systems for domestic wastewater installed after the effective date of this ordinance shall be subject to the same requirements for operation and maintenance as *structural BMPs* for stormwater, including, at a minimum, annual inspection reports and a recorded operation and maintenance agreement, pursuant to Section 4 of this ordinance.

(B) Standards for Operation and Maintenance

Onsite systems for domestic wastewater covered by this ordinance shall be operated and maintained so as to avoid adverse effects on surface water and groundwater, including eutrophication of surface water and microbial or nitrate contamination of groundwater. Septic tank residuals shall be pumped whenever necessary to assure the proper operation of

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the system to meet these standards, and the septage shall be reused or disposed of in a manner that does not present significant risks to human health, surface water or groundwater.

Section 9-3304 Maintenance.**Section 9-3304.1 General Standards for Maintenance.****(A) Function of BMPs As Intended**

The *owner* of each *structural BMP* installed pursuant to this ordinance shall maintain and operate it so as to preserve and continue its function in controlling stormwater quality and quantity at the degree or amount of function for which the *structural BMP* was designed.

(B) Annual Maintenance Inspection and Report

The person responsible for maintenance of any *structural BMP* installed pursuant to this ordinance shall submit to the Stormwater Administrator an inspection report from one of the following persons performing services only in their area of competence: a qualified registered North Carolina professional engineer, surveyor, landscape architect, soil scientist, aquatic biologist, or person certified by the North Carolina Cooperative Extension Service for stormwater treatment practice inspection and maintenance. The inspection report shall contain all of the following:

- (1) The name and address of the land *owner*;
- (2) The recorded book and page number of the lot of each *structural BMP*;
- (3) A statement that an inspection was made of all *structural BMPs*;
- (4) The date the inspection was made;
- (5) A statement that all inspected *structural BMPs* are performing properly and are in compliance with the terms and conditions of the approved maintenance agreement required by this ordinance; and
- (6) The original signature and seal of the engineer, surveyor, or landscape architect.

All inspection reports shall be on forms supplied by the Stormwater Administrator. An original inspection report shall be provided to the Stormwater Administrator beginning one year from the date of as-built certification and each year thereafter on or before the date of the as-built certification.

Section 9-3304.2 Operation and Maintenance Agreement.**(A) In General**

Prior to the conveyance or transfer of any lot or building site to be served by a *structural BMP* pursuant to this ordinance, and prior to issuance of any permit for *development* or *redevelopment* requiring a *structural BMP* pursuant to this ordinance, the applicant or *owner* of the site must execute an operation and maintenance agreement that shall be binding on all subsequent *owners* of the site, portions of the site, and lots or parcels served by the *structural BMP*. Until the transference of all property, sites, or lots served by the *structural BMP*, the original *owner* or applicant shall have primary responsibility for carrying out the provisions of the maintenance agreement.

The operation and maintenance agreement shall require the *owner* or *owners* to maintain, repair and, if necessary, reconstruct the *structural BMP*, and shall state the terms, conditions, and schedule of maintenance for the *structural BMP*. In addition, it shall grant to Town of Valdese a right of entry in the event that the Stormwater Administrator has reason to believe it has become necessary to inspect, monitor, maintain, repair, or reconstruct the *structural BMP*; however, in no

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case shall the right of entry, of itself, confer an obligation on Town of Valdese to assume responsibility for the *structural BMP*.

The operation and maintenance agreement must be approved by the Stormwater Administrator prior to plan approval, and it shall be referenced on the final plat and shall be recorded with the county Register of Deeds upon final plat approval.¹ A copy of the recorded maintenance agreement shall be given to the Stormwater Administrator within fourteen (14) days following its recordation.

(B) Special Requirement for Homeowners' and Other Associations

For all *structural BMPs* required pursuant to this ordinance and that are to be or are owned and maintained by a homeowners' association, property owners' association, or similar entity, the required operation and maintenance agreement shall include all of the following provisions:

- (1) Acknowledgment that the association shall continuously operate and maintain the stormwater control and management facilities.
- (2) Establishment of an escrow account, which can be spent solely for sediment removal, structural, biological or vegetative replacement, major repair, or reconstruction of the *structural BMPs*. If *structural BMPs* are not performing adequately or as intended or are not properly maintained, the Town of Valdese, in its sole discretion, may remedy the situation, and in such instances the Town of Valdese shall be fully reimbursed from the escrow account. Escrowed funds may be spent by the association for sediment removal, structural, biological or vegetative replacement, major repair, and reconstruction of the *structural BMPs*, provided that the Town of Valdese shall first consent to the expenditure.
- (3) Both developer contribution and annual sinking funds shall fund the escrow account. Prior to plat recordation or issuance of construction permits, whichever shall first occur, the developer shall pay into the escrow account an amount equal to fifteen (15) per cent of the initial construction cost of the *structural BMPs*. Two-thirds (2/3) of the total amount of sinking fund budget shall be deposited into the escrow account within the first five (5) years and the full amount shall be deposited within ten (10) years following initial construction of the *structural BMPs*. Funds shall be deposited each year into the escrow account. A portion of the annual assessments of the association shall include an allocation into the escrow account. Any funds drawn down from the escrow account shall be replaced in accordance with the schedule of anticipated work used to create the sinking fund budget.
- (4) The percent of developer contribution and lengths of time to fund the escrow account may be varied by the Town of Valdese depending on the design and materials of the stormwater control and management facility.
- (5) Granting to the Town of Valdese a right of entry to inspect, monitor, maintain, repair, and reconstruct *structural BMPs*.
- (6) Allowing the Town of Valdese to recover from the association and its members any and all costs the Town of Valdese expends to maintain or repair the *structural BMPs* or to correct any operational deficiencies. Failure to pay the Town of Valdese all of its expended costs, after forty-five days written notice, shall constitute a breach of the agreement. In case of a deficiency, the Town of Valdese shall thereafter be entitled to bring an action against the association and its members to pay, or foreclose upon the lien hereby authorized by the agreement against the property, or both. Interest, collection costs, and attorney fees shall be added to the recovery.

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- (7) A statement that this agreement shall not obligate the Town of Valdese to maintain or repair any *structural BMPs*, and the Town of Valdese shall not be liable to any person for the condition or operation of *structural BMPs*.
- (8) A statement that this agreement shall not in any way diminish, limit, or restrict the right of the Town of Valdese to enforce any of its ordinances as authorized by law.
- (9) A provision indemnifying and holding harmless the Town of Valdese for any costs and injuries arising from or related to the structural BMP, unless the Town of Valdese has agreed in writing to assume the maintenance responsibility for the BMP and has accepted dedication of any and all rights necessary to carry out that maintenance.

Section 9-3304.3 Inspection Program.

Inspections and inspection programs by Town of Valdese may be conducted or established on any reasonable basis, including but not limited to routine inspections; random inspections; inspections based upon complaints or other notice of possible violations; and joint inspections with other agencies inspecting under environmental or safety laws. Inspections may include, but are not limited to, reviewing maintenance and repair records; sampling discharges, surface water, groundwater, and material or water in BMPs; and evaluating the condition of BMPs.

If the *owner* or occupant of any property refuses to permit such inspection, the Stormwater Administrator shall proceed to obtain an administrative search warrant pursuant to G.S. 15-27.2 or its successor. No person shall obstruct, hamper or interfere with the Stormwater Administrator while carrying out his or her official duties.

Section 9-3304.4 Performance Security for Installation and Maintenance.**(A) May Be Required**

The Town of Valdese may, at its discretion, require the submittal of a performance security or bond with surety or other acceptable legal arrangement prior to issuance of a permit in order to ensure that the *structural BMPs* are

- (1) Installed by the permit holder as required by the approved stormwater management plan, and/or
- (2) Maintained by the *owner* as required by the operation and maintenance agreement.

(B) Amount**(1) Installation**

The amount of an installation performance security shall be the total estimated construction cost of the BMPs approved under the permit, plus 25%.

(2) Maintenance

The amount of a maintenance performance security shall be the present value of an annuity of perpetual duration based on a reasonable estimate of the annual cost of inspection, operation and maintenance of the BMPs approved under the permit, at a discount rate that reflects the jurisdiction's cost of borrowing minus a reasonable estimate of long-term inflation.

(C) Uses of Performance Security**(1) Forfeiture Provisions**

The performance security shall contain forfeiture provisions for failure, after proper notice, to complete work within the time specified, or to initiate or maintain any actions which may be required of the applicant or *owner* in accordance with this ordinance, approvals issued pursuant to this ordinance, or an operation and maintenance agreement established pursuant to this ordinance.

(2) Default

Upon default of the *owner* to construct, maintain, repair and, if necessary, reconstruct any *structural BMP* in accordance with the applicable permit or operation and maintenance agreement, the Stormwater Administrator shall obtain and use all or any portion of the security to make necessary improvements based on an engineering estimate. Such expenditure of funds shall only be made after requesting the *owner* to comply with the permit or maintenance agreement. In the event of a default triggering the use of installation performance security, the Town of Valdese shall not return any of the unused deposited cash funds or other security, which shall be retained for maintenance.

(3) Costs in Excess of Performance Security

If Town of Valdese takes action upon such failure by the applicant or *owner*, the Town of Valdese may collect from the applicant or *owner* the difference between the amount of the reasonable cost of such action and the amount of the security held, in addition to any other penalties or damages due.

(4) Refund

Within sixty days of the final approval, the installation performance security shall be refunded to the applicant or terminated, except any amount attributable to the cost (plus 25%) of landscaping installation and ongoing maintenance associated with the BMPs covered by the security. Any such landscaping shall be inspected one (1) year after installation with replacement for compliance with the approved plans and specifications and, if in compliance, the portion of the financial security attributable to landscaping shall be released.

Section 9-3304.5 Notice to owners.**(A) Deed Recordation and Indications On Plat**

The applicable operations and maintenance agreement, conservation easement, or dedication and acceptance into public maintenance (whichever is applicable) pertaining to every *structural BMP* shall be referenced on the final plat and shall be recorded with the county Register of Deeds upon final plat approval. If no subdivision plat is recorded for the site, then the operations and maintenance agreement, conservation easement, or dedication and acceptance into public maintenance, whichever is applicable shall be recorded with the county Register of Deeds so as to appear in the chain of title of all subsequent purchasers under generally accepted searching principles.

(B) Signage

Where appropriate in the determination of the Stormwater Administrator to assure compliance with this ordinance, *structural BMPs* shall be posted with a conspicuous sign stating who is responsible for required maintenance and annual inspection. The sign shall be maintained so as to remain visible and legible.

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Section 9-3304.6 Records of Installation and Maintenance Activities.

The *owner* of each *structural BMP* shall keep records of inspections, maintenance, and repairs for at least five years from the date of creation of the record and shall submit the same upon reasonable request to the Stormwater Administrator.

Section 9-3304.7 Nuisance.

The *owner* of each stormwater BMP, whether *structural* or non-*structural BMP*, shall maintain it so as not to create or result in a nuisance condition.

Section 9-3304.8 Maintenance Easement.

Every *structural BMP* installed pursuant to this ordinance shall be made accessible for adequate maintenance and repair by a maintenance easement. The easement shall be recorded and its terms shall specify who may make use of the easement and for what purposes.

Section 9-3305 Enforcement and Violations.**Section 9-3305.1 General.****(A) Authority to Enforce**

The provisions of this ordinance shall be enforced by the Stormwater Administrator, his or her designee, or any authorized agent of Town of Valdese. Whenever this section refers to the Stormwater Administrator, it includes his or her designee as well as any authorized agent of Town of Valdese.

(B) Violation Unlawful

Any failure to comply with an applicable requirement, prohibition, standard, or limitation imposed by this ordinance, or the terms or conditions of any permit or other *development* or *redevelopment* approval or authorization granted pursuant to this ordinance, is unlawful and shall constitute a violation of this ordinance.

(C) Each Day a Separate Offense

Each day that a violation continues shall constitute a separate and distinct violation or offense.

(D) Responsible Persons/Entities

Any person who erects, constructs, reconstructs, alters (whether actively or passively), or fails to erect, construct, reconstruct, alter, repair or maintain any structure, BMP, practice, or condition in violation of this ordinance shall be subject to the remedies, penalties, and/or enforcement actions in accordance with this section. Persons subject to the remedies and penalties set forth herein may include any architect, engineer, builder, contractor, developer, agency, or any other person who participates in, assists, directs, creates, causes, or maintains a condition that results in or constitutes a violation of this ordinance, or fails to take appropriate action, so that a violation of this ordinance results or persists; or an *owner*, any tenant or occupant, or any other person, who has control over, or responsibility for, the use or *development* of the property on which the violation occurs.

For the purposes of this article, responsible person(s) shall include but not be limited to:

(1) Person Maintaining Condition Resulting In or Constituting Violation

An architect, engineer, builder, contractor, developer, agency, or any other person who participates in, assists, directs, creates, causes, or maintains a condition that constitutes a violation of this ordinance, or fails to take appropriate action, so that a violation of this ordinance results or persists.

(2) Responsibility For Land or Use of Land

The *owner* of the land on which the violation occurs, any tenant or occupant of the property, any person who is responsible for stormwater controls or practices pursuant to a private agreement or public document, or any person, who has control over, or responsibility for, the use, *development* or *redevelopment* of the property.

Section 9-3305.2 Remedies and Penalties.

The remedies and penalties provided for violations of this ordinance, whether civil or criminal, shall be cumulative and in addition to any other remedy provided by law, and may be exercised in any order.

(A) Remedies**(1) Withholding of Certificate of Occupancy**

The Stormwater Administrator or other authorized agent may refuse to issue a certificate of occupancy for the building or other improvements constructed or being constructed on the site and served by the stormwater practices in question until the applicant or other responsible person has taken the remedial measures set forth in the notice of violation or has otherwise cured the violations described therein.

(2) Disapproval of Subsequent Permits and *Development* Approvals

As long as a violation of this ordinance continues and remains uncorrected, the Stormwater Administrator or other authorized agent may withhold, and the Town of Valdese Planning Board may disapprove, any request for permit or *development* approval or authorization provided for by this ordinance or the zoning, subdivision, and/or building regulations, as appropriate for the land on which the violation occurs.

(3) Injunction, Abatements, etc.

The Stormwater Administrator, with the written authorization of the Town Administrator, may institute an action in a court of competent jurisdiction for a mandatory or prohibitory injunction and order of abatement to correct a violation of this ordinance. Any person violating this ordinance shall be subject to the full range of equitable remedies provided in the General Statutes or at common law.

(4) Correction as Public Health Nuisance, Costs as Lien, etc.

If the violation is deemed dangerous or prejudicial to the public health or public safety and is within the geographic limits prescribed by North Carolina G.S. § 160A-193, the Stormwater Administrator, with the written authorization of the Town Administrator, may cause the violation to be corrected and the costs to be assessed as a lien against the property.

(5) Stop Work Order

The Stormwater Administrator may issue a stop work order to the person(s) violating this ordinance. The stop work order shall remain in effect until the person has taken the remedial measures set forth in the notice of violation or has otherwise cured the violation or violations described therein. The stop work order may be withdrawn or modified to enable the person to take the necessary remedial measures to cure such violation or violations.

(B) Civil Penalties

Violation of this ordinance may subject the violator to a civil penalty to be recovered in a civil action in the nature of a debt if the violator does not pay the penalty within 30 days after notice of the violation is issued by the Stormwater Administrator. Civil penalties may be assessed up to the full amount of penalty to which Town of Valdese is subject for violations of its Phase II

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Stormwater permit, or if no Phase II Stormwater permit exists for the jurisdiction, civil penalties may be assessed up to the full amount allowed by law.

(C) Criminal Penalties

Violation of this ordinance may be enforced as a misdemeanor subject to the maximum fine permissible under North Carolina law.

Section 9-3305.3 Procedures.**(A) Initiation/Complaint**

Whenever a violation of this ordinance occurs, or is alleged to have occurred, any person may file a written complaint. Such complaint shall state fully the alleged violation and the basis thereof, and shall be filed with the Stormwater Administrator, who shall record the complaint. The complaint shall be investigated promptly by the Stormwater Administrator.

(B) Inspection

The Stormwater Administrator shall have the authority, upon presentation of proper credentials, to enter and inspect any land, building, structure, or premises to ensure compliance with this ordinance.

(C) Notice of Violation and Order to Correct

When the Stormwater Administrator finds that any building, structure, or land is in violation of this ordinance, the Stormwater Administrator shall notify, in writing, the property *owner* or other person violating this ordinance. The notification shall indicate the nature of the violation, contain the address or other description of the site upon which the violation is occurring, order the necessary action to abate the violation, and give a deadline for correcting the violation. If civil penalties are to be assessed, the notice of violation shall also contain a statement of the civil penalties to be assessed, the time of their accrual, and the time within which they must be paid or be subject to collection as a debt.

The Stormwater Administrator may deliver the notice of violation and correction order personally, by the law enforcement or code enforcement personnel, by certified or registered mail, return receipt requested, or by any means authorized for the service of documents by Rule 4 of the North Carolina Rules of Civil Procedure.

If a violation is not corrected within a reasonable period of time, as provided in the notification, the Stormwater Administrator may take appropriate action under this ordinance to correct and abate the violation and to ensure compliance with this ordinance.

(D) Extension of Time

A person who receives a notice of violation and correction order, or the *owner* of the land on which the violation occurs, may submit to the Stormwater Administrator a written request for an extension of time for correction of the violation. On determining that the request includes enough information to show that the violation cannot be corrected within the specified time limit for reasons beyond the control of the person requesting the extension, the Stormwater Administrator may extend the time limit as is reasonably necessary to allow timely correction of the violation, up to, but not exceeding 30 days. The Stormwater Administrator may grant 15-day extensions in addition to the foregoing extension if the violation cannot be corrected within the permitted time due to circumstances beyond the control of the person violating this ordinance. The Stormwater Administrator may grant an extension only by written notice of extension. The notice of extension shall state the date prior to which correction must be made, after which the violator will be subject to the penalties described in the notice of violation and correction order.

(E) Enforcement After Time to Correct

After the time has expired to correct a violation, including any extension(s) if authorized by the Stormwater Administrator, the Stormwater Administrator shall determine if the violation is corrected. If the violation is not corrected, the Stormwater Administrator may act to impose one or more of the remedies and penalties authorized by this ordinance.

(F) Emergency Enforcement

If delay in correcting a violation would seriously threaten the effective enforcement of this ordinance or pose an immediate danger to the public health, safety, or welfare, then the Stormwater Administrator may order the immediate cessation of a violation. Any person so ordered shall cease any violation immediately. The Stormwater Administrator may seek immediate enforcement, without prior written notice, through any remedy or penalty authorized by this article.

Section 9-3306 Definitions.**Section 9-3306.1 Terms Defined.**

When used in this Ordinance, the following words and terms shall have the meaning set forth in this section, unless other provisions of this Ordinance specifically indicate otherwise.

Built-upon area (BUA)

That portion of a *development* project that is covered by impervious or partially impervious surface including, but not limited to, buildings; pavement and gravel areas such as roads, parking lots, and paths; and recreation facilities such as tennis courts. “Built-upon area” does not include a wooden slatted deck, the water area of a swimming pool, or pervious or partially pervious paving material to the extent that the paving material absorbs water or allows water to infiltrate through the paving material.

Department

The North Carolina Department of Environment Quality.

Design Manual

The stormwater design manual approved for use in Phase II jurisdictions by the *Department* and certified by this jurisdiction for the proper implementation of the requirements of the federal Phase II stormwater program. All references herein to the *Design Manual* are to the latest published edition or revision.

Development

Any land-disturbing activity that increases the amount of *built-upon area* or that otherwise decreases the infiltration of precipitation into the soil.

Division

The Division of Energy, Mineral and Land Resources in the *Department*.

High-density project

Any project that exceeds the *low-density* threshold for dwelling units per acre or *built-upon area*.

Larger common plan of development or sale

Any area where multiple separate and distinct construction or land-disturbing activities will occur under one plan. A plan is any announcement or piece of documentation (including but not limited to a sign, public notice or hearing, sales pitch, advertisement, loan application, drawing, permit application, zoning request, or computer design) or physical demarcation (including but not limited to boundary signs, lot stakes, or surveyor markings) indicating that construction activities may occur on a specific plot.

Low-density project

For a project that is not located within one-half mile of and draining to Shellfish Resource Waters: the project is a low -density project if it has no more than two dwelling units per acre or twenty-four percent *built-upon area* (BUA) for all residential and non-residential *development*.

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A project with an overall density at or below the relevant low-density threshold, but containing areas with a density greater than the overall project density, may be considered low density as long as the project meets or exceeds the post-construction model practices for low-density projects and locates the higher density in upland areas and away from surface waters and drainage ways to the maximum extent practicable.

1-year, 24-hour storm

The surface runoff resulting from a 24-hour rainfall of an intensity expected to be equaled or exceeded, on average, once in 12 months and with a duration of 24 hours.

Owner

The legal or beneficial owner of land, including but not limited to a mortgagee or vendee in possession, receiver, executor, trustee, or long-term or commercial lessee, or any other person or entity holding proprietary rights in the property or having legal power of management and control of the property. "Owner" shall include long-term commercial tenants; management entities, such as those charged with or engaged in the management of properties for profit; and every person or entity having joint ownership of the property. A secured lender not in possession of the property does not constitute an owner, unless the secured lender is included within the meaning of "owner" under another description in this definition, such as a management entity.

Redevelopment

Any *development* on previously-developed land, other than a rebuilding activity that results in no net increase in *built-upon area* and provides equal or greater stormwater control than the previous *development*.

Structural BMP

A physical device designed to trap, settle out, or filter pollutants from stormwater runoff; to alter or reduce stormwater runoff velocity, amount, timing, or other characteristics; to approximate the pre-development hydrology on a developed site; or to achieve any combination of these goals. Structural BMP includes physical practices such as constructed wetlands, vegetative practices, filter strips, grassed swales, and other methods installed or created on real property. "Structural BMP" is synonymous with "structural practice," "stormwater control facility," "stormwater control practice," "stormwater treatment practice," "stormwater management practice," "stormwater control measures," "structural stormwater treatment systems," and similar terms used in this ordinance.

Substantial progress

For the purposes of determining whether sufficient progress has been made on an approved plan, one or more of the following construction activities toward the completion of a site or subdivision plan shall occur: obtaining a grading permit and conducting grading activity on a continuous basis and not discontinued for more than thirty (30) days; or installation and approval of on-site infrastructure; or obtaining a building permit for the construction and approval of a building foundation. "Substantial progress" for purposes of determining whether an approved plan is null and void is not necessarily the same as "substantial expenditures" used for determining vested rights pursuant to applicable law.

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ARTICLE T
Illicit Discharges and Connections and Wastewater

Section 9-3501 Illicit Discharges and Connections.

Section 9-3501.1 Title and Purpose.

(A) Title

This ordinance shall be officially known as "The Phase II Stormwater Illicit Discharge Detection and Elimination Ordinance." It is referred to herein as "this ordinance."

(B) Purpose

The purpose of this ordinance is to provide for the health, safety, and general welfare of the citizens of the Town of Valdese through the regulation of non-storm water discharges to the storm drainage system to the maximum extent practicable as required by federal and state law. This ordinance establishes methods for controlling the introduction of pollutants into the municipal separate storm sewer system (MS4) in order to comply with requirements of the National Pollutant Discharge Elimination System (NPDES) permit process. The objectives of this ordinance are:

- (1) To regulate the contribution of pollutants to the municipal separate storm sewer system (MS4) by Stormwater discharges by any user
- (2) To prohibit Illicit Connections and Discharges to the municipal separate storm sewer system
- (3) To establish legal authority to carry out all inspection, surveillance and monitoring procedures necessary to ensure compliance with this ordinance

Section 9-3501.2 Authority.

The Town of Valdese is authorized to adopt this ordinance pursuant to North Carolina law, including but not limited to Article 14, Section 5 of the Constitution of North Carolina; North Carolina General Statutes 143-214.7 and rules promulgated by the Environmental Management Commission thereunder; Session Law 2004-163; Chapter 160A § 174, 185.

Section 9-3501.3 Definitions.

For the purposes of this section, the following shall mean:

Best Management Practices (BMPs)

schedules of activities, prohibitions of practices, general good housekeeping practices, pollution prevention and educational practices, maintenance procedures, and other management practices to prevent or reduce the discharge of pollutants directly or indirectly to Stormwater, receiving waters, or Stormwater conveyance systems BMPs also include treatment practices, operating procedures and practices to control site runoff, spillage or leaks sludge or water disposal, or drainage from raw materials storage.

Clean Water Act

The federal Water Pollution Control Act (33 U.S. C. 5 1251 et seq.), and any subsequent amendments thereto.

Hazardous Materials

Any material, including any substance, waste, or combination thereof, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may cause, or significantly contribute to, a substantial present or potential hazard to human health, safety, property, or the environment when improperly treated, stored, transported disposed of, or otherwise managed.

Illegal Discharge

Any direct or indirect non-storm water discharge to the storm drain system.

Illicit Connections

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An illicit connection is defined as either of the following:

Any drain or conveyance, whether on the surface or subsurface, which allows an illegal discharge to enter the storm drain system including but not limited to any conveyances which allow any non-storm water discharge including sewage, process wastewater, and wash water to enter the storm drain system and any connections to the storm drain system from indoor drains and sinks, regardless of whether said drain or connection had been previously allowed, permitted or approved by an authorized enforcement agency or,

Any drain or conveyance connected from a commercial or industrial land use to the storm drain system, which has not been documented in plans, maps, or equivalent records and approved by an authorized enforcement agency.

Industrial Activity

Activities subject to NPDES Industrial Permits as defined in 40 CFR, Section 122.26 (b) (14).

Municipal Separate Storm Sewer System (MS4)

Pursuant to 40 CFR 122.26(b)(8) means a conveyance or system of conveyances (including roads with drainage systems, municipal streets catch basins, curbs, gutters, ditches, manmade channels, inlets, piped storm drains, pumping facilities, retention and detention basins, natural and human-made or altered drainage channels, reservoirs, and other drainage structures or storm drains):

(i) Owned or operated by a town, city, county, district, association, or other public body (created by or pursuant to State law) having jurisdiction over disposal of sewage, industrial wastes, Stormwater, or other wastes, that discharges to waters of the United States or waters of the State.

(ii) Designed or used for collecting or conveying Stormwater;

(iii) Which is not a combined sewer; and

(iv) Which is not part of a Publicly Owned Treatment Works (POTW), as defined in 40 CFR 122.2

National Pollutant Discharge Elimination System (NPDES) Storm Water Discharge Permit

A permit issued by the North Carolina Department of Environment and Natural Resources, Division of Water Quality* that authorizes the discharge of pollutants to waters of the State, whether the permit is applicable on an individual, group, or general area-wide basis.

Non-Stormwater Discharge

Any discharge to the storm drain system that is not composed entirely of storm water.

Person

Means any individual, association, organization, partnership, firm, corporation or other entity recognized by law and acting either as the owner or as the owner's agent.

Pollutant

Anything that causes or contributes to pollution. Pollutants may include, but are not limited to: paints, varnishes, and solvents; oil and other automotive fluids; non-hazardous liquid and solid wastes and yard wastes; refuse, rubbish, garbage, litter, or other discarded or abandoned objects, ordinances, and accumulations, so that same may cause or contribute to pollution; floatables; pesticides, herbicides, and fertilizers; hazardous substances and wastes; sewage, fecal coliform and pathogens; dissolved and particulate metals; animal wastes; wastes and residues that result from constructing a building or structure; and noxious or offensive matter of any kind.

Premises

Any building, lot, parcel of land, or portion of land whether improved or unimproved including adjacent sidewalks and parking strips.

Storm Water

Any surface flow, runoff, and drainage consisting entirely of water from any form of natural precipitation, and resulting from such precipitation.

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Stormwater Pollution Prevention Plan

A document which describes the Best Management Practices and activities to be implemented by a person or business to identify sources of pollution or contamination at a site and the actions to eliminate or reduce pollutant discharges to Stormwater, Stormwater Conveyance Systems, and/or Receiving Waters to the Maximum Extent Practicable.

Wastewater

Means water or other liquid, other than uncontaminated storm water, discharged from a facility.

*Ultimately the federal Environmental Protection Agency regulates the NPDES permit, but it has been delegated to the state for any non-tribal lands within North Carolina

Section 9-3501.4 Illicit Discharges and Connections**(A) Illicit Discharges**

No person shall cause or allow the discharge, emission, disposal, pouring, or pumping directly or indirectly to any Stormwater conveyance, the waters of the State, or upon the land in manner and amount that the substance is likely to reach a Stormwater conveyance or the waters of the State, any liquid, solid, gas, or other substance, other than Stormwater; provided that non-Stormwater discharges associated with the following activities are allowed and provided that they do not significantly impact water quality:

- (1) Water line flushing,
- (2) Landscape irrigation,
- (3) Diverted stream flows,
- (4) Rising ground waters,
- (5) Uncontaminated ground water infiltration (as defined at 40 CFR 35.2005(20)),
- (6) Uncontaminated pumped ground water,
- (7) Discharges from potable water sources,
- (8) Foundation drains,
- (9) Flows from emergency firefighting,
- (10) Air conditioning condensation,
- (11) Irrigation water,
- (12) Springs,
- (13) Water from crawl space pumps,
- (14) Footing drains,
- (15) Lawn watering,
- (16) Individual residential car washing - Designated vehicle wash areas at multi-family residential complexes are not allowed if they connect, directly or indirectly, to the Stormwater System or surface waters. Charity Vehicle Washing performed by the same organization or at the same location on a routine basis (more than one time in a thirty-day period) is not allowed under this article.
- (17) Flows from riparian habitats and wetlands,

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(18) Dechlorinated swimming pool discharges - "Salt Water" swimming pools cannot be directly discharged into the storm drain due to the salinity, bromoform/bromine concentration, and chlorine generated.

(19) Street wash water, and

(20) Other non-Stormwater discharges for which a valid NPDES discharge permit has been approved and issued by the State of North Carolina, and if any such discharges to the municipal separate storm, The Town of Valdese shall authorize sewer system.

(21) Removal of Stormwater System blockages with Unmodified Potable Water.

Prohibited substances include but are not limited to oil, anti-freeze, chemicals, animal waste, paints, garbage, and litter.

(B) Illicit Connections

(1) Connections to a Stormwater conveyance or Stormwater conveyance system that allows the discharge of non-Stormwater, other than the exclusions described in section (a) above, are unlawful. Including but not limited to: prohibited washing machines or sanitary sewers, wash water from commercial vehicle washing or steam cleaning, and wastewater from septic systems.

(2) Where such connections exist in violation of this section and said connections were made prior to the adoption of this provision or any other ordinance prohibiting such connections, the property owner or the person using said connection shall remove the connection within one year following the effective date of this ordinance. However, the one-year grace period shall not apply to connections which may result in the discharge of hazardous materials or other discharges which pose an immediate threat to health and safety, or are likely to result in immediate injury and harm to real or personal property, natural resources, wildlife, or habitat.

(3) Where it is determined that said connection:

- i. May result in the discharge of hazardous materials or may pose an immediate threat to health and safety, or is likely to result in immediate injury and harm to real or personal property, natural resources, wildlife, or habitat, or
- ii. Was made in violation of any applicable regulation or ordinance, other than this section:

The Stormwater Administrator/ Illicit Discharge Officer shall designate the time within which the connection shall be removed - in setting the time limit for compliance the Stormwater Administrator/ Illicit Discharge Officer shall take into consideration:

- i. The quantify and complexity of the work,
- iii. The consequences of delay,
- iv. The potential harm to the environment, to the public health, and to public and private property, and
- v. The cost of remedying the damage.

(C) Spills

Spills or leaks of polluting substances released, discharged to, or having the potential to be released or discharged to the Stormwater conveyance system, shall be contained, controlled, collected, and properly disposed of. All affected areas shall be restored to their pre-existing condition.

Persons in control of the polluting substances immediately prior to their release or discharge, and persons owning the property on which the substances were released or discharged, shall immediately notify the Valdese Fire Department of the release or discharge, as well as making any required notifications under state and federal law. Notification shall not relieve any person of any expenses related to the restoration, loss damage, or any other liability which may be incurred as a result of said spill or leak, nor shall such notification relieve any person from other liability which may be imposed by State or other law.

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(D) Industrial or Construction Activity Discharges

Any person subject to an industrial or construction activity NPDES storm water discharge permit shall comply with all provisions of such permit; Proof of compliance with said permit may be required in a form acceptable to the Town of Valdese prior to the allowing of discharges to the MS4.

Section 3501.5 Right of Entry/Powers and Authority for Inspection**(A) Authority to Inspect and Monitor**

The Stormwater Administrator/ Illicit Discharge Officer, bearing proper identification, may enter public or private properties at all reasonable times to inspect, investigate, or monitor activities and conditions subject to this article. Persons occupying premises to be inspected shall allow the Stormwater Administrator/ Illicit Discharge Officer ready access at all times to all parts of the premises to perform inspection, monitoring, records examination, copying, photography, video recording or other duties. Stormwater Administrator/ Illicit Discharge Officer shall have the right to set up on the Person's property such devices as are necessary to conduct sampling, inspection, compliance monitoring and/or metering operations. Where a Person has security measures in force that would require identification and clearance before entry into the premises, the Person shall make arrangements with security personnel so that, upon presentation of identification, personnel from Stormwater Administrator/ Illicit Discharge Officer will be permitted to enter and perform their specific responsibilities without delay. Denial of Stormwater Administrator/ Illicit Discharge Officer access to the Person's premises or portions thereof shall be a violation of this article. Denial of access may also occur if a Person fails to provide, without unreasonable delay, such facilities, equipment, or devices as are reasonably necessary to permit Stormwater Administrator/ Illicit Discharge Officer personnel to perform their duties in a safe manner. Unreasonable delays may constitute denial of access. Any delay of more than five minutes may be considered unreasonable.

(B) Search Warrants

To the extent permitted by law, Administrator/ Illicit Discharge Officer may seek the issuance of a search warrant to determine compliance with this article.

(C) Confidential Information

- (1) To the extent permitted by applicable law and except as otherwise provided in this section, information and data on a Person obtained from reports, questionnaires, permit applications, permits, monitoring programs and inspections shall be available to the public or other government agencies without restriction, unless the Person specifically requests, and is able to demonstrate to the satisfaction of Administrator/ Illicit Discharge Officer, that the release of such information would divulge information, processes or methods of production entitled to protection as trade secrets of the Person. Any such request must be asserted at the time of submission of the information or data.
- (2) To the extent permitted by applicable law, when requested by a Person furnishing a report, the portions of a report that might disclose trade secrets or secret processes shall not be made available for inspection by the public, but shall be made available upon request to governmental agencies for uses related to this article provided, however, that such portions of a report shall be available for use by the State or any State agency in judicial review or enforcement proceedings involving the Person furnishing the report.
- (3) Documents that are not public records and the information set forth therein may be withheld and released only as provided by applicable law.

(D) Obstruction

No person shall obstruct, hamper, or interfere with Administrator/ Illicit Discharge Officer while carrying out official duties. Upon presentation of credentials by Administrator/ Illicit Discharge Officer, necessary arrangements shall be made to allow immediate access onto premises or into an area protected by security

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measures. Any obstruction to the safe and easy access to property, a facility or enclosure on property, or to monitoring devices shall immediately be removed. Unreasonable delays in providing safe and reasonable access or removing obstructions shall be a violation of this article.

Section 9-3501.6 Enforcement**(A) Notice of Violation**

Whenever the Stormwater Administrator/ Illicit Discharge Officer finds that a person has violated a prohibition or failed to meet a requirement of this Ordinance, the Stormwater Administrator/ Illicit Discharge Officer may order compliance by written notice of violation to the responsible person. Such notice may require without limitation:

- (1) The performance of monitoring analyses, and reporting,
- (2) The elimination of illicit connections or discharges,
- (3) That violating discharges, practices, or operations shall cease and desist,
- (4) The abatement or remediation of storm water pollution or contamination hazards and the restoration of any affected property, and
- (5) Payment of a fine to cover administrative and remediation costs, and
- (6) The implementation of source control or treatment BMPs.

If abatement of a violation and/or restoration of affected property is required, the notice shall set forth a deadline within which such remediation or restoration must be completed. Said notice shall further advise that, should the violator fail to remediate or the Town or a contractor designated by the Stormwater Administrator/ Illicit Discharge Officer will perform the restore, within the established deadline, the work and the expense thereof shall be charged to the violator.

(B) Violations Deemed a Public Nuisance

Illicit discharges and illicit connections which exist within the Valdese Town Limits and Extra-territorial Jurisdiction are hereby found, deemed, and declared to be dangerous or prejudiced to the public health or public safety and are found, deemed, and declared to be public nuisances and may be summarily abated or restored by the Town at the violator's expense, and/or a civil action to abate, enjoin, or otherwise compel the cessation of such nuisance may be taken by the Town.

Councilwoman Stevenson asked who would be the stormwater administrator. Ms. Adams stated that the Town Manager would be the stormwater administrator but that the complaints would go to the Western Piedmont Council of Government. Councilwoman Hildebran asked where the funding would come from. Ms. Adams explained that the funding would come from unfunded mandates out of the Utility fund. Town Manager Seth Eckard asked what other costs could occur with complying with stormwater regulations. Ms. Adams explained the Town of Valdese already has their MS4 mapped which would have been a considerable cost.

Mayor Black asked if there were additional comments from the public. There being no one wishing to speak, Mayor Black closed the public hearing.

Councilman Ogle made a motion to appeal the existing stormwater ordinance and adopt the aforementioned ordinance code, seconded by Councilwoman Hildebran. The vote was unanimous.

WPCOG CODE ENFORCEMENT ABATEMENT/UPDATES: WPCOG Code Enforcement Officer Billy Rickles provided Council with an update on current code enforcement cases.

Bass Property Update: Mr. Rickles informed Council of the damage from the fire on the Bass Street property. Mr. Rickles is working with a few contractors to get estimates on abatement issues if Council chooses to proceed. Town funds would be used for the abatement but funds would be recovered by attaching the funds to the tax bill that would be repaid by property owner. Finance Director Bo Weichel stated that we have \$13,000.00 in the budget for abatement.

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Carolina St. Property Update: Mr. Rickles informed Council that the property owner is willing to become compliant within the next 30 days to have the property torn down. No request for abatement at this time.

Main St. Property Update: Mr. Rickles informed the Council that the property owner states he has a contractor. The property owner is working to seal the windows. Mr. Rickles will talk with the contractor to confirm that he is following the proper scope of work. If the property is not sealed up by February, Council will move forward with abatement.

Morganton St NW: Mr. Rickles reached out to Duke Power regarding the kudzu on the power line and it is illegal to touch the kudzu due to the possibility of damaging the line. Mr. Rickles has contacted the President of Meridian Corporation to work on a solution to take care of the kudzu on the ground.

Councilman Ogle made a motion to proceed with abatement of the property on 401 Bass Street, seconded by Councilwoman Hildebran. The vote was unanimous.

ACCEPTANCE OF FUNDING FOR MAIN STREET WATERLINE PROJECT: Water Resources Director Greg Padgett informed Council that the town was approved for a State Loan for \$2,782,950 to repair the waterline that runs from West End Street to Eldred Street. \$1,000,000 of the loan is in the form of principal forgiveness that will not have to be paid back. Mr. Padgett informed Council that the town would be responsible for \$1,782,950 at zero percent interest over 20 years. The project will replace a 1936 waterline.

TOWN OF VALDESE
MAIN ST. WATERLINE REPLACEMENT
PROJECT (H-LRX-F-19-1955)
RESOLUTION ACCEPTING FUNDS
BY VALDESE, TOWN COUNCIL

WHEREAS, the North Carolina Clean Water Revolving Loan and Grant Act of 1987 has authorized the making of loans and grants to aid eligible units of government in financing the cost of construction of wastewater treatment works, wastewater collection systems, and water supply systems, water conservation projects, and

WHEREAS, the North Carolina Department of Environmental Quality has offered \$2,782,950 from the North Carolina Drinking State Revolving Fund (DWSRF). 1) To install Approx. 3,000ft 8-inch Ductile-Iron Pipe (DIP) to Replace-in-Kind (RIK) Approx. 3,000 FT of existing 8-inch Cast-Iron Pipe (CIP); 2) Install Approx. 3,800 FT of Proposed 6-inch DIP to RIK Approx. 3,800 FT of Ex. 6-inch CIP and; 3) Install Approx. 190 FT of Proposed 6-inch DIP to RIK Approx. 190 Feet of Ex. 2-inch Galvanized Steel.

WHEREAS, the Town of Valdese intends to construct said project in accordance with the engineering plans and specifications that have or will have been approved by the North Carolina Public Water Supply Section.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF VALDESE:

That the Town of Valdese does hereby accept the NC Drinking Water State Revolving Fund loan offer of \$2,782,950

That the Town of Valdese does hereby give assurance to the North Carolina Department of Environmental Quality that they will adhere to all applicable items specified in the standard "Conditions" and "Assurances" of the Department's funding offer, awarded in the form of Drinking Water State Revolving Fund Loan; and

That Mr. Seth Eckard, Valdese Town Manager, and successors so titled, is hereby authorized and directed to furnish such information, as the appropriate State agency may request, in connection with such application or the Project; to make the Assurances as contained above; and to execute such other documents as may be required in connection with the application; and

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That Town of Valdese has complied substantially or will comply substantially with all Federal, State and local laws, rules, regulations, and ordinances applicable to the Project and to Federal and State grants and loans pertaining thereto.

Adopted this the 2nd day of December, 2019 at Valdese, North Carolina

/s/JOHN F. BLACK, JR., MAYOR
Town of Valdese

Councilman Ogle made a motion to approve the aforementioned resolution, seconded by Councilwoman Stevenson. The vote was unanimous.

DYE BRANCH SEWER LINE PROTECTION PROJECT: Water Resources Director Greg Padgett informed Council that a sinkhole developed on the Kellex property that encroached approximately 400 FT and 24-inches of the town's sewer line. Kellex took the lead on this project, addressing the town's issue with oversight from McGill and Associates to make sure the town's sewer line was protected at all times. Mr. Padgett stated that the town's share of this expense is approximately \$200,000.00. The town will receive an easement from Kellex for all areas necessary to operate and maintain the existing public utilities on the Kellex property. Mr. RJ Mozeley, with McGill and Associates, informed Council that the new storm sewer was inspected to make sure it had joint integrity by a third party contractor who specializes in CCTB work.

Councilwoman Frances Hildebran made a motion to prove the acceptance of the funding for the Sewer line Project with a maximum amount of \$200,000.00, seconded by Councilwoman Stevenson. The vote was unanimous.

MANAGER'S REPORT: Town Manager Seth Eckard made the following announcements:

The Annual Christmas Parade is on Saturday, December 7, 2019, at 10:00 a.m.

Christmas in Valdese with Christmas Tree Lighting is on Friday, December 13, 2019, at 6:00 p.m.

OCP Production of A Christmas Story Show Dates are December 13-15 and 20-22, 2019; visit www.oldcolonyplayers.com for more information and to purchase tickets.

Mingle with Kris Kringle, is on Saturday, December 14, 2019, starting at 8:30 a.m.

Council and Department Head Dinner is on Thursday, December 19, 2019, at 6:30 p.m. at 100 Main.

Christmas Fellowship Lunch provided by the Fire Department for employees is on Wednesday, December 18, 2019, at 11:30am.

Town Offices Will Be Closed December 24-26, 2019, in observance of Christmas and January 1, 2020, for New Year's Day

New this year is the Holiday Home Decorating Contest. Homes participating must enter by December 13, 2019. The homes will be judged the week of December 16-19, 2019, and the winner will be announced December 20, 2019.

Valdese Merchants Window contest must be completed by December 16, 2019, and the winner will be announced December 20, 2019.

Caroling at the Arrival is on December 17, 2019, from 6:00 p.m. – 7:00 p.m.

MAYOR AND COUNCIL COMMENTS:

Councilman Ogle asked for an update on the railroad. Public Works Director Bryan Duckworth informed the Council that the railroad would start repairing the crossing at Rodoret and Praley this week. Both railroad crossings will be closed with a detour at periods over the next few weeks.

Councilwoman Hildebran asked for an explanation of the streetlight issue from the accident that happened on Main Street. Chief of Police Jack Moss explained that a subject had an accident from a medical problem

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that took lights out, starting at the Old Rock School to The Bargain House. Public Works Director Bryan Duckworth explained that there are 11 polls out, and Duke Power is aware. Councilwoman Hildebran also thanked Mayor Black for the book, *13 Ways to Kill your Community*, that was handed out at the last Council meeting.

Councilman Sweezy informed the Council of his travels during the Thanksgiving holiday. The towns that Mr. Sweezy drove through had no businesses and wanted to express how fortunate we are to live in the Town of Valdese and all that it has to offer the citizens.

Mayor Black reminded the Council of the calendar in their packets listing the 2020 Council meetings.

ADJOURNMENT: At 7:25 p.m., there being no further business to come before Council, Councilman Keith Ogle made a motion to adjourn, seconded by Councilwoman Susan Stevenson. The vote was unanimous.

The next meeting is a regularly scheduled meeting on Monday, January 6, 2020, 6:00 p.m., Valdese Town Hall.

Town Clerk

Mayor

jl

Valdese Town Council Meeting

Monday, January 6, 2020

Budget Amendment #

12

Subject:

Change Order on emergency repairs for sewer line at Old Harris St.

Description:

Original budget amendment of \$29,920 approved 12/2/19 meeting.
During repairs, an upstream manhole was found to be partially collapsed and was repaired while contractor was onsite.

Proposed Action:

BE IT ORDAINED by the Council of the Town of Valdese that, pursuant to Section 15 of Chapter 159 of the General Statutes of North Carolina, the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2020:

Section I:

The following revenues available to the Town will be increased:

Account Description		Decrease/ Debit	Increase/ Credit
30.3990.000	Fund Balance Appropriated-Utility		2,200
Total		\$0	\$2,200

Amounts appropriated for expenditure are hereby amended as follows:

Account Description		Increase/ Debit	Decrease/ Credit
30.8120.740	Capital Outlay	2,200	
Total		\$2,200	\$0

Section II:

Copies of this budget amendment shall be furnished to the Clerk to the Governing Board, to the Budget Officer and the Finance Officer for their direction.

Valdese Town Council Meeting

Monday, January 6, 2020

Budget Amendment #

13

Subject:

Emergency repairs for project Dye Branch

Description:

This amendment covers reimbursement of \$178,562 to Kellex and an additional \$14,482 of expenses for engineering costs.

Proposed Action:

BE IT ORDAINED by the Council of the Town of Valdese that, pursuant to Section 15 of Chapter 159 of the General Statutes of North Carolina, the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2020:

Section I:

The following revenues available to the Town will be increased:

Account Description		Decrease/ Debit	Increase/ Credit
30.3990.000	Fund Balance Appropriated-Utility		193,044
Total		\$0	\$193,044

Amounts appropriated for expenditure are hereby amended as follows:

Account Description		Increase/ Debit	Decrease/ Credit
30.8120.741	Capital Outlay	178,562	
30.8110.150	Maintenance & Repair	14,482	
Total		\$193,044	\$0

Section II:

Copies of this budget amendment shall be furnished to the Clerk to the Governing Board, to the Budget Officer and the Finance Officer for their direction.

Town of Valdese Personnel Report

<u>Employee Name</u>	<u>Position</u>	<u>Previous Position</u>	<u>Department</u>	<u>Date of Event</u>
<i>Promotions</i>				
Levi Henry	Full Time Police Officer	Reserve Police Officer	Police	1/6/2020
<i>New Hires</i>				
Jeremy Hudson	Utility Service Field Technician I		Public Works	12/16/2019
<i>Transfers</i>				



TOWN OF VALDESE
NORTH CAROLINA'S FRIENDLY TOWN

P.O. BOX 339

VALDESE, NORTH CAROLINA 28690-0339

PHONE (828) 879-2120 | FAX (828) 879-2139 | TOWNOFVALDESE.COM

Memorandum

To: John Black, Mayor
Town Council

From: Larry Johnson, Planning Director
Hunter Nestor, WPCOG Community and Regional Planner

Date: January 2, 2020

Subject: Offer to Purchase Town-owned Property

Western North Carolina Housing Partnership is seeking an option to purchase the property located at 605 Pineburr Avenue (Crowhill property), comprised of two parcels totaling five acres suitable for building. Western North Carolina Housing Partnership has been in contact with Town staff regarding the submittal of a new application for grant funds to build 60 affordable workforce housing units.

In 2016, Western NC Housing Partnership applied for funding for a similar project, but funding was not approved. WNC Housing Partnership is offering \$61,800 if the current application is approved.

Western North Carolina Housing Partnership will make a presentation during the council meeting regarding this project. Staff will also be present to answer any additional questions on the subject. If Council is in support of this development, then enclosed in the packets is an option for approval to sell.

Staff recommends that Council adopt the Resolution and Option to Western NC Housing Partnership, Inc., to Purchase Town Property (Crowhill) Pursuant to G.S. 160A-279, however contingent upon grant funding approval.

Valdese Affordable Housing

December 2, 2019



WESTERN
NC
HOUSING PARTNERSHIP

 **MILLS**
CONSTRUCTION COMPANY

Who We Are

Western N.C. Housing Partnership, Inc. (WNCHP) is a nonprofit 501(c)3 organization founded in 1994 celebrating 25 years in 2019

We are committed to developing high quality apartment residences for aging populations and workforce families within the thirty-one county region of Western North Carolina



Western N.C. Housing Partnership

We are long-term owners – the first tax credit period is 15 years and it extends to a second term of 15 years automatically- we hold our assets through both terms

We recently refinanced a 64-unit workforce housing development at year 16 and were able to complete a major renovation due to restructuring of the loan

We are good stewards of our communities and perform regular unannounced site visits, asset management reviews and interact with site and regional management teams

It's important to note that residents may stay in their apartment homes even when their income increases- several residents have been able to save and purchase their own home

Experienced Team

We will be working in tandem with Fred G. Mills, a tax credit developer with 51 years of experience in housing development in North Carolina

The organization includes an in-house construction company that we will utilize – jobs will be created during construction

Over 3,000 units developed

Recent developments in: Granite Falls, Mocksville, Dallas NC, Asheville, Greenville NC, Tabor City, Raleigh, Lumberton, Charlotte, Bermuda Run





Understanding Affordable Housing

Housing is considered Affordable when total housing costs are no more than 30% of a household's gross income

Area Median Income (AMI) is the median income of all households in a county

The Low-Income Housing Tax Credit (LIHTC) provides funding to develop, construct and manage high quality housing for households earning 60% or less of AMI

- Not Section-8 or HUD Housing
- Privately owned and managed

Long-term affordability: 30-year affordability commitment

Who Can Live in Affordable Housing

Households earning less than 60% of AMI

Area Median Income for Family of 4 is \$55,100

	Income Limits		
Household Size	40% AMI	50% AMI	60% AMI
1 Person	\$16,960	\$21,200	\$25,440
2 Person	\$19,400	\$24,250	\$29,100
3 Person	\$21,800	\$27,250	\$32,700
4 Person	\$24,240	\$30,300	\$36,360

Burke County, 2019 | Source: Novogradac & Company

Employees who Qualify

Est. 87,000 jobs offer median wages under \$32,700 in the region

Retail Workers	Medical Assistants
Nursing Assistants	Firefighters
Office Clerks	Police, Fire and Ambulance Dispatchers
Restaurant Workers	Home Health Aids
Teacher Assistants & Substitute Teachers	Receptionists
Food Preparation Workers	Delivery Drivers

Source: Bureau of Labor Statistic, Occupational Employment Statistics 2018 Hickory-Lenoir-Morganton MSA

Frequently Asked Questions

If you income-qualify now, but later get a raise and earn over the income limit, will you be evicted? No

Will there be on-site management? Yes

Is this Section 8 or public housing? No

Extensive background and credit checks are performed on all prospective residents

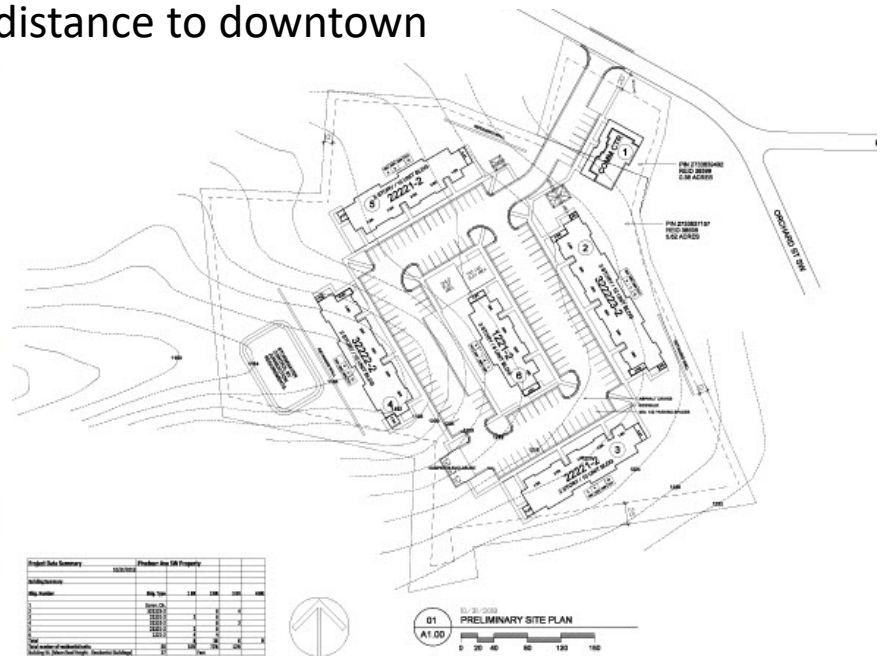
Proposed Development

66-unit apartment development

Affordable to households earning 60% AMI or less

Five 3-story residential buildings

Conveniently located within walking distance to downtown



Proposed Development

Amenities

Community center

Kids play area and tot lot

Picnic area

Computer lab

On-site management

24-hour emergency maintenance

On-site security cameras

Projected Rents

Unit Size	Unit Count	40% AMI	50% AMI	60% AMI
1 BR	12	\$355	\$460	\$565
2 BR	36	\$420	\$515	\$630
3 BR	18	-	\$590	\$720

Rent includes water/sewer utilities. Note: Rents will be approved by NCHFA



Building Design

Designed to be indistinguishable from market rate housing
Greenville, NC | Completed 2015



Building Design

Designed to be indistinguishable from market rate housing
Dallas, NC | Completed 2014, Phase 2 Completed 2019

Special Events to Foster a Sense of Community



Administrative Office

Administrative office includes managers office, community room, computer lab and more





Residents are Proud to Live in their Homes



Thank You

OPTION TO PURCHASE REAL ESTATE
(Crow Hill Park Property)

THIS OPTION TO PURCHASE REAL ESTATE is made and entered into as of the 6 day of January, 2020, by and between WESTERN N.C. HOUSING PARTNERSHIP, INC., a North Carolina nonprofit corporation, (Purchaser) and the TOWN OF VALDESE, a North Carolina municipal corporation, (Seller).

RECITALS:

Seller is the owner of property located at 605 Pineburr Avenue SW in Valdese, North Carolina known as the Crow Hill Park Property (the Property). The Property consists of a parcel containing approximately 5.728 acres and a parcel containing approximately 0.42-acres. These parcels have been assigned REID Nos. 38598 and 38599 by the Burke County Tax Office, and they are more particularly described by metes and bounds as shown on the attached metes and bounds descriptions.

Purchaser is investigating the possibility of building housing units on the Property, and Purchaser has asked Seller to grant to Purchaser an option to purchase the Property.

During the requested option period Purchaser will apply to the North Carolina Housing Finance Agency for tax credits that will be used to help fund this project.

Seller has agreed to grant to Purchaser an option the purchase the Property on the terms as set forth in this agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **OPTION.** Seller hereby grants to Purchaser the option to purchase the Property upon the terms and conditions set forth in this agreement.

2. **TERM OF OPTION.** Purchaser shall have until 5:00 p.m. on August 31, 2020, within which to exercise the option to purchase the Property.

3. **EXERCISE OF OPTION.** Purchaser may exercise this option to purchase the Property at any time between the date of this agreement and 5:00 p.m. on August 31, 2020, by personally delivering or mailing written notice to that effect to Seller. To be effective, the written notice of Purchaser's exercise of this option to purchase must be accompanied by a deposit in the amount of 5% of the purchase price offered by Purchaser for the purchase of the Property.

4. **PURCHASE PRICE.** The purchase price set forth in Purchaser's written notice of exercise of its option to purchase the Property must be an amount not less than \$61,800.

5. **PROCESS AFTER EXERCISE OF OPTION.** Upon timely receipt of Purchaser's written notice of its exercise of this option to purchase, Seller shall treat the exercise of the option to purchase as an offer to purchase the Property from Seller pursuant to G.S. 160A-269. Upon timely receipt of Purchaser's written notice of exercise of its option to purchase accompanied by the 5% deposit, Seller shall promptly advertise the sale of the Property in accordance with the requirements of G.S. 160A-269. The advertisement by Seller shall reflect the purchase price specified in paragraph 4 above as Purchaser's offer price, and Seller shall comply with all other requirements of G.S. 160A-269.

Following advertisement of the offer to purchase as set forth above, should no timely upset bids be filed with respect to the offer under the requirements of G.S. 160A-269, Seller shall at its next regularly scheduled meeting consider whether to accept the offer and sell the Property to Purchaser as the highest bidder. Should Seller not accept the offer and decide not to sell the Property to Purchaser at such meeting, Seller shall promptly return the 5% deposit to Purchaser. As provided in G.S. 160A-269, Seller may at any time reject any and all offers for the purchase of the Property.

6. **CLOSING.** Should Purchaser become of the purchaser of the Property in compliance with the foregoing provisions, the parties agree to close the purchase as soon as practicable thereafter, at a time and place to be mutually agreed upon by them, but in no event later than June 1, 2021. At closing and upon payment of the purchase price in full by Purchaser, Seller shall convey title to the Property by special warranty deed subject to street rights of way and such other utility easements as may be required by Seller in connection with its utility systems.

Notwithstanding the foregoing, if Seller decides to sell the Property to Purchaser as contemplated under Section 5 above, but Purchaser fails to obtain a tax credit allocation award pertaining to the Property from the North Carolina Housing Finance Agency during its 2020 tax credit award cycle, then Purchaser shall notify Seller of such failure to obtain an award, this document shall become null and void, and the parties shall owe no further duties to each other; in such scenario Seller shall retain the 5% deposit as its sole remedy against Purchaser hereunder.

7. **CLOSING COSTS AND PRORATIONS.** Seller agrees to pay for deed preparation and any required revenue stamps. Purchaser shall pay for the cost of a title search and owner's title insurance, cost of recording the deed, and for

Purchaser's attorney fees. Any taxes subject to proration shall be prorated to the date of closing.

8. REPRESENTATIONS OF SELLER. The Property would be sold "as is" and "with all faults". Seller has not made any representations or warranties regarding the condition of the Property, its suitability for any particular purpose, or with regard to zoning, occupancy restrictions, compliance with environmental laws, or any other legal requirements affecting or relating to the Property.

9. DUE DILIGENCE. During the option period Purchaser and its agents and representatives shall have the right to enter onto the Property for the purpose of conducting such inspections and investigations as Purchaser deems necessary. Purchaser hereby indemnifies and holds Seller harmless from and against any claims, expense, damages, or liability (including without limitation reasonable attorney fees) relating to Purchaser's exercise of its right of entry and Purchaser shall repair any damage to the Property or any improvements location thereon.

10. ASSIGNMENT. Purchaser shall not assign this agreement or any rights under this agreement without the prior written consent of Seller.

11. TIME OF ESSENCE. Time is of the essence with regard to the performance of all obligation of Purchaser and Seller under this agreement including, without limitation, those relating to the closing.

12. NOTICES. All notices, demands, requests, or communication required or permitted to be given pursuant to this agreement shall be in writing and shall be deemed to have been properly given or served and shall be effective upon being deposited in the United States mail, postage prepaid and certified with return receipt requested, upon delivery by a nationally recognized overnight delivery service, or upon the date of receipt of a facsimile which is received any business day on or before 5:00 p.m. in the location of receipt or on the next business day after receipt if received by facsimile after 5:00 p.m. on any business day; provided, however, the time period in which a response to any notice, demand or request must be given shall commence on the next business day after such posting.

Any such notice, demand, request or communication if given to Purchaser shall be addressed as follows:

Joy T. Strassel, Executive Director
Wester N.C. Housing Partnership, Inc.
PO Box 841
Rutherfordton, NC 28139
joy@assetperformancegroup.com
Telephone No.: (828) 279-2654

Any such notice, demand, request or communication if given to Seller shall be addressed as follows:

Seth Eckard, Town Manager
Town of Valdese
102 Massel Ave SW
PO Box 339
Valdese, NC 28690
seckard@valdesenc.gov
Telephone No.: (828) 879-2116
Fax No.: (828) 879-2139

13. Counterparts. This agreement is executed in several counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instruments.

IN WITNESS WHEREOF, the parties have duly executed this agreement as of the day and year first above written.

SELLER:

TOWN OF VALDESE

By: _____
John F. Black, Jr., Mayor

PURCHASER:

WESTERN N.C. HOUSING PARTNERSHIP, INC.

By: _____
Joy T. Strassel, Executive Director

***TOWN OF VALDESE
VALDESE, NORTH CAROLINA***

Financial Statements, Supplemental Schedules,
Independent Auditors' Report, and Compliance Reports
For the Year Ended June 30, 2019

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

**TOWN OF VALDESE
VALDESE, NORTH CAROLINA**

**Town Officials
June 30, 2019**

Mayor

John F. “Chip” Black

Town Council Members

Susan Stevenson

Keith Ogle

Frances Hildebran

J. Andrew “Andy” Thompson

Roy Sweezy

Other Town Officials

Seth Eckard

Bo Weichel

Roy Sweezy

Susan Stevenson

Kimberly Cline

Marc Mitchell, P.A.

Town Manager

Finance Director

Town Treasurer

Mayor Pro Tem

Tax Collector

Town Attorney

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**TOWN OF VALDESE
VALDESE, NORTH CAROLINA**

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VALDESE, NORTH CAROLINA**

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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Valdese, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefit Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 4-11 and 58-62, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Valdese, North Carolina's basic financial statements. The individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2019, on our consideration of the Town of Valdese, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 effectiveness of the Town of Valdese, North Carolina's 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 Valdese, North Carolina's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Lowmyer & Co., L.L.P.", written in dark ink.

Morganton, North Carolina
November 7, 2019

Management's Discussion and Analysis

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

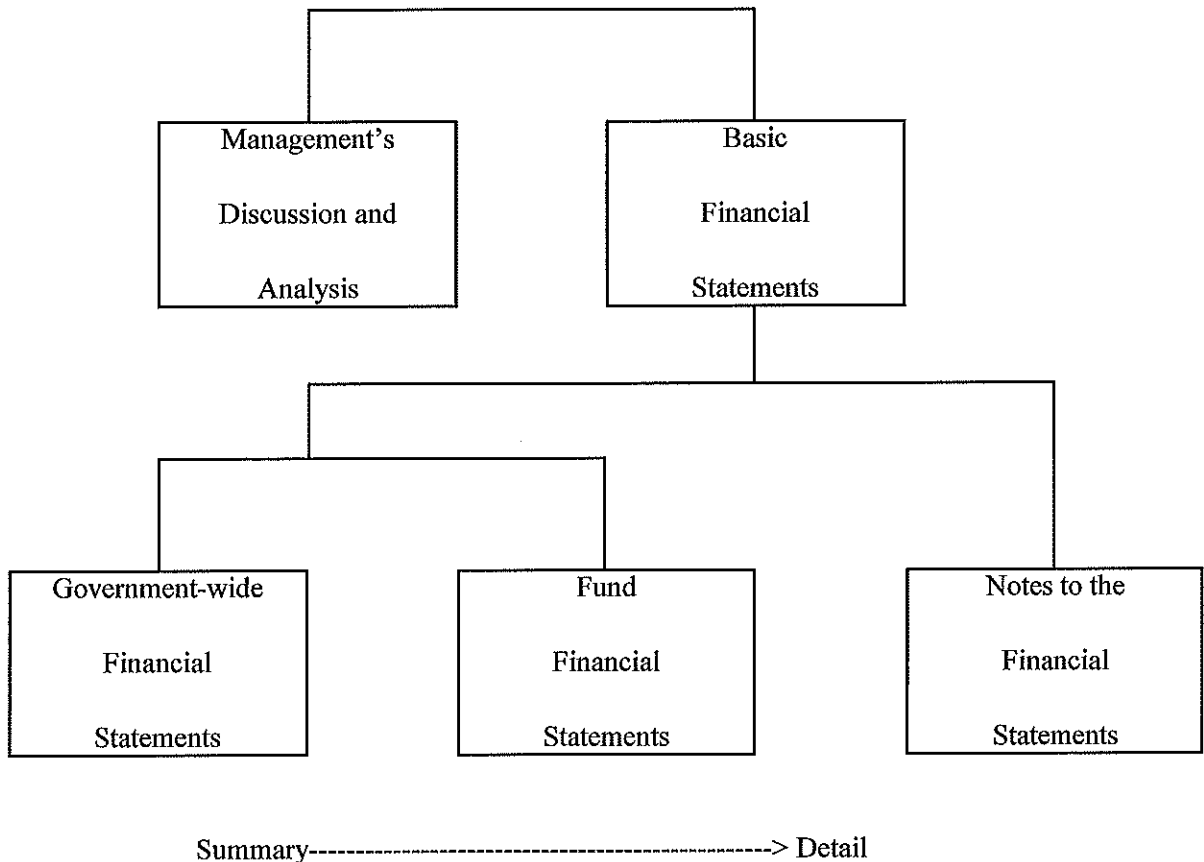
Financial Highlights

- The assets of the Town of Valdese exceeded its liabilities at the close of the fiscal year by \$29,432,412 (net position).
- The government's total net position increased by \$976,140.
- As of the close of the current fiscal year, the Town of Valdese's governmental funds reported combined ending fund balances of \$6,303,670, with a net increase of \$710,161, in fund balance. Approximately 50.74 percent of this total amount, or \$3,198,569, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,105,101, or 60.53 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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 total liabilities. 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; 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. This includes the water and sewer services offered by the Town of Valdese. 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 because the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

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

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

The Town of Valdese 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 - The Town of Valdese has one proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Valdese uses enterprise funds 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 begin on page 23 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 Valdese's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report.

Interdependence with Other Entities - The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The Town of Valdese's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$6,683,074	\$6,040,391	\$ 1,691,095	\$ 2,088,842	\$ 8,374,168	\$ 8,129,232
Capital assets	6,612,538	6,646,194	21,493,602	20,809,528	28,106,140	27,455,722
Deferred outflows of resources	<u>630,467</u>	<u>452,794</u>	<u>226,566</u>	<u>149,078</u>	<u>857,033</u>	<u>601,872</u>
Total assets and deferred outflows of resources	<u>13,926,079</u>	<u>13,139,379</u>	<u>23,411,263</u>	<u>23,047,447</u>	<u>37,337,341</u>	<u>36,186,825</u>
Long-term liabilities outstanding	5,212,054	4,788,039	2,375,164	2,497,585	7,587,218	7,285,624
Other liabilities	102,883	110,222	96,020	283,953	198,903	394,175
Deferred inflows of resources	<u>103,971</u>	<u>36,902</u>	<u>14,836</u>	<u>13,851</u>	<u>118,807</u>	<u>50,753</u>
Total liabilities	<u>5,418,908</u>	<u>4,935,163</u>	<u>2,486,020</u>	<u>2,795,391</u>	<u>7,904,928</u>	<u>7,730,552</u>
Net position:						
Net investment in capital assets	3,342,961	3,504,042	19,602,746	18,692,988	22,945,707	22,197,030
Restricted	751,098	746,910	-	-	751,098	746,910
Unrestricted	<u>4,413,112</u>	<u>3,953,264</u>	<u>1,322,495</u>	<u>1,559,068</u>	<u>5,735,607</u>	<u>5,512,332</u>
Total net position	<u>\$8,507,171</u>	<u>\$8,204,216</u>	<u>\$20,925,241</u>	<u>\$20,252,056</u>	<u>\$29,432,412</u>	<u>\$28,456,272</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of the Town of Valdese exceeded liabilities by \$29,432,412 as of June 30, 2019. The Town's net position increased by \$976,140 for the fiscal year ended June 30, 2019. However, the largest portion, 77.96%, reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related

debt still outstanding that was issued to acquire those items. The Town of Valdese uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Valdese'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 Valdese's net position \$751,098 (2.555%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,735,607 is unrestricted.

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

- Continued, concerted effort to control cost and manage expenditures responsibly.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.25%.
- Sustained effort to stabilize property tax revenues with both new residential and non-residential development.
- Continued acquisition of grant funding for major projects.
- Annual review and re-prioritizing of Capital needs.
- Adherence to the adopted budget.

The Town of Valdese's
Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 717,154	\$ 701,158	\$ 4,968,903	\$ 4,675,456	\$ 5,686,057	\$ 5,376,614
Operating grants and contributions	188,012	556,663	-	-	188,012	556,663
Capital grants and contributions	175,000	1,321,941	1,111,132	909,142	1,286,132	2,231,083
General revenues:						
Property taxes	2,130,678	2,194,177	-	-	2,130,678	2,194,177
Other taxes	1,776,432	1,695,834	-	-	1,776,432	1,695,834
Other	286,235	293,474	(120,598)	16,919	165,637	310,393
Total revenues	<u>5,273,511</u>	<u>6,763,247</u>	<u>5,959,437</u>	<u>5,601,517</u>	<u>11,232,948</u>	<u>12,364,764</u>
Expenses:						
General government	1,157,916	1,304,120	-	-	1,157,916	1,304,120
Public safety	1,843,651	1,827,730	-	-	1,843,651	1,827,730
Transportation	408,249	750,751	-	-	408,249	750,751
Environmental protection	270,091	231,403	-	-	270,091	231,403
Economic and physical development	39,552	329,773	-	-	39,552	329,773
Culture and recreation	1,531,672	1,607,968	-	-	1,531,672	1,607,968
Interest on long-term debt	106,426	86,388	-	-	106,426	86,388
Water and sewer	-	-	4,899,253	4,544,064	4,899,253	4,544,064
Total expenses	<u>5,357,557</u>	<u>6,138,133</u>	<u>4,899,253</u>	<u>4,544,064</u>	<u>10,256,810</u>	<u>10,682,197</u>
Increase (decrease) in net position before transfer	(84,046)	625,114	1,060,184	1,057,453	976,138	1,682,567
Transfers	387,000	815,348	(387,000)	(815,348)	-	-
Increase (decrease) in net position	<u>\$ 302,954</u>	<u>\$ 1,440,463</u>	<u>\$ 673,185</u>	<u>\$ 242,104</u>	<u>\$ 976,138</u>	<u>\$ 1,682,567</u>
Net position - July 1, previously reported	\$ 8,204,216	\$ 7,102,316	\$ 20,252,056	\$ 20,074,441	\$28,456,272	\$ 27,176,757
Restatement	-	(338,563)	-	(64,488)	-	(403,051)
Net position - July 1, restated	8,204,216	6,763,753	20,252,056	20,009,953	28,456,272	26,773,706
Increase (decrease) in net position	<u>302,954</u>	<u>1,440,463</u>	<u>673,185</u>	<u>242,104</u>	<u>976,138</u>	<u>1,682,567</u>
Net position - June 30	<u>\$ 8,507,171</u>	<u>\$ 8,204,216</u>	<u>\$ 20,925,241</u>	<u>\$ 20,252,056</u>	<u>\$29,432,411</u>	<u>\$ 28,456,272</u>

Governmental Activities - Governmental activities increased the Town's net position by \$302,954. Key elements of this increase are anticipated and unanticipated events as follows:

- Funds expended on capital projects not yet completed/capitalized.
- Modest growth in tax revenues.
- Revenues higher than anticipated.
- Expenditures lower than anticipated.

Business-type Activities - Business-type activities increased the Town of Valdese's net position by \$673,185. Key elements of this increase are as follows:

- Implementation of a Capital Improvement Plan.
- Increase in revenue due to economic conditions.
- Increase in the amount of grants received.
- Decrease in debt service.

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Valdese's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Valdese's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Valdese. At the end of the current fiscal year, available fund balance of the General Fund was \$3,105,101, while the total fund balance reached \$4,164,568. The Town currently has an available fund balance of 60.53 percent of General Fund expenditures, while the total fund balance represents 81.19 percent of that same amount.

At June 30, 2019, the governmental funds of the Town of Valdese reported a combined fund balance of \$6,303,670, a 12.69 percent increase from last year. Included in this change in fund balance are increases in the fund balance in the General Fund and a decrease in the fund balances of the Other Governmental Funds.

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

Proprietary Funds - The Town of Valdese'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 \$1,322,495. The total change in net position was an increase of \$673,185. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Valdese's business-type activities.

Capital Assets and Debt Administration

Capital Assets - The Town of Valdese's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$28,106,140 (net of accumulated depreciation). These assets include buildings, land, equipment, plant and distribution systems, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Purchase of new equipment.
- Repair of equipment and facilities.
- Purchase of new vehicles, including a fire truck.

**The Town of Valdese's Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$1,850,917	\$1,870,979	\$ 322,980	\$ 322,980	\$ 2,173,897	\$ 2,193,959
Buildings	3,204,041	3,463,823	-	-	3,204,041	3,463,823
Plant and distribution systems	-	-	20,098,231	15,945,957	20,098,231	15,945,957
Equipment	427,038	403,822	400,392	216,707	827,430	620,529
Vehicles and motorized equipment	1,130,542	907,570	144,314	143,888	1,274,856	1,051,458
Construction in progress	-	-	527,686	4,179,994	527,686	4,179,994
Total	<u>\$6,612,537</u>	<u>\$6,646,194</u>	<u>\$ 21,493,602</u>	<u>\$20,809,528</u>	<u>\$28,106,140</u>	<u>\$27,455,722</u>

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

Long-Term Debt - As of June 30, 2019 the Town of Valdese had total bonded debt outstanding of \$5,160,432.

The Town of Valdese's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General obligation bonds	\$3,269,576	\$3,142,152	\$1,571,340	\$1,627,791	\$4,840,916	\$ 4,769,943
State loans and bonds	-	-	319,516	488,748	319,516	488,748
Total	<u>\$3,269,576</u>	<u>\$3,142,152</u>	<u>\$1,890,856</u>	<u>\$2,116,539</u>	<u>\$5,160,432</u>	<u>\$ 5,258,691</u>

The Town of Valdese's total debt decreased by \$98,259 (1.87%) during the past fiscal year.

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 the Town of Valdese is \$25,523,296.

Additional information regarding the Town of Valdese's long-term debt can be found in Note III.B.6 beginning on page 51 of this report.

Economic Factors and Next Year's Budgets and Rates

The following are key economic indicators that continue to affect the status of the Town:

- The Town of Valdese (regional) unemployment rate was 3.3%, compared to the State's rate of 4.2% and the national rate of 4.0%.
- Property taxes, our largest revenue source, remained steady, with the upcoming fiscal year to see a reappraisal on property values.
- Sales and Utility Franchise taxes are our next largest revenue sources. Both have been trending positive due to a robust economy. We expect this trend to slow down in the upcoming fiscal year, with only a slight increase.
- The effects of losing textile industries continues to provide challenges for our Utility System. However, we are optimistic that the current and planned effort to expand our residential customer base through development and acquisition will continue to partially offset these losses.

Budget Highlights for the Fiscal Year Ending June 30, 2020

The original budget for the fiscal year 2019-2020 increased 4.5% over the previous fiscal year. This is primarily due to implementation of a market based pay plan, rising recycling costs, and property tax revaluation. This funding level provides for the continuation of all basic Town services, in addition to Community and Recreational services.

The property tax rate remains at \$0.545 per one hundred dollars (\$100) valuation. There has been a County wide property revaluation that will be reflected in the next fiscal year budget. It is anticipated to allocate realized increases of revenue towards streets and public safety. There will be slight increases to Town charges and fees as reflected in the Fee Schedule.

Budgeted expenditures for general operations in the General Fund are expected to increase. This increase is primarily due to an increased cost of recycling, employee compensation, facility maintenance, and inflation. The fiscal year 2020 budget maintains the current level of employee benefits with minor adjustments in deductibles.

The water and sewer rates in the Town will follow the Utility Fund's Capital Improvement Plan and rate model for residential, commercial, and industrial customer base rates. Through this budgeting and capital project model, the Town has developed a balanced projection for needed revenues generated from these rates to cover the day to day operating needs of the Utility Fund, as well as to address the aging infrastructure in our water and sewer system in a timely manner.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to Director of Finance, Town of Valdese, P. O. Box 339, Valdese, N. C. 28690-0339. One can also call (828) 879-2120 or visit our website www.townofvaldese.com

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**Basic
Financial
Statements**

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 1

Statement of Net Position June 30, 2019

	Primary Government			Town of Valdese
	Governmental	Business-	Total	ABC Board
<u>Assets</u>	<u>Activities</u>	<u>type</u> <u>Activities</u>		
Current assets:				
Cash and investments	\$ 5,546,401	\$ 811,332	\$ 6,357,733	\$ 113,078
Restricted cash and investments	174,825	73,794	248,619	-
Taxes receivable, net	212,530	-	212,530	-
Accounts receivable, net	53,094	552,754	605,848	-
Interest receivable	63,993	-	63,993	-
Due from other governmental agencies	371,176	-	371,176	-
Note receivable from component unit	147,775	-	147,775	-
Prepaid expenses	32,445	9,174	41,619	-
Inventories	80,835	244,040	324,875	160,742
Total current assets	<u>6,683,074</u>	<u>1,691,095</u>	<u>8,374,168</u>	<u>273,820</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable assets and construction in progress	1,850,917	850,667	2,701,584	-
Other capital assets, net of depreciation	<u>4,761,621</u>	<u>20,642,935</u>	<u>25,404,556</u>	<u>78,286</u>
Total capital assets	<u>6,612,538</u>	<u>21,493,602</u>	<u>28,106,140</u>	<u>78,286</u>
Total non-current asset	<u>6,612,538</u>	<u>21,493,602</u>	<u>28,106,140</u>	<u>78,286</u>
Total assets	<u>13,295,612</u>	<u>23,184,697</u>	<u>36,480,307</u>	<u>352,106</u>
Deferred outflows of resources	<u>630,467</u>	<u>226,566</u>	<u>857,033</u>	<u>4,730</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and other current liabilities	102,883	22,226	125,109	96,583
Customer deposits	-	73,794	73,794	-
Long-term liabilities				
Due within one year	256,405	226,679	483,084	42,000
Due in more than one year	<u>4,955,649</u>	<u>2,148,485</u>	<u>7,104,134</u>	<u>105,775</u>
Total liabilities	<u>5,314,937</u>	<u>2,471,186</u>	<u>7,786,121</u>	<u>244,358</u>
Deferred inflows of resources	<u>103,971</u>	<u>14,836</u>	<u>118,807</u>	<u>-</u>
<u>Net Position</u>				
Net investment in capital assets	3,342,961	19,602,746	22,945,707	(36,003)
Restricted for stabilization by state statute	680,430	-	680,430	-
Restricted for town revitalization	13,247	-	13,247	-
Restricted for streets	57,421	-	57,421	-
Unrestricted	<u>4,413,112</u>	<u>1,322,495</u>	<u>5,735,607</u>	<u>148,481</u>
Total net position	<u>\$ 8,507,171</u>	<u>\$ 20,925,241</u>	<u>\$ 29,432,412</u>	<u>\$ 112,478</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,157,916	\$ 90,623	\$ -	\$ -
Public safety	1,843,651	3,855	668	-
Transportation	408,249	-	144,452	-
Environmental protection	270,091	227,032	-	-
Cultural and recreational	1,531,672	395,644	42,892	-
Economic and physical development	39,552	-	-	175,000
Interest on long-term debt	106,426	-	-	-
Total governmental activities	<u>5,357,557</u>	<u>717,154</u>	<u>188,012</u>	<u>175,000</u>
Business-type activities:				
Water and sewer	<u>4,899,253</u>	<u>4,968,903</u>	<u>-</u>	<u>1,111,132</u>
Total business-type activities	<u>4,899,253</u>	<u>4,968,903</u>	<u>-</u>	<u>1,111,132</u>
Total primary government	<u>10,256,810</u>	<u>5,686,057</u>	<u>188,012</u>	<u>1,286,132</u>
Component unit:				
ABC Board	<u>1,052,800</u>	<u>1,122,746</u>	<u>-</u>	<u>-</u>
Total component unit	<u>1,052,770</u>	<u>1,122,746</u>	<u>-</u>	<u>-</u>

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

Exhibit 2

	Primary Government			
	Net (Expense) Revenue and Changes in Net Position			
	Governmental	Business-		Town of Valdese
Functions/Programs	Activities	type	Total	ABC Board
		Activities		
Governmental activities:				
General government	\$ (1,067,293)	\$ -	\$ (1,067,293)	\$ -
Public safety	(1,839,128)	-	(1,839,128)	-
Transportation	(263,797)	-	(263,797)	-
Environmental protection	(43,059)	-	(43,059)	-
Cultural and recreational	(1,093,136)	-	(1,093,136)	-
Economic and physical development	135,448	-	135,448	-
Interest on long-term debt	(106,426)	-	(106,426)	-
Total governmental activities	(4,277,391)	-	(4,277,391)	-
Business-type activities:				
Water and sewer	-	1,180,782	1,180,782	-
Total business-type activities	-	1,180,782	1,180,782	-
Total primary government	(4,277,391)	1,180,782	(3,096,609)	-
Component unit:				
ABC Board	-	-	-	69,947
Total component unit	-	-	-	69,947
General revenues:				
Taxes:				
Property taxes	2,130,678	-	2,130,678	-
Local option sales tax	1,216,355	-	1,216,355	-
Franchise tax	442,942	-	442,942	-
Other taxes and licenses	117,135	-	117,135	-
Unrestricted investment and earnings	80,207	14,075	94,282	-
Miscellaneous	206,028	(134,673)	71,355	509
Transfers	387,000	(387,000)	-	-
Total general revenues, special items and transfers	4,580,345	(507,598)	4,072,747	509
Change in net position	302,955	673,185	976,139	70,456
Net position - beginning	8,204,216	20,252,056	28,456,272	42,021
Net position - ending	\$ 8,507,171	\$ 20,925,241	\$ 29,432,411	\$ 112,478

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2019

	<u>Major Fund</u>		
	General	Total	Total
	Fund	Non-Major	Governmental
<u>Assets</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Cash and investments	\$ 3,389,422	\$ 2,156,979	\$ 5,546,401
Restricted cash and investments	174,825	-	174,825
Taxes receivable, net	212,530	-	212,530
Accounts receivable, net	53,094	-	53,094
Loan receivable	147,775	-	147,775
Due from other funds	17,451	-	17,451
Due from other governmental agencies	371,176	-	371,176
Prepaid expenses	32,445	-	32,445
Inventories	80,835	-	80,835
Total assets	<u>\$ 4,479,555</u>	<u>\$ 2,156,979</u>	<u>\$ 6,636,534</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and other current liabilities	\$ 102,457	\$ 426	\$ 102,883
Due to other funds	-	17,451	17,451
Total liabilities	<u>102,457</u>	<u>17,877</u>	<u>120,333</u>
 Deferred inflows of resources:			
Property taxes receivable	<u>212,530</u>	<u>-</u>	<u>212,530</u>
 Fund balances:			
Nonspendable:			
Prepaid expenses	32,445	-	32,445
Inventories	80,835	-	80,835
Restricted:			
Stabilization by State Statute	680,430	-	680,430
Encumbrances	90,932	-	90,932
Town revitalization	-	13,247	13,247
Streets	57,421	-	57,421
Committed:			
USDA reserve	117,404	-	117,404
Assigned:			
Capital projects	-	2,125,855	2,125,855
Unassigned	<u>3,105,101</u>	<u>-</u>	<u>3,105,101</u>
Total fund balances	<u>4,164,568</u>	<u>2,139,102</u>	<u>6,303,670</u>
Total liabilities and fund balances	<u>\$ 4,479,555</u>	<u>\$ 2,156,979</u>	<u>\$ 6,636,534</u>

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

TOWN OF VALDESE, NORTH CAROLINA
Exhibit 4

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2019**

Total governmental fund balances	\$ 6,303,670
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	6,612,538
Deferred outflows of resources related to pensions are not reported in the funds	625,842
Deferred outflows of resources related to OPEB are not reported in the funds	4,625
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	276,521
Deferred inflows of resources related to pensions are not reported in the funds	(42,899)
Deferred inflows of resources related to OPEB are not reported in the funds	(61,072)
Long-term liabilities, including bonds payable, OPEB, pension liability and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(5,212,054)</u>
Net position of governmental activities	<u><u>\$ 8,507,171</u></u>

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 5

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

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 2,190,827	\$ -	\$ 2,190,827
Other taxes and licenses	1,163,776	-	1,163,776
Unrestricted intergovernmental revenues	612,656	-	612,656
Restricted intergovernmental revenues	319,452	-	319,452
Sales and services	695,532	-	695,532
Investment earnings	63,668	16,539	80,207
Other revenues	382,090	47,450	429,540
Total revenues	<u>5,428,003</u>	<u>63,989</u>	<u>5,491,992</u>
Expenditures:			
Current:			
General government	976,172	-	976,172
Public safety	1,659,800	-	1,659,800
Environmental protection	249,247	-	249,247
Transportation	315,843	-	315,843
Cultural and recreational	1,480,212	-	1,480,212
Economic and physical development	-	39,552	39,552
Debt service:			
Principal	333,418	-	333,418
Interest and other charges	114,584	-	114,584
Total expenditures	<u>5,129,278</u>	<u>39,552</u>	<u>5,168,830</u>
Revenues over (under) expenditures	<u>298,725</u>	<u>24,437</u>	<u>323,162</u>
Other Financing Sources (Uses):			
Operating transfers - in	1,724,790	25,000	1,749,790
Operating transfers - out	(25,000)	(1,337,790)	(1,362,790)
Total other financing sources (uses)	<u>1,699,790</u>	<u>(1,312,790)</u>	<u>387,000</u>
Net change in fund balances	1,998,515	(1,288,354)	710,161
Fund balances, beginning	<u>2,166,052</u>	<u>3,427,455</u>	<u>5,593,507</u>
Fund balances, ending	<u>\$ 4,164,568</u>	<u>\$ 2,139,102</u>	<u>\$ 6,303,670</u>

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

TOWN OF VALDESE, NORTH CAROLINA
Exhibit 6

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

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

Net changes in fund balances - total governmental funds	\$ 710,161
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 outlay in the current period.	(365,631)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	173,437
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues.	60,149
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 the governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	341,576
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.	
Other postemployment benefits	(65,978)
Pension expense	(573,021)
Compensated absences	<u>22,262</u>
Total changes in net position of governmental activities	<u>\$ 302,955</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 7

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,022,127	\$ 2,044,463	\$ 2,190,827	\$ 146,364
Other taxes and licenses	1,171,742	1,171,742	1,163,776	(7,966)
Unrestricted intergovernmental revenues	506,000	571,070	612,656	41,584
Restricted intergovernmental revenues	144,535	319,535	319,452	(83)
Sales and services	649,966	677,945	695,532	17,587
Investment earnings	13,300	16,560	63,668	47,108
Other revenues	118,600	271,861	382,090	110,229
Total revenues	<u>4,626,270</u>	<u>5,073,176</u>	<u>5,428,003</u>	<u>354,827</u>
Expenditures:				
Current:				
General government	1,068,101	1,112,357	976,172	136,185
Public safety	1,580,487	1,741,423	1,659,800	81,623
Transportation	379,341	437,605	315,843	121,762
Environmental protection	259,414	257,892	249,247	8,645
Cultural and recreational	1,040,290	1,529,603	1,480,212	49,391
Debt service:				
Principal	378,249	330,253	333,418	(3,165)
Interest and other charges	86,388	114,585	114,584	1
Total expenditures	<u>4,792,270</u>	<u>5,523,718</u>	<u>5,129,278</u>	<u>394,442</u>
Revenues over (under) expenditures	<u>(166,000)</u>	<u>(450,542)</u>	<u>298,726</u>	<u>749,269</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	63,542	-	(63,542)
Operating transfers - in (out)	166,000	387,000	1,699,790	1,312,790
Total other financing sources (uses)	<u>166,000</u>	<u>450,542</u>	<u>1,699,790</u>	<u>1,249,248</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,998,515</u>	<u>\$ 1,998,515</u>
Fund balance, beginning			<u>2,166,052</u>	
Fund balance, ending			<u>\$ 4,164,568</u>	

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 8

Statement of Fund Net Position Proprietary Fund June 30, 2019

	<u>Enterprise Fund</u>
	<u>Utility</u>
	<u>Fund</u>
<u>Assets</u>	
Current assets:	
Cash and investments	\$ 811,332
Accounts receivable, net	552,754
Inventories	244,040
Prepaid expenses	9,174
Restricted cash and cash equivalents	73,794
Total current assets	<u>1,691,095</u>
Non current assets:	
Capital assets:	
Land and improvements	322,980
Buildings and improvements	19,710,567
Distribution systems	24,068,575
Furniture and maintenance equipment	1,489,591
Vehicles	651,945
Construction in progress	527,687
Less accumulated depreciation	<u>(25,277,744)</u>
Capital assets, net	<u>21,493,602</u>
Total noncurrent assets	<u>21,493,602</u>
Total assets	<u>23,184,697</u>
Deferred Outflows of Resources	<u>226,566</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other current liabilities	22,226
Customer deposits	73,794
General obligation bonds payable - current	57,446
Loans payable - current	<u>169,233</u>
Total current liabilities	<u>322,700</u>
Noncurrent liabilities:	
General obligation bonds payable	1,513,894
Loans payable	150,283
Net pension liability	289,905
Other postemployment benefits liability	134,445
Accrued compensated absences	<u>59,958</u>
Total liabilities	<u>2,471,186</u>
Deferred Inflows of Resources	<u>14,836</u>
<u>Net Position</u>	
Net investment in capital assets	19,602,746
Unrestricted	<u>1,322,495</u>
Total net position	<u>20,925,241</u>
Net position of business-type activities	<u>\$ 20,925,241</u>

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

TOWN OF VALDESE, NORTH CAROLINA
Exhibit 9

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

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
Operating Revenues:	
Charges for services	\$ 4,374,937
Other operating revenues	593,966
Total operating revenues	<u>4,968,903</u>
Operating Expenses:	
Administration	921,142
Water supply and treatment	997,085
Wastewater treatment	1,171,832
Water and sewer maintenance	818,825
Depreciation	916,708
Total operating expenses	<u>4,825,593</u>
Operating income (loss)	<u>143,310</u>
Nonoperating Revenues (Expenses):	
Rent	3,810
Investment earnings	14,075
Interest expense	(73,660)
Disposal of fixed assets	(103,120)
Other	<u>(35,363)</u>
Nonoperating revenues (expenses), net	<u>(194,257)</u>
Income (loss) before operating transfers and capital contributions	(50,947)
Capital contributions	1,111,132
Transfers (to) from other funds: General fund	<u>(387,000)</u>
Change in net position	673,185
Total net position-beginning	<u>20,252,056</u>
Total net position- ending	<u><u>\$ 20,925,241</u></u>

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

TOWN OF VALDESE, NORTH CAROLINA
Exhibit 10
Page 1 of 2
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	<u>Enterprise Fund</u>
	<u>Utility</u>
	<u>Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 4,918,516
Cash paid for goods and services	(3,802,440)
Cash paid to employees	(284,893)
	<hr/>
Net cash provided (used) by operating activities	831,183
	<hr/>
Cash Flows From Noncapital Financing Activities:	
Operating transfers out	(549,855)
	<hr/>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(51,016)
Principal paid on bonds	(225,684)
Interest paid on bonds	(73,660)
Other	(125,148)
Capital contributions	527,687
	<hr/>
Net cash provided (used) for capital and related financing activities	52,179
	<hr/>
Cash Flows From Investing Activities:	
Interest on investments	14,075
	<hr/>
Net cash provided (used) by investing activities	14,075
	<hr/>
Net increase (decrease) in cash and cash equivalents	347,582
Cash and cash equivalents at beginning of year	537,544
	<hr/>
Cash and cash equivalents at end of year	\$ 885,126
	<hr/> <hr/>
	cont.

TOWN OF VALDESE, NORTH CAROLINA
Exhibit 10, cont.
Page 2 of 2
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	<u>Enterprise Fund</u>
	Utility
	<u>Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 143,310
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	916,708
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in receivables	(55,337)
(Increase) decrease in deferred outflows of resources - pension	(77,977)
(Increase) decrease in deferred outflows of resources - OPEB	489
Increase (decrease) in inventories	(12,328)
Increase (decrease) in net pension liability	102,101
Increase (decrease) in payables	(192,880)
Increase (decrease) in accrued vacation pay and other postemployment benefits	1,162
Increase (decrease) in deferred inflows of resources - pension	282
Increase (decrease) in deferred inflows of resources - OPEB	703
Increase (decrease) in customer deposits	4,950
Total adjustments	<u>687,873</u>
Net cash provided (used) by operating activities	<u>\$ 831,183</u>

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

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TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Valdese, 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 Valdese is a municipal corporation which 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.

The Town of Valdese 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 Valdese ABC Board, P. O. Box 1058, Valdese, N. C. 28690.

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 expense 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 VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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

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, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

Water Plant Capital Project Fund - This fund is used to account for improvements to the water plant.

Police Department Capital Project Fund - This fund is used to account for police department capital expenditures.

Facade Grant Fund - This fund is used to account for improvements to downtown buildings.

Public Art Fund - This fund is used to account for assets to add art to the Town.

Capital Project Fund - This fund is used to account for future capital expenditures.

Capital Outlay Fund - This fund accounts for assets held by the Town for the construction of a community house or other capital projects.

Lake Rhodhiss Capital Project Fund - This fund is used to account for improvements to the Lake Rhodhiss Plant.

Downtown Park Capital Project Fund - This fund is used to acquire revenue to construct a new downtown park.

Lakeside Park Capital Project Fund - This fund is used to acquire revenue for a new park on Lake Rhodhiss.

Small Business and Entrepreneurial Assistance Fund - This fund is used to acquire grants to assist local businesses.

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

CDBG Scattered Sites Housing Fund - This fund is used to acquire revenue for housing rehabilitation.

Alba Waldensian Building Demo Fund - This fund is used to acquire revenue for the demolition of an abandoned factory within the Town.

NCDOT Pedestrian Plan Grant Fund - This fund is used to fund planning for a pedestrian trail.

The Town reports the following major enterprise fund:

Utility Fund - This fund is used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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's enterprise fund 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.

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. 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 are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds, Special Revenue Funds and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. The Town manager has unlimited authority to transfer appropriations within a department. He is authorized to transfer up to \$1,000 between departments of the same fund with subsequent Board approval. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until annual ordinance can be adopted. The Capital Outlay Fund is not required to be budgeted.

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**1. Deposits and Investments**

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

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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments 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.

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 Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

Powell Bill Funds are also classified as restricted cash, because they can be expended only for the purpose outlined in G.S. 136-41.1 through 136-41.4.

Town of Valdese Restricted Cash

Governmental activities

General fund

Streets

\$ 57,421

USDA

117,404

Total governmental activities

174,825

Business-type activities

Water and sewer fund

Customer deposits

73,794

Total restricted cash

\$248,619

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies, and they are recorded as expenditures as used rather than when purchased.

The inventory of the Town's Enterprise Fund, and those of the ABC Board, consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when held for resale 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.

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives, is not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Equipment and furniture	10
Leasehold improvements	10-20
Computers	3

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, pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents 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 deferrals.

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

10. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty 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 the time that is estimated to be used in the next fiscal year has been designated as current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances**Net Position**

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

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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.

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

Prepaid expense - the portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses.

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 - the portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Restricted for Town Revitalization - the portion of fund balance to be used for Town improvements.

Committed Fund Balance - the portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of the Town of Valdese'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.

USDA Reserve - the portion of fund balance restricted as stated by USDA.

Assigned fund balance - the portion of fund balance that the Town of Valdese intends to use for specific purposes.

Capital Projects - the portion of fund balance that has been budgeted for future capital projects.

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

Subsequent year's expenditures - the portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

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

Defined Benefit Cost Sharing Plans

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net 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 Valdese's employer contributions are recognized when due, and the Town of Valdese has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance and Accountability

A. Deficit in Fund Balance of Individual Funds

None

B. Excess of Expenditures over Appropriations

None.

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

III. Detail Notes on All Funds**A. Assets****1. Deposits**

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agent 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 agent 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 has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$140,135 and a bank balance of \$290,506. Of the bank balance, \$258,686 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$113,078, and the bank balance was \$102,072. All of the bank balance was covered by federal depository insurance.

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Investments

At June 30, 2019, the Town had \$6,466,217 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/19</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust Government Portfolio	Amortized Cost	<u>\$6,466,217</u>	N/A	AAAM

Interest Rate Risk. The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2018 were are follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:				
General	\$ 53,094	\$ 357,978	\$371,176	\$ 782,248
Other governmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	53,094	357,978	371,176	782,248
Allowance for doubtful accounts	<u>-</u>	<u>(81,455)</u>	<u>-</u>	<u>(81,455)</u>
Total - governmental activities	<u>\$ 53,094</u>	<u>\$ 276,523</u>	<u>\$371,176</u>	<u>\$ 700,793</u>
Business-type activities:				
Utility fund	\$552,754	\$ -	\$ -	\$ 552,754
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total - business-type activities	<u>\$552,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 552,754</u>

The due from other governments that is owed to the Town consists of the following:

Sales tax and utility franchise tax	<u>\$ 371,176</u>
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The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	<u>\$ 81,455</u>

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	<u>\$1,870,979</u>	<u>\$ -</u>	<u>\$ 20,062</u>	<u>\$1,850,917</u>
Total capital assets not being depreciated	<u>1,870,979</u>	<u>-</u>	<u>20,062</u>	<u>1,850,917</u>
Capital assets being depreciated:				
Buildings	<u>6,887,441</u>	<u>-</u>	<u>208,896</u>	<u>6,678,545</u>
Equipment	<u>1,824,887</u>	<u>98,635</u>	<u>343,554</u>	<u>1,579,968</u>
Vehicles and motorized equipment	<u>2,782,002</u>	<u>499,196</u>	<u>477,552</u>	<u>2,803,646</u>
Total capital assets being depreciated	<u>11,494,330</u>	<u>597,831</u>	<u>1,030,002</u>	<u>11,062,159</u>
Less accumulated depreciation for:				
Buildings	<u>3,423,618</u>	<u>120,892</u>	<u>70,006</u>	<u>3,474,504</u>
Equipment	<u>1,421,065</u>	<u>75,419</u>	<u>343,554</u>	<u>1,152,930</u>
Vehicles and motorized equipment	<u>1,874,432</u>	<u>276,225</u>	<u>477,552</u>	<u>1,673,104</u>
Total accumulated depreciation	<u>6,719,115</u>	<u>472,536</u>	<u>891,112</u>	<u>6,300,539</u>
Total capital assets being depreciated, net	<u>4,775,215</u>	<u>125,295</u>	<u>138,890</u>	<u>4,761,620</u>
Governmental activity capital assets, net	<u>\$6,646,194</u>	<u>\$ 125,295</u>	<u>\$ 158,952</u>	<u>\$6,612,537</u>

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

General government	\$ 52,086
Public safety	241,913
Transportation	99,096
Environmental protection	20,107
Cultural and recreational	59,334
Total depreciation expense	<u>\$472,536</u>

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Utility Fund:				
Capital assets not being depreciated:				
Land	\$ 322,980	\$ -	\$ -	\$ 322,980
Construction in progress	<u>4,179,994</u>	<u>1,404,831</u>	<u>5,057,139</u>	<u>527,686</u>
Total capital assets not being depreciated	<u>4,502,974</u>	<u>1,404,831</u>	<u>5,057,139</u>	<u>850,666</u>
Capital assets being depreciated:				
Plant and distribution systems	39,020,383	5,057,139	298,380	43,779,142
Equipment	1,535,339	245,337	291,085	1,489,591
Vehicles	<u>814,105</u>	<u>49,529</u>	<u>211,688</u>	<u>651,946</u>
Total capital assets being depreciated	<u>41,369,828</u>	<u>5,352,005</u>	<u>801,154</u>	<u>45,920,679</u>
Less accumulated depreciation for:				
Plant and distribution systems	23,074,426	809,383	202,898	23,680,911
Equipment	1,318,632	53,528	282,961	1,089,199
Vehicles	<u>670,217</u>	<u>53,797</u>	<u>216,382</u>	<u>507,632</u>
Total accumulated depreciation	<u>25,063,275</u>	<u>916,708</u>	<u>702,241</u>	<u>25,277,742</u>
Total capital assets being depreciated, net	<u>16,306,553</u>	<u>4,435,297</u>	<u>98,913</u>	<u>20,642,937</u>
Utility fund capital assets, net	<u>\$20,809,528</u>	<u>\$5,840,128</u>	<u>\$ 5,156,053</u>	<u>\$21,493,602</u>

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 37,935	\$ 4,001	\$ -	\$ 41,936
Leasehold improvements	156,914	-	-	156,914
Computers	<u>3,083</u>	<u>-</u>	<u>-</u>	<u>3,083</u>
Total capital assets being depreciated	<u>197,932</u>	<u>\$ 4,001</u>	<u>\$ -</u>	<u>201,933</u>
Less accumulated depreciation for:				
Furniture and equipment	25,359	\$ 5,282	\$ -	30,641
Leasehold improvements	79,528	10,461	-	89,989
Computers	<u>2,964</u>	<u>52</u>	<u>-</u>	<u>3,016</u>
Total accumulated depreciation	<u>107,851</u>	<u>\$15,795</u>	<u>\$ -</u>	<u>123,646</u>
ABC capital assets, net	<u>\$ 90,081</u>			<u>\$ 78,287</u>

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2019 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$102,457
Other	426
Total - governmental activities	<u>\$102,883</u>
Business-type activities:	
Water and Sewer	<u>\$ 22,226</u>
Total - business-type activities	<u>\$ 22,226</u>

2. Pension Plan and Post-employment Obligations**a. Local Government Employees' Retirement System**

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Valdese's 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 Valdese's contractually required contribution rate for the year ended June 30, 2019 was 8.50% of compensation for law enforcement officers and 7.84% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Valdese were \$237,585 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$1,073,722 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.04526% which was a decrease of

TOWN OF VALDESE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

0.00027% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$295,862. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$165,650	\$ 5,558
Change in assumptions	284,924	-
Net difference between projected and actual earnings on pension plan investments	147,390	-
Changes in proportion, and differences between, the Town contributions and proportionate share of contributions	3,586	16,402
Town contributions subsequent to the measurement date	<u>237,585</u>	<u>-</u>
Total	<u>\$839,135</u>	<u>\$ 21,960</u>

\$237,585 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2020	\$282,382
2021	184,252
2022	31,108
2023	<u>81,849</u>
	<u>\$579,591</u>

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

<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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	<u>\$2,579,173</u>	<u>\$1,073,722</u>	<u>\$(184,257)</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Plan Description - The Town 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% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>12</u>
Total	<u>12</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 are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

TOWN OF VALDESE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Mortality rates are based on the RP-2015 Mortality Tables with adjustments for males and females.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$188,730. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$16,197.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,717	\$14,590
Changes of assumptions	9,556	11,654
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$13,273</u>	<u>\$26,244</u>

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Year ended June 30:

2020	\$ (2,597)
2021	(2,597)
2022	(2,597)
2023	(2,597)
2024	(1,862)
Thereafter	(721)

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	<u>\$209,448</u>	<u>\$188,730</u>	<u>\$169,862</u>

Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$ 175,301
Service cost	13,254
Interest on the total pension liability	5,540
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	4,344
Changes of assumptions or other inputs	(9,709)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 188,730</u>

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 295,862	\$16,197	\$ 312,059
Pension liability	1,073,722	188,730	1,262,452
Proportionate share of the net pension liability	0.04526%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	165,650	3,717	169,367
Changes of assumptions	284,924	9,556	294,480
Net difference between projected and actual earnings on plan investments	147,390	-	147,390
Changes in proportion, and differences between, contributions and proportionate share of contributions	3,586	-	3,586
Benefit payments and administrative costs paid subsequent to the measurement date	237,585	-	237,585
Deferred inflows of resources			
Differences between expected and actual experience	5,558	14,590	20,148
Changes of assumptions	-	11,654	11,654
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	16,402	-	16,402

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of the 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. Contributions for the year ended June 30, 2019 were \$24,454, which consisted of \$18,015 from the Town and \$6,439 from the law enforcement officers.

d. Other Post-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). This plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (the System) and have at least twenty-five years of creditable service with the Town and were hired prior to July 1, 2016. The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town retirees can purchase coverage for their dependents at the Town's group retiree rates. The Town 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, the date of the latest actuarial valuation:

Inactive members or beneficiaries currently receiving benefits	3
Inactive members entitled to, but not yet receiving, benefits	0
Active plan members	<u>74</u>
Total	<u>77</u>

TOWN OF VALDESE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Total OPEB Liability

The Town's total OPEB liability of \$980,556 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 to 7.75 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare - 7.5% for 2017, decreasing to an ultimate rate of 5% by 2023

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

Changes in the Total OPEB Liability

Balance at July 1, 2017	<u>\$945,586</u>
Changes for the year	
Service Cost	53,146
Interest	33,291
Changes of benefit terms	-
Differences between expected and actual experience	2,074
Changes in assumptions or other inputs	(32,452)
Benefit payments	<u>(21,089)</u>
Net changes	<u>34,970</u>
Balance at June 30, 2017	<u>\$980,556</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point-higher (4.89 percent) than the current discount rate:

	1% Decrease <u>(2.89%)</u>	Discount Rate <u>(3.89%)</u>	1% Increase <u>(4.89%)</u>
Total OPEB liability	<u>\$1,082,527</u>	<u>\$980,556</u>	<u>\$889,059</u>

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$846,097</u>	<u>\$980,556</u>	<u>\$1,140,504</u>

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$77,469. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,625	\$ -
Changes of assumptions	<u>-</u>	<u>70,603</u>
Total	<u>\$ 4,625</u>	<u>\$70,603</u>

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

Year ended June 30:

2020	\$(8,968)
2021	(8,968)
2022	(8,968)
2023	(8,968)
2024	(8,968)
Thereafter	(21,138)

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

3. Deferred Outflows and Inflows of Resources

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

Contribution to pension plan in current fiscal year	\$237,585
Changes of assumptions	294,480
Difference between expected and actual experience	173,992
Net difference between projected and actual earnings on pension plan investments	147,390
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>3,586</u>
Total	<u><u>\$857,033</u></u>

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

Taxes receivable, less penalties (General Fund)	\$212,530
Differences between expected and actual experience	20,148
Changes of assumptions	82,257
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>16,402</u>
Total	<u><u>\$331,337</u></u>

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, Workers' Compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large Worker's Compensation claims that exceed certain dollar cost levels.

Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. 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 N. C. 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 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.

The Town does not carry any additional insurance for flooding.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more, at any given time, of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a policy with the following coverage: \$10,000 per occurrence for forgery or alteration, \$5,000 per occurrence for theft inside the premises, and \$5,000 per occurrence for outside.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a materially adverse effect on the Town's financial position.

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

6. Long-Term Obligations**a. General Obligation Indebtedness**

The Town's general obligations debt serviced by the governmental funds was issued for the acquisition of equipment and Town Hall. Those general obligations debts issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Utility Fund. All general obligation debt is collateralized by the full faith, credit, and taxing power of the Town. In the event of a default, the Town agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreements. Principal and interest requirements are appropriated when due.

The Town's indebtedness at June 30, 2019 is comprised of the following individual issues:

Serviced by the General Fund:

\$350,000 USDA direct placement loan with annual payments of \$26,908, including interest at 4.50%, final payment due March 2024	\$ 123,339
\$256,899 bank direct borrowing note payable with annual payments of \$53,743, including interest at 2.30%, final payment due February 2021	103,888
\$469,000 USDA direct placement loan with annual payments of \$19,483, including interest at 2.75%, final payment due September 2058	462,415
\$1,826,500 USDA direct placement loan with annual payments of \$88,878, including interest at 3.75%, final payment due November 2051	1,639,854
\$473,274 bank direct borrowing note payable with annual payments of \$121,856, including interest at 2.00%, final payment due September 2020	119,466
\$850,000 USDA direct placement loan with annual payments of \$52,761, including interest at 2.75%, final payment due November 2038	820,614

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Serviced by the Utility Fund:

\$379,000 direct placement revolving loan with a principal payment of \$18,950 due on May 1, with interest, and an interest only payment due November 1; interest at 2.60%, final payment due May 2020	\$ 18,950
\$3,005,661 direct placement revolving loan with a principal payment of \$150,283 due on May 1, with interest, and an interest only payment due November 1; interest at 2.55%, final payment due May 2021	300,566
\$1,280,000 direct placement bond payable with annual principal payments of \$14,000 to \$56,000 due on June 1, with interest at 4.250%, final payment due June 2048	1,101,000
\$230,913 direct placement bond payable with annual principal payments of \$11,546 due on May 1, with interest, and an interest only payment due November 1; interest at 2.00%, final payment due May 2036	196,276
\$501,000 direct borrowing note payable with annual payments of \$36,855. Includes interest at 3.997%, due January 29, with a final payment due January 2028	<u>274,064</u>
Total	<u>\$5,160,432</u>

At June 30, 2019 the Town of Valdese had a legal debt margin of \$25,523,296.

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 256,406	\$ 107,223	\$ 226,679	\$ 73,662
2021	141,139	100,633	209,765	63,389
2022	91,736	96,294	61,558	57,356
2023	94,982	93,049	63,678	55,071
2024	98,347	89,683	65,842	52,698
2025-2029	407,931	404,909	327,516	224,714
2030-2034	469,360	336,242	226,728	173,733
2035-2039	579,271	255,946	230,090	129,596
2040-2044	369,665	172,141	255,000	80,964
2045-2049	440,849	100,926	224,000	23,800
2050-2054	247,306	26,151	-	-
2055-2058	<u>72,584</u>	<u>5,042</u>	<u>-</u>	<u>-</u>
Total	<u>\$3,269,576</u>	<u>\$1,788,239</u>	<u>\$1,890,856</u>	<u>\$ 934,983</u>

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

b. Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Direct borrowing general obligation debt	\$ 482,256	\$ -	\$258,902	\$ 223,354	\$170,819
Direct placement general obligation debt	2,659,896	469,000	82,674	3,046,222	85,586
Total OPEB liability	816,736	29,375	-	846,111	-
Net pension liability (LGERS)	507,768	276,049	-	783,817	-
Total pension liability (LEO)	175,301	13,429		188,730	
Compensated absences	<u>146,082</u>	<u>-</u>	<u>22,262</u>	<u>123,820</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 4,788,039</u>	<u>\$ 787,853</u>	<u>\$363,838</u>	<u>\$ 5,212,054</u>	<u>\$256,405</u>
Business-type activities:					
Direct placement general obligation debt	\$ 1,329,095	\$ -	\$ 31,819	\$ 1,297,276	\$ 31,546
Direct borrowing note payable	298,696	-	24,632	274,064	25,900
Total OPEB liability	128,850	5,595	-	134,445	-
Net pension liability (LGERS)	187,804	102,101	-	289,905	-
Direct placement revolving loans	488,748	-	169,232	319,516	169,233
Compensated absences	<u>64,391</u>	<u>-</u>	<u>4,433</u>	<u>59,958</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 2,497,584</u>	<u>\$ 107,696</u>	<u>\$230,116</u>	<u>\$ 2,375,164</u>	<u>\$226,679</u>

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

Interlocal Debt Agreement

During the year ended June 30, 2006, the Town entered into a interlocal agreement with five other local governments relating to the debt of the Burke Partnership for Economic Development, Inc. As part of the agreement, the local governments are required to set aside, reserve, budget and make available to the Partnership individual sums, which on a combined basis, would be sufficient to pay the scheduled principle and interest payment of the debt. Payments of \$81,829 by Burke Partnership for Economic Development, Inc. are required quarterly until May 2020. Outstanding debt of the Partnership was \$300,989 at June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

c. Discretely Presented Component Unit

Debt obligation for the ABC Board for the year ended June 30, 2019 was as follows:

First Citizens Bank

Line of credit payable to bank with total availability of \$49,000. Bears interest at prime rate, plus 4%, with a minimum rate of 8.0%. The total amount outstanding on this line of credit at June 30, 2019 was \$-0-. Secured by all personal property.

The Town of Valdese

On November 4, 2013, the Board obtained a loan from the Town of Valdese. The note provides for an initial disbursement to the Board of \$72,775 on November 15, 2013. Upon approval from the Town of Valdese Town Council, additional disbursements from the Town to the ABC Board will be as follows:

\$30,000 - November 15, 2014

\$30,000 - November 15, 2015

\$30,000 - November 15, 2016

The total disbursements under this note were \$162,775. The note bears interest at a rate of 4.0% with interest to be paid annually.

Debt Summary

Total debt	\$147,775
Less: Current maturities	<u>42,000</u>
Total long-term debt	<u>\$105,775</u>

Scheduled principal payments on long-term debt are as follows:

Years ending June 30,	
2020	\$ 42,000
2021	48,000
2022	<u>57,775</u>
Total	<u>\$147,775</u>

Interest expense for the year ended June 30, 2019 was \$6,711.

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

C. Interfund Balances and Activities

Balances due to/from other funds at June 30, 2019 consist of the following:

Due to the General Fund from the Alba Waldensian Building Demo Fund due to timing of bills paid	<u>\$17,451</u>
--	-----------------

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2019 consist of the following:

From the Facade Grant Fund to the General Fund - return of Town contributions	\$ 17,858
From the General Fund to the CDBG Scattered Housing Fund - to fund project	25,000
From the Utility Fund to the General Fund - debt service	387,000
From the Lake Rhodhiss Capital Project Fund to the General Fund - return investments	728,845
From the Capital Project Fund to the General Fund - to close out fund	<u>591,087</u>
Total	<u>\$1,749,790</u>

D. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized, as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$3,759 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2019. Under State law the local board of trustees for the Fund receives an amount each year, which the Board may use at its own discretion for eligible firemen or their departments.

E. Fund Balance

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

Total fund balance General Fund	\$4,164,568
Less:	
Inventories	80,835
Prepays	32,445
Stabilization by State Statute	680,430
Encumbrances	90,932
USDA Reserve	117,404
Streets-Powell Bill	<u>57,421</u>
Remaining Fund Balance	<u>\$3,105,101</u>

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

F. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$6,612,537	\$21,493,602
Less long-term debt	3,269,576	1,890,856
Add: unexpended debt proceeds	<u> -</u>	<u> -</u>
Net investment in capital asset	<u>\$3,342,961</u>	<u>\$19,602,746</u>

IV. Joint Venture

The Town, in conjunction with five other local governments, established the Burke Partnership for Economic Development, Inc. The Town appoints two members of the 24 member board. The Town has an ongoing financial responsibility for the joint venture because the Partnership's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Partnership, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$46,250 to the Partnership to supplement its activities. The Town also signed a interlocal agreement relating to long-term debt of the Partnership (see Note III.B.6). Complete financial statements for the Partnership can be obtained from the Partnership's office in Morganton, North Carolina.

V. Jointly Governed Organization**Western Piedmont Council of Governments**

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The Town paid membership dues of \$2,683 during the fiscal year ended June 30, 2019.

VI. Related Organization

The five-member board of the Town of Valdese Housing Authority is appointed by the mayor of the Town of Valdese. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Valdese is also disclosed as a related organization in the notes to the financial statements for the Town of Valdese Housing Authority.

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

VII. 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 moneys.

Other

The Town is subject to the authority of various federal and State regulatory agencies. No provision has been made in these financial statements for any sanctions which could be imposed if the Town were found to be in noncompliance or violation of regulations promulgated by these agencies.

VIII. Significant Utility Customers

The Town of Valdese has two utility customers whose sales represent approximately 19% of the total Utility Sales to all customers for fiscal year 2019. Loss of these customers could have a significant impact on the Town's Utility Fund.

IX. Subsequent Event

Management has evaluated subsequent events through November 7, 2019, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

X. Changes in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the fiscal year ending June 30, 2019. The implementation of the statement required the Town to make changes to note disclosures related to debt.

**Required Supplemental
Financial Data**

TOWN OF VALDESE, NORTH CAROLINA
Schedule 1-1
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Two Fiscal Years

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 53,146	\$ 57,631
Interest	33,291	27,725
Changes in benefit terms	-	-
Difference between expected and actuarial experience	2,074	3,578
Changes in assumptions and other inputs	(32,452)	(53,731)
Benefit payments	<u>(21,089)</u>	<u>(21,248)</u>
Net change in total OPEB liability	34,970	13,955
Total OPEB liability, beginning	<u>945,586</u>	<u>931,631</u>
Total OPEB liability, ending	<u><u>\$ 980,556</u></u>	<u><u>\$ 945,586</u></u>
 Covered payroll	 \$2,711,425	 \$2,711,425
Total OPEB liability as a percentage of covered payroll	36.16%	34.87%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2019	3.89%

TOWN OF VALDESE, NORTH CAROLINA

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Valdese's proportion of the net pension liability (asset) (%)	0.04526%	0.04553%	0.04679%	0.04626%	0.04793%	0.04780%
Valdese's proportion of the net pension liability (asset) (\$)	\$ 1,073,722	\$ 695,572	\$ 993,041	\$ 207,612	\$ (282,665)	\$ 576,174
Valdese's covered employee payroll	\$ 3,055,887	\$ 3,046,132	\$ 2,860,645	\$ 2,739,307	\$ 2,763,622	\$ 2,684,941
Valdese's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.13%	22.83%	34.71%	7.58%	(10.23%)	21.46%
Plan fiduciary net position as a percentage of the total pension liability (asset)**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-3

Town of Valdese's Contributions
Required Supplementary Information
Last Six Fiscal Years
Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 237,585	\$ 235,238	\$ 227,315	\$ 195,576	\$ 195,093	\$ 196,239
Contributions in relation to the contractually required contribution	<u>237,585</u>	<u>235,238</u>	<u>227,315</u>	<u>195,076</u>	<u>195,093</u>	<u>196,239</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Valdese's covered-employee payroll	<u>\$ 2,988,593</u>	<u>\$ 3,055,887</u>	<u>\$ 3,046,132</u>	<u>\$ 2,860,645</u>	<u>\$ 2,739,307</u>	<u>\$ 2,763,622</u>
Contributions as a percentage of covered-employee payroll	7.94%	7.69%	7.46%	6.84%	7.12%	7.10%

TOWN OF VALDESE, NORTH CAROLINA
Schedule 1-4

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Three Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 175,301	\$ 164,871	\$ 151,859
Service cost	13,254	11,128	13,364
Interest	5,540	6,364	5,421
Changes in benefit terms	-	-	-
Difference between expected and actuarial experience	4,344	(20,472)	-
Changes in assumptions and other inputs	(9,709)	13,410	(5,773)
Benefit payments	-	-	-
Other changes	-	-	-
	<hr/>	<hr/>	<hr/>
Ending balance of the total pension liability	<u>\$ 188,730</u>	<u>\$ 175,301</u>	<u>\$ 164,871</u>

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

TOWN OF VALDESE, NORTH CAROLINA
Schedule 1-5

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Three Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 188,730	\$ 175,301	\$ 164,871
Covered payroll	502,527	479,954	534,204
Total pension liability as a percentage of covered payroll	37.58%	36.52%	30.86%

Notes to schedules:

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

**Supplementary
Statements**

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
Page 1 of 11

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,979,627	\$ 1,992,141	\$ 12,514
Prior years	77,336	175,960	98,624
Penalties and interest	4,500	44,199	39,699
Discounts	(17,000)	(21,473)	(4,473)
Total ad valorem taxes	<u>2,044,463</u>	<u>2,190,827</u>	<u>146,364</u>
Other taxes and licenses:			
Unrestricted local option sales tax	1,119,742	1,151,283	31,541
Cable TV franchise tax	<u>52,000</u>	<u>12,494</u>	<u>(39,506)</u>
Total other taxes and licenses	<u>1,171,742</u>	<u>1,163,776</u>	<u>(7,966)</u>
Unrestricted intergovernmental revenues:			
Payments in lieu of taxes -			
Valdese Housing Authority	20,000	18,331	(1,669)
Franchise tax	405,000	442,942	37,942
Alcohol/beverage tax	21,000	19,292	(1,708)
Occupancy taxes	60,000	67,020	7,020
Sales tax refunds	<u>65,070</u>	<u>65,072</u>	<u>2</u>
Total unrestricted intergovernmental revenues	<u>571,070</u>	<u>612,656</u>	<u>41,586</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
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General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues (Continued):			
Restricted intergovernmental revenues:			
Grant	\$ 175,000	\$ 175,000	\$ -
"State Street - Aid" allocation	144,535	144,452	(83)
Total restricted intergovernmental revenues	<u>319,535</u>	<u>319,452</u>	<u>(83)</u>
Sales and services:			
Refuse collection fees	202,000	202,077	77
Recycling fees	25,000	24,955	(45)
Jail fees	1,200	3,855	2,655
Rent and miscellaneous fees	68,993	68,402	(591)
Valdese Community Center	303,200	315,714	12,514
Valdese Tourism Commission	1,000	598	(402)
Rock School fees	61,552	65,543	3,991
Community affairs	15,000	14,387	(613)
Total sales and services	<u>677,945</u>	<u>695,532</u>	<u>17,587</u>
Investment earnings:			
Interest on investments	16,560	63,668	47,108
Total investment earnings	<u>16,560</u>	<u>63,668</u>	<u>47,108</u>
Other revenues:			
Sale of fixed assets	62,250	67,535	5,285
Other	209,611	314,556	104,945
Total other revenues	<u>271,861</u>	<u>382,090</u>	<u>110,229</u>
Total revenues	<u>5,073,176</u>	<u>5,428,003</u>	<u>354,827</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
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General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and wages	\$ -	\$ 17,600	\$ -
FICA tax expense	-	728	-
Group insurance	-	27,795	-
Travel	-	752	-
Insurance and bonds	-	3,094	-
Professional services	-	433	-
Supplies	-	93	-
Miscellaneous	-	583	-
Total governing body	<u>52,562</u>	<u>51,077</u>	<u>1,485</u>
Administration:			
Salaries and wages	-	405,457	-
Professional services	-	79,104	-
FICA tax expense	-	28,220	-
Group insurance	-	51,415	-
Retirement	-	28,023	-
Telephone and postage	-	21,099	-
Utilities	-	8,041	-
Travel	-	8,982	-
Maintenance and repair - buildings and grounds	-	31,722	-
Maintenance and repair - equipment	-	658	-
Maintenance and repair - autos and trucks	-	211	-
Advertising	-	2,379	-
Auto supplies	-	205	-
Supplies and materials	-	19,458	-
Dues and subscriptions	-	9,663	-
Printing expense	-	1,733	-
Insurance and bonds	-	8,641	-
Contracted services	-	39,562	-

cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
Page 4 of 11

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Administration (continued):			
Historic Valdese Foundation	\$ -	\$ (231)	\$ -
Burke County Public Library	-	50,000	-
Wellness program	-	3,048	-
Capital outlay	-	7,028	-
Industrial development	-	30,100	-
Debt service	-	88,878	-
Miscellaneous	-	42,702	-
Utility fund reimbursement	-	(382,927)	-
Total administration	<u>661,963</u>	<u>583,172</u>	<u>78,791</u>
Planning and zoning:			
Salaries and wages	-	33,256	-
Professional services	-	28,636	-
FICA tax expense	-	2,209	-
Group insurance	-	4,646	-
Travel	-	237	-
Advertising	-	(29)	-
Auto supplies	-	89	-
Supplies and materials	-	336	-
Maintenance and repair	-	8	-
Insurance bonds	-	3,053	-
Contracted services	-	1,015	-
Condeminations	-	4,500	-
Miscellaneous	-	8,970	-
Total planning and zoning	<u>104,655</u>	<u>86,926</u>	<u>17,729</u>
Public works:			
Salaries and wages	-	324,050	-
Professional services	-	968	-
FICA tax expense	-	22,175	-
Group insurance	-	56,400	-
Retirement	-	23,418	-
Telephone and postage	-	1,826	-
Utilities	-	8,517	-

cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
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General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Public works (continued):			
Travel	\$ -	\$ 325	\$ -
Maintenance and repair - buildings and grounds	-	17,125	-
Maintenance and repair - equipment	-	2,849	-
Maintenance and repair - autos and trucks	-	1,114	-
Auto supplies	-	12,797	-
Supplies and materials	-	25,641	-
Chemicals	-	1,562	-
Uniforms	-	3,956	-
Insurance and bonds	-	16,952	-
Contracted services	-	10,150	-
Arbor beautification	-	6,472	-
Miscellaneous	-	147	-
Utility fund reimbursement	-	(192,567)	-
Total public works	<u>382,055</u>	<u>343,875</u>	<u>38,180</u>
Total general government	<u>1,201,235</u>	<u>1,065,049</u>	<u>136,186</u>
Public safety:			
Police department:			
Salaries and wages	-	568,887	-
FICA tax expense	-	40,203	-
Group insurance	-	88,254	-
Retirement	-	43,741	-
Deferred compensation	-	18,015	-
Professional services	-	1,715	-
Telephone and postage	-	4,573	-
Utilities	-	3,182	-
Travel	-	638	-
Maintenance and repair - buildings and grounds	-	4,630	-
Maintenance and repair - equipment	-	6,384	-
Maintenance and repair - auto and trucks	-	10,108	-
Auto supplies	-	26,251	-
Supplies and materials	-	34,681	-
Uniforms	-	9,864	-

cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
Page 6 of 11

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Police department (continued):			
Insurance and bonds	\$ -	\$ 33,701	\$ -
Dues and subscriptions	-	386	-
Capital outlay	-	60,429	-
Printing	-	497	-
Advertising	-	153	-
Contracted services	-	15,041	-
Debt service	-	36,000	-
Total police department	<u>1,032,439</u>	<u>1,007,333</u>	<u>25,106</u>
Fire department:			
Salaries and wages	-	405,673	-
FICA tax expense	-	28,989	-
Group insurance	-	46,907	-
Retirement	-	24,001	-
Professional services	-	23,774	-
Telephone and postage	-	478	-
Utilities	-	11,028	-
Travel	-	10,357	-
Maintenance and repair - buildings and grounds	-	5,873	-
Maintenance and repair - equipment	-	10,619	-
Maintenance and repair - autos and trucks	-	11,939	-
Auto supplies	-	7,374	-
Supplies and materials	-	19,713	-
Uniforms	-	5,894	-
Insurance and bonds	-	26,611	-
Dues and subscriptions	-	7,170	-
Printing	-	863	-
Capital outlay - equipment	-	14,063	-
Fire safety expense	-	5,772	-
Advertising	-	150	-
Contracted services	-	21,238	-
Debt service	-	124,879	-
Miscellaneous	-	(21)	-
Total fire department	<u>869,863</u>	<u>813,346</u>	<u>56,516</u>
Total public safety	<u>1,902,302</u>	<u>1,820,679</u>	<u>81,623</u>
			cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
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General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Environmental protection:			
Sanitation department:			
Salaries and wages	\$ -	\$ 28,445	\$ -
FICA tax expenses	-	2,027	-
Group insurance	-	6,865	-
Retirement	-	2,091	-
Travel	-	(6)	-
Maintenance and repair - equipment	-	52	-
Maintenance and repair - autos and trucks	-	778	-
Auto supplies	-	2,570	-
Supplies and materials	-	665	-
Uniforms	-	751	-
Contracted services	-	201,361	-
Insurance bonds	-	2,816	-
Miscellaneous	-	833	-
Total sanitation department	<u>257,892</u>	<u>249,247</u>	<u>8,645</u>
Total environmental protection	<u>257,892</u>	<u>249,247</u>	<u>8,645</u>
			cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
Page 8 of 11

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Transportation:			
Street department:			
Salaries and wages	\$ -	\$ 103,189	\$ -
FICA tax expense	-	7,236	-
Group insurance	-	20,681	-
Retirement expense	-	7,605	-
Professional services	-	2,708	-
Insurance bonds	-	10,123	-
Utilities	-	65,382	-
Maintenance and repair - buildings and grounds	-	13,934	-
Maintenance and repair - equipment	-	10,188	-
Maintenance and repair - autos and trucks	-	4,977	-
Auto supplies	-	17,101	-
Supplies and materials	-	8,421	-
Uniforms	-	1,961	-
Contracted services	-	336	-
Capital outlay	-	40,595	-
Debt service	-	53,743	-
Miscellaneous	-	703	-
Total street department	<u>468,668</u>	<u>368,884</u>	<u>99,784</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
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General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Powell Bill:			
Supplies and materials	\$ -	\$ 442	\$ -
Snow and ice removal	-	260	-
Debt service	-	121,856	-
Total Powell Bill	<u>144,535</u>	<u>122,558</u>	<u>21,977</u>
Total transportation	<u>613,203</u>	<u>491,442</u>	<u>121,761</u>
Cultural and recreational:			
Recreation:			
Salaries and wages	-	454,401	-
Officials and umpires	-	(110)	-
FICA tax expense	-	32,787	-
Group insurance	-	46,150	-
Retirement	-	15,449	-
Telephone and postage	-	3,124	-
Utilities	-	86,802	-
Travel	-	(33)	-
Maintenance and repair - buildings and grounds	-	130,433	-
Maintenance and repair - equipment	-	14,915	-
Maintenance and repair - autos and trucks	-	98	-
Auto supplies	-	830	-
Supplies and materials	-	19,354	-
Chemicals	-	10,961	-
Purchases for resale	-	34,764	-
Dues and subscriptions	-	4,760	-
Insurance and bonds	-	18,419	-
Miscellaneous	-	(165)	-
Swim team	-	1,997	-
Triathlon	-	3,575	-
Uniforms	-	893	-
Contracted services	-	41,181	-
Advertising	-	100	-
Debt service	-	22,646	-
Professional services	-	727	-
Total recreation	<u>947,226</u>	<u>944,057</u>	<u>3,169</u>
			cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
Page 10 of 11

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Community affairs:			
Salaries and wages	\$ -	\$ 147,612	\$ -
FICA tax expense	-	10,617	-
Group insurance	-	20,996	-
Retirement expense	-	9,743	-
Printing	-	6,294	-
Utilities	-	36,346	-
Supplies and materials	-	27,010	-
Professional services	-	1,500	-
Telephone and postage	-	5,672	-
Maintenance and repair	-	61,215	-
Advertising	-	5,014	-
Contracted services	-	139,436	-
Insurance and bonds	-	12,372	-
Dues and subscriptions	-	878	-
Uniforms	-	(31)	-
Building reuse and facade	-	189,910	-
Main Street program	-	3,924	-
Valdese Tourism Commission	-	59,984	-
Rock School Arts Foundation	-	3,000	-
Festival	-	21,319	-
Parking lot	-	2,972	-
Concession stand trailer	-	2,308	-
Miscellaneous	-	103,283	-
Utility fund reimbursement	-	(312,572)	-
Total community affairs	<u>601,861</u>	<u>558,802</u>	<u>43,059</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2, cont.

Page 11 of 11

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total cultural and recreational	\$ 1,549,086	\$ 1,502,859	\$ 46,227
Total expenditures	<u>5,523,718</u>	<u>5,129,277</u>	<u>394,441</u>
Revenues over (under) expenditures	<u>(450,542)</u>	<u>298,726</u>	<u>749,268</u>
Other Financing Sources (Uses):			
Operating transfers - in (out)			
Capital project funds	-	1,312,790	1,312,790
Enterprise fund	387,000	387,000	-
Appropriated fund balance	<u>63,542</u>	<u>-</u>	<u>(63,542)</u>
Total other financing sources (uses)	<u>450,542</u>	<u>1,699,790</u>	<u>1,249,248</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>1,998,515</u>	<u>\$ 1,998,515</u>
Fund balance, July 1		<u>2,166,052</u>	
Fund balance, June 30		<u>\$ 4,164,568</u>	

TOWN OF VALDESE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Special Revenue Funds				Capital Project Funds				
	Facade Grant Fund	Public Art Fund	Total	Water Plant Capital Project Fund	CDBG Scattered Site Housing Fund	Alba Waldensian Building Demo Fund	Capital Project Fund		
<u>Assets</u>									
Current assets:									
Cash and investments	\$ -	\$ 13,247	\$ 13,247	\$ 676,624	\$ 24,782	\$ -	\$ -	\$ -	
Total assets	\$ -	\$ 13,247	\$ 13,247	\$ 676,624	\$ 24,782	\$ -	\$ -	\$ -	
<u>Liabilities and Fund Balances</u>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	426	\$ -	\$ -	
Due to other funds	-	-	-	-	-	17,451	-	-	
Total liabilities	-	-	-	-	-	17,877	-	-	
Fund balance:									
Restricted:									
Town revitalization	-	13,247	13,247	-	-	-	-	-	
Assigned:									
Capital projects	-	-	-	676,624	24,782	(17,877)	-	-	
Total fund balance	-	13,247	13,247	676,624	24,782	(17,877)	-	-	
Total liabilities and fund balances	\$ -	\$ 13,247	\$ 13,247	\$ 676,624	\$ 24,782	\$ -	\$ -	\$ -	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 3
Page 2 of 2Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Capital Project Funds						Total Nonmajor Governmental Funds
	Downtown Park Capital Project Fund	Lake Rhodhiss Capital Project Fund	Police Dept. Capital Project Fund	Lakeside Park Capital Project Fund	Total		
Assets							
Current assets:							
Cash and investments	\$ 775,924	\$ 613,372	\$ 3,862	\$ 49,168	\$ 2,143,732	\$	2,156,979
Total assets	<u>\$ 775,924</u>	<u>\$ 613,372</u>	<u>\$ 3,862</u>	<u>\$ 49,168</u>	<u>\$ 2,143,732</u>	<u>\$</u>	<u>2,156,979</u>
Liabilities and Fund Balances							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 426	\$	426
Due to other funds	-	-	-	-	17,451		17,451
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,877</u>		<u>17,877</u>
Fund balance:							
Restricted:							
Town revitalization	-	-	-	-	-		13,247
Assigned:							
Capital projects	775,924	613,372	3,862	49,168	2,125,855		2,125,855
Total fund balance	<u>775,924</u>	<u>613,372</u>	<u>3,862</u>	<u>49,168</u>	<u>2,125,855</u>		<u>2,139,102</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 613,372</u>	<u>\$ 3,862</u>	<u>\$ 49,168</u>	<u>\$ 2,143,732</u>	<u>\$</u>	<u>2,156,979</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4
Page 1 of 2

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019**

	Special Revenue Funds			Capital Project Funds			
	Facade Grant Fund	Public Art Fund	Total	Water Plant Capital Project Fund	CDBG Scattered Site Housing Fund	Alba Waldensian Building Demo Fund	Capital Project Fund
Revenues:							
Other local revenues:							
Town of Drexel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Burke County	-	-	-	-	-	-	-
Miscellaneous	-	6,225	6,225	-	-	-	-
Investment earnings:							
Interest earned	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>6,225</u>	<u>6,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:							
Economic and physical development	-	-	-	-	218	17,877	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218</u>	<u>17,877</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>6,225</u>	<u>6,225</u>	<u>-</u>	<u>(218)</u>	<u>(17,877)</u>	<u>-</u>
Other Financing Sources (Uses):							
From (to) General Fund	(17,858)	-	(17,858)	-	25,000	-	(591,087)
Total other financing sources (uses)	<u>(17,858)</u>	<u>-</u>	<u>(17,858)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>(591,087)</u>
Revenues and other sources over (under) expenditures and other uses	(17,858)	6,225	(11,633)	-	24,782	(17,877)	(591,087)
Fund balances (deficit), beginning of year	<u>17,858</u>	<u>7,022</u>	<u>24,880</u>	<u>676,624</u>	<u>-</u>	<u>-</u>	<u>591,087</u>
Fund balances (deficit), end of year	<u>\$ -</u>	<u>\$ 13,247</u>	<u>\$ 13,247</u>	<u>\$ 676,624</u>	<u>\$ 24,782</u>	<u>\$ (17,877)</u>	<u>\$ -</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4
Page 2 of 2Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Capital Project Funds						Total Nonmajor Governmental Funds
	Downtown Park Capital Project Fund	Lake Rhodiss Capital Project Fund	Police Dept. Capital Project Fund	Lakeside Park Capital Project Fund	Total		
Revenue:							
Other local revenues:							
Town of Drexel	\$ -	\$ -	\$ -	\$ -	\$ 2,568	\$ 2,568	\$ 2,568
Burke County	-	1,322	-	-	1,322	1,322	1,322
Miscellaneous	-	-	668	36,667	37,335	37,335	43,560
Investment earnings:							
Interest earned	16,550	(11)	-	-	16,539	16,539	16,539
Total revenues	16,550	3,890	668	36,667	57,764	57,764	63,989
Expenditures:							
Economic and physical development	-	1,594	-	19,863	39,552	39,552	39,552
Total expenditures	-	1,594	-	19,863	39,552	39,552	39,552
Revenues over (under) expenditures	16,550	(1,605)	668	16,804	18,212	18,212	24,437
Other Financing Sources (Uses):							
From (to) General Fund	-	-	-	-	(1,294,932)	(1,294,932)	(1,312,790)
Total other financing sources (uses)	-	-	-	-	(1,294,932)	(1,294,932)	(1,312,790)
Revenues and other sources over (under) expenditures and other uses	16,550	(1,605)	668	16,804	(1,276,720)	(1,276,720)	(1,288,354)
Fund balances (deficit), beginning of year	759,374	1,605	3,194	32,364	3,402,575	3,402,575	3,427,455
Fund balances (deficit), end of year	\$ 775,924	\$ -	\$ 3,862	\$ 49,168	\$ 2,125,855	\$ 2,125,855	\$ 2,139,102

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-1

Facade Grant Fund
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 81,500	\$ 82,000	\$ -	\$ 82,000
Grants	-	133,000	-	133,000
Total revenues	<u>81,500</u>	<u>215,000</u>	<u>-</u>	<u>215,000</u>
Expenditures:				
Facade design	13,415	7,400	-	7,400
Miscellaneous	54,750	54,748	-	54,748
Rock School restrooms	123,500	123,500	-	123,500
Hmong festival	5,000	4,600	-	4,600
Feasibility study	28,000	8,846	-	8,846
Vedic	167,000	186,554	-	186,554
Revitalization	<u>62,600</u>	<u>68,617</u>	<u>-</u>	<u>68,617</u>
Total expenditures	<u>454,265</u>	<u>454,265</u>	<u>-</u>	<u>454,265</u>
Revenues over (under) expenditures	<u>(372,765)</u>	<u>(239,265)</u>	<u>-</u>	<u>(239,265)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>372,765</u>	<u>257,123</u>	<u>(17,858)</u>	<u>239,265</u>
Total other financing sources (uses)	<u>372,765</u>	<u>257,123</u>	<u>(17,858)</u>	<u>239,265</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 17,858</u>	<u>(17,858)</u>	<u>\$ -</u>
Fund balance (deficit), beginning of year			<u>17,858</u>	
Fund balance (deficit), end of year			<u>\$ -</u>	

This fund was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-2

Small Business & Entrepreneurial Assistance Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
CDBG grant	\$ 250,000	\$ 248,130	\$ -	\$ 248,130
Total revenues	<u>250,000</u>	<u>248,130</u>	<u>-</u>	<u>248,130</u>
Expenditures:				
Administration	5,000	5,334	-	5,334
Planning	20,000	19,666	-	19,666
Valdese Cleaners	112,500	110,631	-	110,631
Downtown Delights	<u>112,500</u>	<u>112,500</u>	<u>-</u>	<u>112,500</u>
Total expenditures	<u>250,000</u>	<u>248,130</u>	<u>-</u>	<u>248,130</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

This fund was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-3

Public Art Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 10,000	\$ 4,251	\$ 6,225	\$ 10,476
Grants	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>20,000</u>	<u>4,251</u>	<u>6,225</u>	<u>10,476</u>
Expenditures:				
Display	10,000	1,829	-	1,829
Public art	<u>60,000</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total expenditures	<u>70,000</u>	<u>13,829</u>	<u>-</u>	<u>13,829</u>
Revenues over (under) expenditures	<u>(50,000)</u>	<u>(9,578)</u>	<u>6,225</u>	<u>(3,353)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>50,000</u>	<u>16,600</u>	<u>-</u>	<u>16,600</u>
Total other financing sources (uses)	<u>50,000</u>	<u>16,600</u>	<u>-</u>	<u>16,600</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 7,022</u>	6,225	<u>\$ 13,247</u>
Fund balance, beginning of year			<u>7,022</u>	
Fund balance, end of year			<u>\$ 13,247</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-4

Water Plant Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 67,854	\$ -	\$ 67,854
Expenditures:				
Professional services	-	80	-	80
Repairs and maintenance	-	27,170	-	27,170
Total expenditures	-	27,250	-	27,250
Revenues over (under) expenditures	-	40,604	-	40,604
Other Financing Sources (Uses):				
Operating transfers - in (out):				
From Utility Fund	30,000	636,019	-	636,019
To Capital Projects	(30,000)	-	-	-
Total other financing sources (uses)	-	636,019	-	636,019
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 676,624	-	\$ 676,624
Fund balance, beginning of year			676,624	
Fund balance, end of year			\$ 676,624	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-5

Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project</u>		<u>Actual</u>	
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>
Revenues				
Donations	\$ -	\$ 15,000	\$ -	\$ 15,000
State grant	-	94,340	-	94,340
Other	-	112,800	-	112,800
Total revenue	<u>-</u>	<u>222,140</u>	<u>-</u>	<u>222,140</u>
Expenditures	<u>732,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(732,000)</u>	<u>222,140</u>	<u>-</u>	<u>222,140</u>
Other Financing Sources (Uses):				
Operating transfers - in (out)	<u>732,000</u>	<u>368,947</u>	<u>(591,087)</u>	<u>(222,140)</u>
Total other financing sources (uses)	<u>732,000</u>	<u>368,947</u>	<u>(591,087)</u>	<u>(222,140)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 591,087</u>	<u>(591,087)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>591,087</u>	
Fund balance, end of year			<u>\$ -</u>	

This fund was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 4-6

Capital Outlay Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ 275,000	\$ 16,550	\$ (258,450)
Expenditures	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	16,550	<u>\$ 16,550</u>
Fund balance, beginning of year		<u>759,374</u>	
Fund balance, end of year		<u><u>\$ 775,924</u></u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-7

Lake Rhodhiss Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Other local revenues:				
Town of Drexel	\$ 133,400	\$ 77,073	\$ 2,568	\$ 79,641
Burke County	<u>106,800</u>	<u>61,099</u>	<u>1,322</u>	<u>62,421</u>
Total other local revenues	240,200	138,172	3,890	142,063
Investment earnings	<u>-</u>	<u>513,868</u>	<u>-</u>	<u>513,868</u>
Total revenues	<u>240,200</u>	<u>652,040</u>	<u>3,890</u>	<u>655,931</u>
Expenditures:				
Maintenance and repair	32,000	-	-	-
Miscellaneous	-	13,715	-	13,715
Capital outlay	<u>27,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>59,900</u>	<u>13,715</u>	<u>-</u>	<u>13,715</u>
Revenues over (under) expenditures	<u>180,300</u>	<u>638,325</u>	<u>3,890</u>	<u>642,216</u>
Other Financing Sources (Uses):				
Operating transfers - in (out):				
To Utility Fund	(1,940,100)	(399,691)	-	(399,691)
From Utility Fund	1,759,800	974,691	-	974,691
To General Fund	-	-	(728,845)	(728,845)
From Capital Projects	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total other financing sources (uses)	<u>(180,300)</u>	<u>700,000</u>	<u>(728,845)</u>	<u>(28,845)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,338,327</u>	<u>(724,955)</u>	<u>\$ 613,372</u>
Fund balance, beginning of year			<u>1,338,327</u>	
Fund balance, end of year			<u>\$ 613,372</u>	

TOWN OF VALDESE, NORTH CAROLINA
Schedule 4-8

Police Department Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental revenues:				
Drug abuse funds	\$ 10,000	\$ 7,910	\$ 668	\$ 8,578
Investment earnings:				
Interest earned	<u>-</u>	<u>404</u>	<u>-</u>	<u>404</u>
Total revenues	<u>10,000</u>	<u>8,314</u>	<u>668</u>	<u>8,982</u>
Expenditures:				
Repairs and maintenance	10,000	1,290	-	1,290
Capital outlay - equipment	<u>88,300</u>	<u>81,863</u>	<u>-</u>	<u>81,863</u>
Total expenditures	<u>98,300</u>	<u>83,153</u>	<u>-</u>	<u>83,153</u>
Revenues over (under) expenditures	<u>(88,300)</u>	<u>(74,839)</u>	<u>668</u>	<u>(74,171)</u>
Other Financing Sources (Uses):				
Operating transfers - in (out)				
From General Fund	<u>88,300</u>	<u>78,033</u>	<u>-</u>	<u>78,033</u>
Total other financing sources (uses)	<u>88,300</u>	<u>78,033</u>	<u>-</u>	<u>78,033</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 3,194</u>	668	<u>\$ 3,862</u>
Fund balance, beginning of year			<u>3,194</u>	
Fund balance, end of year			<u>\$ 3,862</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-9

Downtown Park Capital Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
Interest earned	-	11	(11)	-
Grants	<u>408,600</u>	<u>408,600</u>	<u>-</u>	<u>408,600</u>
Total revenues	<u>658,600</u>	<u>658,611</u>	<u>(11)</u>	<u>658,600</u>
Expenditures:				
Buildings and grounds	5,000	4,709	291	5,000
Professional services	32,550	1,158	31,392	32,550
Architect/Engineering fees	110,755	122,161	(11,406)	110,755
Community building	837,550	849,960	(12,410)	837,550
Equipment	100,000	99,996	4	100,000
Advertising	603	604	(1)	603
Contingencies	<u>41,142</u>	<u>47,418</u>	<u>(6,276)</u>	<u>41,142</u>
Total expenditures	<u>1,127,600</u>	<u>1,126,006</u>	<u>1,594</u>	<u>1,127,600</u>
Revenues over (under) expenditures	<u>(469,000)</u>	<u>(467,395)</u>	<u>(1,605)</u>	<u>(469,000)</u>
Other Financing Sources:				
Loan proceeds	<u>469,000</u>	<u>469,000</u>	<u>-</u>	<u>469,000</u>
Total other financing sources	<u>469,000</u>	<u>469,000</u>	<u>-</u>	<u>469,000</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,605</u>	<u>(1,605)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>1,605</u>	
Fund balance, end of year			<u>\$ -</u>	

This project was completed and closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-10

NCDOT Pedestrian Plan Grant Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 1,627	\$ 3,254	\$ -	\$ 3,254
Grants	<u>28,400</u>	<u>26,773</u>	<u>-</u>	<u>26,773</u>
Total revenues	<u>30,027</u>	<u>30,027</u>	<u>-</u>	<u>30,027</u>
Expenditures:				
Consultation	<u>35,500</u>	<u>35,500</u>	<u>-</u>	<u>35,500</u>
Total expenditures	<u>35,500</u>	<u>35,500</u>	<u>-</u>	<u>35,500</u>
Revenues over (under) expenditures	<u>(5,473)</u>	<u>(5,473)</u>	<u>-</u>	<u>(5,473)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>5,473</u>	<u>5,473</u>	<u>-</u>	<u>5,473</u>
Total other financing sources (uses)	<u>5,473</u>	<u>5,473</u>	<u>-</u>	<u>5,473</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance (deficit), beginning of year			<u>-</u>	
Fund balance (deficit), end of year			<u>\$ -</u>	

This project was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-11

Lakeside Park Capital Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 441,667	\$ 405,000	\$ 36,667	\$ 441,667
Grants	<u>973,246</u>	<u>961,659</u>	<u>-</u>	<u>961,659</u>
Total revenues	<u>1,414,913</u>	<u>1,366,659</u>	<u>36,667</u>	<u>1,403,326</u>
Expenditures:				
Professional services	10,000	-	10,000	10,000
Site planning and design	87,605	78,600	9,005	87,605
Land	1,290,841	1,276,070	-	1,276,070
Equipment	15,000	-	-	-
Other improvements	<u>51,467</u>	<u>-</u>	<u>858</u>	<u>858</u>
Total expenditures	<u>1,454,913</u>	<u>1,354,670</u>	<u>19,863</u>	<u>1,374,533</u>
Revenues over (under) expenditures	<u>(40,000)</u>	<u>11,989</u>	<u>16,804</u>	<u>28,793</u>
Other Financing Sources:				
From General Fund	<u>40,000</u>	<u>20,375</u>	<u>-</u>	<u>20,375</u>
Total other financing sources	<u>40,000</u>	<u>20,375</u>	<u>-</u>	<u>20,375</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 32,364</u>	16,804	<u>\$ 49,168</u>
Fund balance, beginning of year			<u>32,364</u>	
Fund balance, end of year			<u>\$ 49,168</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-12

CDBG Scattered Sites Housing Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
CDBG grant	\$ 350,600	\$ -	\$ -	\$ -
Total revenues	<u>350,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Administration	31,800	-	218	218
Rehabilitation	<u>343,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>375,600</u>	<u>-</u>	<u>218</u>	<u>218</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>-</u>	<u>(218)</u>	<u>(218)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	24,782	<u>\$ 24,782</u>
Fund balance (deficit), beginning of year			<u>-</u>	
Fund balance (deficit), end of year			<u>\$ 24,782</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-13

Alba Waldensian Building Demo Fund
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
CDBG grant	\$ 500,000	\$ -	\$ -	\$ -
Total revenues	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Administration	25,000	-	17,020	17,020
Professional services	-	-	857	857
Demolition	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>675,000</u>	<u>-</u>	<u>17,877</u>	<u>17,877</u>
Revenues over (under) expenditures	<u>(175,000)</u>	<u>-</u>	<u>(17,877)</u>	<u>(17,877)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(17,877)</u>	<u>\$ (17,877)</u>
Fund balance (deficit), beginning of year			<u>-</u>	
Fund balance (deficit), end of year			<u>\$ (17,877)</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5

Utility Fund

Statement of Revenues - Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water charges	\$ 2,202,694	\$ 2,448,966	\$ 246,272
Wastewater charges	1,189,932	1,111,200	(78,732)
Contract sales	662,637	814,770	152,133
Total charges for services	<u>4,055,263</u>	<u>4,374,937</u>	<u>319,674</u>
Other operating revenues:			
Tap and connection fees	12,000	25,492	13,492
Long term monitoring fees	14,050	19,861	5,811
Sprinkler service charges	500	100	(400)
Utility bill penalties	51,000	55,865	4,865
Meter usage charge	591,674	475,295	(116,379)
Reconnection fees	<u>22,500</u>	<u>17,354</u>	<u>(5,146)</u>
Total other operating revenues	<u>691,724</u>	<u>593,966</u>	<u>(97,758)</u>
Total operating revenues	<u>4,746,987</u>	<u>4,968,903</u>	<u>221,916</u>
Nonoperating revenues:			
Interest on investments	4,000	14,075	10,075
Rent-nonoperating property	1,080	3,810	2,730
Sale of fixed assets	-	(103,120)	(103,120)
Miscellaneous	2,000	(35,315)	(37,315)
Retained earnings appropriated	<u>211,322</u>	<u>-</u>	<u>(211,322)</u>
Total nonoperating revenues	<u>218,402</u>	<u>(120,550)</u>	<u>(338,952)</u>
Total revenues	<u>\$ 4,965,389</u>	<u>\$ 4,848,353</u>	<u>\$ (117,036)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-1

Page 1 of 4

Utility Fund**Statement of Expenditures - Budget and Actual (Non-GAAP)****For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Administration:			
General Fund - administrative services:			
Reimbursement	\$ 921,142	\$ 921,142	\$ -
Total administration	<u>921,142</u>	<u>921,142</u>	<u>-</u>
Water and supply treatment:			
Salaries and wages	-	285,899	-
Professional services	-	12,975	-
FICA tax expense	-	20,035	-
Group insurance	-	61,163	-
Retirement	-	21,439	-
Telephone and postage	-	1,384	-
Utilities	-	215,201	-
Travel	-	615	-
Maintenance and repair - building and grounds	-	23,882	-
Maintenance and repair - equipment	-	26,445	-
Maintenance and repair - autos and trucks	-	14	-
Auto and truck supplies	-	894	-
Supplies and materials	-	32,387	-
Chemicals	-	64,981	-
Uniforms	-	3,064	-
Contracted services	-	5,469	-
Dues and subscriptions	-	3,815	-
Laboratory supplies	-	13,093	-
Water testing	-	16,196	-
Insurance and bonds	-	19,634	-

cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 5-1
Page 2 of 4

Utility Fund
Statement of Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Water and supply treatment (continued):			
Safety	\$ -	\$ 1,246	\$ -
Economic incentives	-	141,551	-
Total water and supply treatment	<u>1,061,766</u>	<u>971,383</u>	<u>90,383</u>
Waste water treatment:			
Salaries and wages	-	414,021	-
Professional services	-	2,149	-
FICA tax expense	-	29,747	-
Group insurance	-	70,429	-
Retirement	-	31,053	-
Telephone and postage	-	3,382	-
Utilities	-	240,568	-
Travel	-	7,873	-
Maintenance and repair - buildings and grounds	-	106,344	-
Maintenance and repair - equipment	-	66,530	-
Maintenance and repair - autos and trucks	-	1,642	-
Auto and truck supplies	-	3,264	-
Laboratory supplies	-	8,507	-
Advertising	-	73	-
Insurance bonds	-	23,558	-
Supplies and materials	-	10,114	-
Chemicals	-	56,540	-
Uniforms	-	3,284	-
Contracted services	-	13,415	-
Long term monitoring	-	16,802	-
Dues and subscriptions	-	8,060	-
Wood chips	-	33,597	-
Safety	-	1,979	-
Economic incentives	-	4,038	-
Total waste water treatment	<u>1,157,266</u>	<u>1,156,969</u>	<u>297</u>
			cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-1

Page 3 of 4

Utility Fund**Statement of Expenditures - Budget and Actual (Non-GAAP)****For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Water and sewer maintenance:			
Salaries and wages	\$ -	\$ 313,236	\$ -
Professional services	-	33,112	-
Travel expense	-	730	-
FICA tax expense	-	22,064	-
Group insurance	-	54,532	-
Retirement	-	22,016	-
Maintenance and repair - buildings and grounds	-	111,879	-
Maintenance and repair - equipment	-	14,555	-
Maintenance and repair - autos and trucks	-	2,561	-
Auto and truck supplies	-	18,438	-
Supplies and materials	-	50,179	-
Advertising	-	1,126	-
Contracted services	-	72,204	-
Postage	-	27	-
Utilities	-	21,383	-
Uniforms	-	5,750	-
Insurance and bonds	-	22,032	-
Meters	-	4,927	-
Miscellaneous expense	-	(1,926)	-
Total water and sewer maintenance	<u>769,651</u>	<u>768,823</u>	<u>828</u>
Budgetary appropriations:			
Capital outlay-waste water treatment plant	60,317	20,637	39,680
Capital outlay-water supply and treatment	51,000	7,154	43,846
Capital outlay-water and sewer maintenance	122,476	23,225	99,251
Payment on debt principal	236,876	225,684	11,192
Interest and fees	69,595	73,660	(4,064)
Transfer to (from) other funds	<u>515,300</u>	<u>387,000</u>	<u>128,300</u>
Total budgetary appropriations	<u>1,055,564</u>	<u>737,360</u>	<u>318,204</u>
Total expenditures	<u>\$ 4,965,389</u>	<u>\$ 4,555,677</u>	<u>\$ 409,712</u>

Note: Prepared on the Budgetary Basis which is modified accrual.

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-1,cont.

Page 4 of 4

Utility Fund**Statement of Expenditures - Budget and Actual (Non-GAAP)****For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from Budgetary Basis (Modified) Accrual Basis) to Full Accrual Basis:			
Total revenues on Schedule 5		\$ 4,848,353	
Total expenditures on Schedule 5-1		<u>4,555,677</u>	
Revenues over (under) expenditures		292,676	
Budgetary appropriations (above):			
Payment of debt principal		225,684	
Adjustment for contributed capital		856,706	
Capital outlay		51,016	
Increase (decrease) in inventory		(12,328)	
(Increase) decrease in accrued vacation pay		1,162	
(Increase) decrease in other postemployment benefits		(5,595)	
Increase (decrease) in deferred outflows - OPEB		(489)	
(Increase) decrease in deferred inflows - OPEB		703	
(Increase) decrease in net pension liability		102,101	
Increase (decrease) in deferred outflows - pension		77,977	
(Increase) decrease in deferred inflows - pension		282	
Depreciation		<u>(916,708)</u>	
Change in net position (Exhibit 9)		<u>\$ 673,185</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-2

Utility Capital Projects Fund
Water Plant Capital Improvements
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
State energy funds	\$ 200,000	\$ -	\$ -	\$ -
Expenditures:				
Professional services	-	6,907	-	6,907
Engineering	-	17,957	-	17,957
Advertising	-	46	-	46
Capital outlay - other improvements	200,000	256,247	(1,973)	254,273
Contracted services	<u>125,000</u>	<u>960</u>	<u>-</u>	<u>960</u>
Total expenditures	<u>325,000</u>	<u>282,117</u>	<u>(1,973)</u>	<u>280,144</u>
Revenues over (under) expenditures	(125,000)	(282,117)	1,973	(280,144)
Other Financing Sources (Uses):				
Transfer from Utility Fund	<u>125,000</u>	<u>257,913</u>	<u>22,231</u>	<u>280,144</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (24,204)</u>	<u>\$ 24,204</u>	<u>\$ -</u>

This project was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-3

Utility Capital Projects Fund
Infiltration and Inflow Study
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Professional services	91,753	44,469	-	44,469
Department supplies	-	1,713	-	1,713
Contracted services	400,000	274,109	-	274,109
Hickory Hill	-	171,462	-	171,462
Total expenditures	<u>491,753</u>	<u>491,753</u>	<u>-</u>	<u>491,753</u>
Revenues over (under) expenditures	<u>(491,753)</u>	<u>(491,753)</u>	<u>-</u>	<u>(491,753)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	50,000	-	-	-
Transfer from Utility Fund	<u>441,753</u>	<u>664,391</u>	<u>(172,639)</u>	<u>491,753</u>
Total other financing sources (uses)	<u>491,753</u>	<u>664,391</u>	<u>(172,639)</u>	<u>491,753</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ 172,639</u>	<u>\$ (172,639)</u>	<u>\$ -</u>

This project was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 5-4

Utility Capital Projects Fund
Storm Water Program Phase II
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Town contributions	\$ 20,000	\$ -	\$ 2,565	\$ 2,565
Expenditures:				
Professional services	20,000	2,565	-	2,565
Revenues over (under) expenditures	-	(2,565)	2,565	-
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (2,565)</u>	<u>\$ 2,565</u>	<u>\$ -</u>

This project was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 5-5

Utility Capital Projects Fund
I & I Sewer Project
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	Project	Actual		
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>
Revenues:				
State grants -				
State Revolving Loan Fund	\$ 500,000	\$ 380,190	\$ -	\$ 380,190
Rural Center grant	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total revenues	<u>500,000</u>	<u>410,190</u>	<u>-</u>	<u>410,190</u>
Expenditures:				
Engineering	38,400	17,926	-	17,926
Administration	10,000	10,000	-	10,000
Cline street pump station	-	86,744	-	86,744
Professional services	-	56,061	-	56,061
I & I Construction	455,600	318,690	-	318,690
Legal	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>505,000</u>	<u>489,421</u>	<u>-</u>	<u>489,421</u>
Revenues over (under) expenditures	(5,000)	(79,232)	-	(79,232)
Other Financing Sources (Uses):				
Transfer from Utility Fund	<u>5,000</u>	<u>-</u>	<u>79,232</u>	<u>79,232</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (79,232)</u>	<u>\$ 79,232</u>	<u>\$ -</u>

This project was closed during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-6

Utility Capital Projects Fund
I & I Rehabilitation Phase II
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Federal grants -				
STAG/SPAP	\$ 216,800	\$ 216,800	\$ -	\$ 216,800
Rural Center grant	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total revenues	<u>616,800</u>	<u>616,800</u>	<u>-</u>	<u>616,800</u>
Expenditures:				
Engineer	52,622	52,622	-	52,622
Professional services	3,943	3,943	-	3,943
Administration	41,327	41,325	-	41,325
Construction	<u>583,098</u>	<u>583,098</u>	<u>-</u>	<u>583,098</u>
Total expenditures	<u>680,990</u>	<u>680,986</u>	<u>-</u>	<u>680,986</u>
Revenues over (under) expenditures	(64,190)	(64,186)	-	(64,186)
Other Financing Sources (Uses):				
Transfer from Utility Fund	<u>64,190</u>	<u>64,186</u>	<u>-</u>	<u>64,186</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This project was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 5-7

**Utility Capital Projects Fund
The Settings
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:	<u>\$ 12,650</u>	<u>\$ 18,256</u>	<u>\$ -</u>	<u>\$ 18,256</u>
Expenditures:				
Engineering	144,678	177,898	-	177,898
Administration	15,000	685	-	685
Planning	10,000	-	-	-
Construction	1,073,322	1,072,229	-	1,072,229
Professional services	35,820	26,095	(400)	25,695
Contracted services	-	3,249	-	3,249
Postage	-	514	-	514
Debt service	24,178	14,178	-	14,178
Advertising	<u>-</u>	<u>8,551</u>	<u>-</u>	<u>8,551</u>
Total expenditures	<u>1,302,998</u>	<u>1,303,399</u>	<u>(400)</u>	<u>1,302,999</u>
Revenues over (under) expenditures	<u>(1,290,348)</u>	<u>(1,285,143)</u>	<u>(400)</u>	<u>(1,284,743)</u>
Other Financing Sources (Uses):				
Local contributions	10,348	-	163,741	163,741
Proceeds from bonds	<u>1,280,000</u>	<u>1,280,000</u>	<u>-</u>	<u>1,280,000</u>
Total other financing sources (uses)	<u>1,290,348</u>	<u>1,280,000</u>	<u>163,741</u>	<u>1,443,741</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (5,143)</u>	<u>\$ 163,341</u>	<u>\$ 158,998</u>

TOWN OF VALDESE, NORTH CAROLINA
Schedule 5-8
**Utility Capital Projects Fund
KleenTech**
Statement of Revenues and Expenditures**Budget and Actual (Non-GAAP)****From Inception and for the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Federal grants -				
CDBG	\$ 450,000	\$ 450,000	\$ -	\$ 450,000
Rural Economic Development Center	150,000	150,000	-	150,000
Private company contribution	42,500	36,536	-	36,536
Town of Valdese	<u>15,000</u>	<u>-</u>	<u>15,919</u>	<u>15,919</u>
Total revenues	<u>657,500</u>	<u>636,536</u>	<u>15,919</u>	<u>652,455</u>
Expenditures:				
Engineering	50,000	47,500	-	47,500
Administration	37,500	37,500	-	37,500
Public sewer improvement	569,530	566,980	-	566,980
Advertising	470	370	-	370
Professional service	<u>-</u>	<u>105</u>	<u>-</u>	<u>105</u>
Total expenditures	<u>657,500</u>	<u>652,455</u>	<u>-</u>	<u>652,455</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (15,919)</u>	<u>\$ 15,919</u>	<u>\$ -</u>

This project was closed during hte year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 5-9

Utility Capital Projects Fund
Meridian Water and Sewer Project
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
CDBG	\$ 1,000,000	\$ 946,340	\$ 53,660	\$ 1,000,000
IDF grant	<u>898,425</u>	<u>-</u>	<u>702,114</u>	<u>702,114</u>
Total revenues	<u>1,898,425</u>	<u>946,340</u>	<u>755,774</u>	<u>1,702,114</u>
Expenditures:				
Architectural and engineering	276,000	145,172	32,457	177,629
Administration and environmental	55,000	47,664	13,825	61,489
Construction	<u>1,866,900</u>	<u>753,504</u>	<u>830,862</u>	<u>1,584,366</u>
Total expenditures	<u>2,197,900</u>	<u>946,340</u>	<u>877,144</u>	<u>1,823,484</u>
Revenues over (under) expenditures	(299,475)	-	(121,370)	(121,370)
Other Financing Sources (Uses):				
Town contribution	<u>299,475</u>	<u>-</u>	<u>121,370</u>	<u>121,370</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This project was completed and closed during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 5-10

Utility Capital Projects Fund
Waterline Rehabilitation
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Town of Valdese	\$ 254,400	\$ 349,800	\$ (349,800)	\$ -
Total revenues	<u>254,400</u>	<u>349,800</u>	<u>(349,800)</u>	<u>-</u>
Expenditures:				
Engineering	25,440	-	-	-
Construction	<u>228,960</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>254,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 349,800</u>	<u>\$ (349,800)</u>	<u>\$ -</u>

This project was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 5-11**Utility Capital Projects Fund****I & I Rehabilitation 2014****Statement of Revenues and Expenditures****Budget and Actual (Non-GAAP)****From Inception and for the Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
State grants -				
State Revolving Loan Fund	\$ 285,917	\$ 230,913	\$ -	\$ 230,913
Total revenues	<u>285,917</u>	<u>230,913</u>	<u>-</u>	<u>230,913</u>
Expenditures:				
Engineer	35,000	-	-	-
Administration	9,000	12,452	-	12,452
Construction	232,245	232,735	-	232,735
Closing cost	5,718	-	-	-
Contingency	<u>9,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>291,635</u>	<u>245,187</u>	<u>-</u>	<u>245,187</u>
Revenues over (under) expenditures	(5,718)	(14,274)	-	(14,274)
Other Financing Sources (Uses):				
Transfer from Utility Fund	<u>5,718</u>	<u>-</u>	<u>14,274</u>	<u>14,274</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (14,274)</u>	<u>\$ 14,274</u>	<u>\$ -</u>

This project was closed out during the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-12

Utility Capital Projects Fund
Water Plant Upgrades
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering	88,000	-	49,800	49,800
Loan administration	40,000	-	-	-
NCDEQ Loan administration	16,000	-	-	-
ER/EID preparation	10,000	-	-	-
Construction	<u>704,770</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>858,770</u>	<u>-</u>	<u>49,800</u>	<u>49,800</u>
Revenues over (under) expenditures	<u>(858,770)</u>	<u>-</u>	<u>(49,800)</u>	<u>(49,800)</u>
Other Financing Sources (Uses):				
DWSRF prinicpal forgiveness loan	210,692	-	-	-
DESRF loan	632,078	-	-	-
Transfer from Utility Fund	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>858,770</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (49,800)</u>	<u>\$ (49,800)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-13

Utility Capital Projects Fund
Water System Improvements
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering	60,000	-	35,741	35,741
Loan administration	15,000	-	928	928
NCDEQ Loan administration	23,634	-	-	-
Permit fees and advertising	750	-	395	395
Construction administration	15,000	-	-	-
Construction observation	20,000	-	-	-
Engineering & environmental report	10,000	-	10,000	10,000
Land surveying	10,000	-	10,000	10,000
Construction	955,450	-	-	-
Contingencies	95,500	-	-	-
Total expenditures	1,205,334	-	57,064	57,064
Revenues over (under) expenditures	(1,205,334)	-	(57,064)	(57,064)
Other Financing Sources (Uses):				
DWSRF principal forgiveness loan	500,000	-	-	-
DESRF loan	681,700	-	-	-
Transfer from Utility Fund	23,634	-	-	-
Total other financing sources	1,205,334	-	-	-
Unexpended revenues and receipts	\$ -	\$ -	\$ (57,064)	\$ (57,064)

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-14

Utility Capital Projects Fund
Water Meter Replacement
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project</u>		<u>Actual</u>	
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>
Revenues:				
Grants	\$ 238,416	\$ -	\$ -	\$ -
Total revenues	<u>238,416</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Engineering	-	-	2,921	2,921
Administration	238,416	-	76,064	76,064
Construction	<u>2,026,970</u>	<u>-</u>	<u>8,606</u>	<u>8,606</u>
Total expenditures	<u>2,265,386</u>	<u>-</u>	<u>87,591</u>	<u>87,591</u>
Revenues over (under) expenditures	<u>(2,026,970)</u>	<u>-</u>	<u>(87,591)</u>	<u>(87,591)</u>
Other Financing Sources (Uses):				
SRP loan	<u>2,026,970</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>2,026,970</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (87,591)</u>	<u>\$ (87,591)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-15

Utility Capital Projects Fund
St. Germain Avenue Water System Improvements
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering	23,500	-	4,630	4,630
Loan administration	5,000	-	2,286	2,286
NCDEQ Loan administration	6,587	-	6,587	6,587
Construction administration	6,700	-	4,880	4,880
Construction observation	6,000	-	2,589	2,589
ER/EID preparation	6,000	-	-	-
Land surveying	5,000	-	-	-
Construction	295,589	-	272,283	272,283
Contingencies	14,780	-	-	-
Total expenditures	369,156	-	293,254	293,254
Revenues over (under) expenditures	(369,156)	-	(293,254)	(293,254)
Other Financing Sources (Uses):				
DWSRF principal forgiveness loan	156,828	-	156,828	156,828
DESRF loan	172,510	-	21,620	21,620
Transfer from Utility Fund	39,818	-	39,818	39,818
Total other financing sources	369,156	-	218,266	218,266
Unexpended revenues and receipts	\$ -	\$ -	\$ (74,988)	\$ (74,988)

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-16

Utility Capital Projects Fund
Water Plant Bleach Conversion
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Grants	\$ 164,575	\$ -	\$ -	\$ -
Total revenues	<u>164,575</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Engineering	47,300	-	400	400
Loan administration	16,000	-	-	-
NCDEQ Loan administration	12,343	-	-	-
Construction administration	40,100	-	-	-
ER/EID preparation	18,000	-	18,000	18,000
Construction	<u>536,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>670,493</u>	<u>-</u>	<u>18,400</u>	<u>18,400</u>
Revenues over (under) expenditures	<u>(505,918)</u>	<u>-</u>	<u>(18,400)</u>	<u>(18,400)</u>
Other Financing Sources (Uses):				
State reserve loan	493,575	-	-	-
Transfer from Utility Fund	<u>12,343</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>505,918</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,400)</u>	<u>\$ (18,400)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-17

Utility Capital Projects Fund
Main Street Water Line Replacement
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering	184,000	-	13,750	13,750
Loan administration	28,000	-	2,100	2,100
NCDEQ Loan administration	55,659	-	-	-
Construction administration	143,000	-	-	-
ER/EID preparation	30,000	-	30,000	30,000
Construction	<u>2,397,950</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,838,609</u>	<u>-</u>	<u>45,850</u>	<u>45,850</u>
Revenues over (under) expenditures	<u>(2,838,609)</u>	<u>-</u>	<u>(45,850)</u>	<u>(45,850)</u>
Other Financing Sources (Uses):				
DWSRF principal forgiveness loan	1,000,000	-	-	-
DESRF loan	1,782,950	-	-	-
Transfer from Utility Fund	<u>55,659</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>2,838,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,850)</u>	<u>\$ (45,850)</u>

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Other Schedules

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

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TOWN OF VALDESE, NORTH CAROLINA
Schedule 6
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>June 30, 2019</u>
2018 - 2019	\$ -	\$ 2,091,988	\$2,015,158	\$ 76,830
2017 - 2018	73,945	-	53,194	20,751
2016 - 2017	68,645	-	46,514	22,131
2015 - 2016	38,833	-	23,931	14,902
2014 - 2015	38,757	-	23,364	15,393
2013 - 2014	71,133	-	7,284	63,849
2012 - 2013	33,183	-	2,633	30,550
2011 - 2012	24,361	-	2,400	21,961
2010 - 2011	15,859	-	1,690	14,169
2009 - 2010	16,145	-	2,696	13,449
	<u>\$ 380,861</u>	<u>\$ 2,091,988</u>	<u>\$2,178,864</u>	293,985
Total				
Less allowance for uncollectibles				<u>(81,455)</u>
Balance				<u>\$ 212,530</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund (Schedule 2)				\$ 2,168,101
Discounts				21,473
Other adjustments				<u>33,489</u>
Subtotal				2,223,063
Less penalties and interest collected				<u>(44,199)</u>
Total collections and credits				<u>\$ 2,178,864</u>

TOWN OF VALDESE, NORTH CAROLINA
Schedule 7
Schedule of Analysis of Current Year Tax Levy
June 30, 2019

	Town - wide			Total Levy	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxes at current year's rate	\$ 389,457,482	0.545	\$ 2,064,654	\$ 1,875,244	\$ 189,410
Discoveries	10,803,303	0.545	58,878	58,878	-
Releases	(5,774,435)	0.545	(33,203)	(33,203)	-
Late lists	-		1,659	1,659	-
Total	<u>\$ 394,486,350</u>		<u>2,091,988</u>	<u>1,902,578</u>	<u>189,410</u>
Net levy			2,091,988	1,902,578	189,410
Less uncollected taxes at June 30, 2019			<u>76,830</u>	<u>58,217</u>	<u>18,613</u>
Current year's taxes collected			<u>\$ 2,015,158</u>	<u>\$ 1,844,361</u>	<u>\$ 170,797</u>
Current levy collection percentage			<u>96.32</u>	<u>96.94</u>	<u>90.17</u>

**Compliance
Section**

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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

**Independent Auditors' Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Valdese, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Valdese North Carolina's basic financial statements and have issued our report thereon dated November 7, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Valdese, North Carolina'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 Valdese, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Valdese, North Carolina's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Morganton, North Carolina
November 7, 2019

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

**Independent Auditors' Report On Compliance For Each Major State Program
And On Internal Control Over Compliance Required By The Uniform Guidance
And The State Single Audit Implementation Act**

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

Report on Compliance for Each Major State Program

We have audited the Town of Valdese, North Carolina's compliance with the types of compliance requirements described in 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 Valdese, North Carolina's major State programs for the year ended June 30, 2019. Town of Valdese, North Carolina's major State programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Valdese, North Carolina's major State 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 State Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, and 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 State program occurred. An audit includes examining, on a test basis, evidence about the Town of Valdese, North Carolina'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 State program. However, our audit does not provide a legal determination of the Town of Valdese, North Carolina's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Valdese, North Carolina 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 State programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Town of Valdese, North Carolina, 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 Valdese, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State 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 of Valdese, North Carolina'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 State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State 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 material weaknesses or significant deficiencies. 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.

Lowenbach Church & Co., L.L.P.

Morganton, North Carolina
November 7, 2019

TOWN OF VALDESE, NORTH CAROLINA

Page 1 of 3

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

Section I. Summary of Auditors' Results**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes

 X no

Significant deficiency(ies) identified?

_____ yes

 X none reported

Noncompliance material to financial statements noted

_____ yes

 X no**Federal Awards**

Internal control over major federal programs:

• Material weakness(es) identified:

_____ yes

 X no

• Significant deficiency(ies) identified?

_____ yes

 X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

_____ yes

 X no

Identification of major federal programs:

No major federal programs

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

_____ yes

 X no

cont.

TOWN OF VALDESE, NORTH CAROLINA

Page 2 of 3

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

State Awards

Internal control over major State programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reportedType of auditors' report issued on compliance
for major State programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act?_____ yes X no

Identification of major State programs:

Program Name

Industrial development fund grant

Section II. Financial Statement Findings

None reported

cont.

TOWN OF VALDESE, NORTH CAROLINA**Page 3 of 3, cont.****Schedule of Findings and Responses
For the Year Ended June 30, 2019**

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.



TOWN OF VALDESE
NORTH CAROLINA'S FRIENDLY TOWN

P.O. BOX 339

VALDESE, NORTH CAROLINA 28690-0339

PHONE (828) 879-2120 | FAX (828) 879-2139 | TOWNOFVALDESE.COM

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

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

TOWN OF VALDESE NORTH CAROLINA

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019**

Finding 2018-001: Corrected for the year ending June 30, 2019.

TOWN OF VALDESE, NORTH CAROLINA

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

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
Federal Awards:					
Cash Programs:					
<u>U.S. Department of Housing and Urban Development</u>					
Passed-through N. C. Department of Commerce:					
Community Development Block Grant, State's Program	14.228	14-E-2098	\$ 53,660	\$ -	\$ -
Total assistance - federal programs			53,660	-	-
State Grants:					
Cash Assistance:					
<u>N. C. Department of Environmental Quality:</u>					
SRP loan water meter replacement		H-SRP-D-17-0096	-	87,591	-
SRP loan water plant bleach conversion		H-SRP-D-18-0163	-	18,400	-
DESRF loan water system improvement		WIF 1933	-	57,064	-
DWSRF loan water plant upgrades		H-SRP-D-17-0151	-	49,800	-
DWSRF loan St. Germain Avenue water system improvements		H-LRX-F-18-1924	-	253,436	-
Total N. C. Department of Environmental Quality			-	466,291	-
N. C. Department of Commerce:					
Industrial Development Fund Utility Account		U-465	-	702,114	-
North Carolina Main Street Solutions Fund		N/A	-	175,000	175,000
Total N. C. Department of Commerce			-	877,114	175,000
<u>N. C. Department of Transportation:</u>					
Powell Bill		38570	-	122,558	-

cont.

TOWN OF VALDESE, NORTH CAROLINA

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients
Total assistance - State programs			\$ -	\$1,465,963	\$ -
Total assistance			\$ 53,660	\$1,465,963	\$ 175,000

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of Town of Valdese, North Carolina under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. 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 Town of Valdese, North Carolina, it is not intended to, and does not, present the financial position, changes in net position or cash flows of Town of Valdese, North Carolina.

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 principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited, as to reimbursement.

Note 3: Indirect Cost Rate

Town of Valdese, North Carolina has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

COUNCIL AGENDA MEMO

To: Town Clerk
From: Bo D. Weichel / Finance Director
Date: 12/20/2019
Agenda: 1/06/2020

REQUEST

Accept and approve the audit contract for FY20 with Lowdermilk Church & Co., LLP.

BACKGROUND

The Town has utilized the services of Lowdermilk Church & Co. for the past several years with excellent results. This firm was also contracted to produce the Town's Financial Statements.

ANALYSIS

The North Carolina Local Government Commission (LGC) does not enforce formal bid requirements for auditing services due to the professional relationship formed between auditors and clients over an extended work history. The Secretary of the Local Government Commission approves all local government contracts for audit or audit-related work.

Lowdermilk Church & Co. offers a competitive rate for their services and is widely known for their professional staff and service throughout the local government community. The proposed fees for the Town for fiscal years ending June 30, 2020 is \$15,960. This price remains consistent with the prior year.

Funds will be included in the FY20-21 budget process.

RECOMMENDATION

Staff recommends approval to accept the contract for auditing services with Lowdermilk Church & Co.

BUDGET ANALYSIS:***Budgetary Action***

Is a Budget Amendment required?

Yes

☐

No

☒

LGC-205

CONTRACT TO AUDIT ACCOUNTS

Rev. 9/2019

The of and	Governing Board Town Council
	Primary Government Unit (or charter holder) Town of Valdese
	Discretely Presented Component Unit (DPCU) (if applicable)

Primary Government Unit, together with DPCU (if applicable), hereinafter referred to as Governmental Unit(s)

and	Auditor Name Lowdermilk Church & Co., LLP
	Auditor Address 121 North Sterling Street, Morganton, NC 28655

Hereinafter referred to as Auditor

for	Fiscal Year Ending	Audit Report Due Date
	06/30/20	10/31/20

Must be within four months of FYE

hereby agree as follows:

- The Auditor shall audit all statements and disclosures required by U.S. generally accepted auditing standards (GAAS) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit(s). The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion shall be rendered in relation to (as applicable) the governmental activities, the business- type activities, the aggregate DPCUs, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
- At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with GAAS. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated audit documentation may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit requires a federal single audit performed under the requirements found in Subpart F of the Uniform Guidance (§200.501), it is recommended that the Auditor and Governmental Unit(s) jointly agree, in advance of the execution of this contract, which party is responsible for submission of the audit and the accompanying data collection form to the Federal Audit Clearinghouse as required under the Uniform Guidance (§200.512).

If the audit and Auditor communication are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC State Board).

3. If an entity is determined to be a component of another government as defined by the group audit standards, the entity's auditor shall make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.

4. This contract contemplates an unmodified opinion being rendered. If during the process of conducting the audit, the Auditor determines that it will not be possible to render an unmodified opinion on the financial statements of the unit, the Auditor shall contact the LGC staff to discuss the circumstances leading to that conclusion as soon as is practical and before the final report is issued. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.

5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2018 revision, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he/she has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of the most recent peer review report to the Governmental Unit(s) and the Secretary of the LGC prior to the execution of an audit contract. Subsequent submissions of the report are required only upon report expiration or upon auditor's receipt of an updated peer review report. If the audit firm received a peer review rating other than pass, the Auditor shall not contract with the Governmental Unit(s) without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.

If the audit engagement is not subject to *Government Accounting Standards* or if financial statements are not prepared in accordance with U.S. generally accepted accounting principles (GAAP) and fail to include all disclosures required by GAAP, the Auditor shall provide an explanation as to why in an attachment to this contract or in an amendment.

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to LGC staff within four months of fiscal year end. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay shall be submitted to the Secretary of the LGC for approval.

7. It is agreed that GAAS include a review of the Governmental Unit's (Units') systems of internal control and accounting as same relate to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor shall make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his/her findings, together with his recommendations for improvement. That written report shall include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.

8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's (Units') records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.

9. Invoices for services rendered under these contracts shall not be paid by the Governmental Unit(s) until the invoice has been approved by the Secretary of the LGC. (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices for Audit work shall be submitted in PDF format to the Secretary of the LGC for approval. The invoice marked 'approved' with approval date shall be returned to

the Auditor to present to the Governmental Unit(s) for payment. This paragraph is not applicable to contracts for audits of hospitals.

10. In consideration of the satisfactory performance of the provisions of this contract, the Governmental Unit(s) shall pay to the Auditor, upon approval by the Secretary of the LGC if required, the fee, which includes any costs the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (federal and state grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts. This does not include fees for any pre-issuance reviews that may be required by the NC Association of CPAs (NCACPA) Peer Review Committee or NC State Board of CPA Examiners (see Item 13).

11. If the Governmental Unit(s) has/have outstanding revenue bonds, the Auditor shall submit to LGC staff, either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor shall submit to LGC staff simultaneously with the Governmental Unit's (Units') audited financial statements any other bond compliance statements or additional reports required by the authorizing bond documents, unless otherwise specified in the bond documents.

12. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include, but not be limited to, the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Governmental Unit(s) and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the Governmental Unit(s) or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board upon completion.

13. If the audit firm is required by the NC State Board, the NCACPA Peer Review Committee, or the Secretary of the LGC to have a pre-issuance review of its audit work, there shall be a statement in the engagement letter indicating the pre-issuance review requirement. There also shall be a statement that the Governmental Unit(s) shall not be billed for the pre-issuance review. The pre-issuance review shall be performed prior to the completed audit being submitted to LGC Staff. The pre-issuance review report shall accompany the audit report upon submission to LGC Staff.

14. The Auditor shall submit the report of audit in PDF format to LGC Staff. For audits of units other than hospitals, the audit report should be submitted when (or prior to) submitting the final invoice for services rendered. The report of audit, as filed with the Secretary of the LGC, becomes a matter of public record for inspection, review and copy in the offices of the LGC by any interested parties. Any subsequent revisions to these reports shall be sent to the Secretary of the LGC along with an Audit Report Reissued Form (available on the Department of State Treasurer website). These audited financial statements, excluding the Auditors' opinion, may be used in the preparation of official statements for debt offerings by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities and Exchange Commission and for other lawful purposes of the Governmental Unit(s) without requiring consent of the Auditor. If the LGC Staff determines that corrections need to be made to the Governmental Unit's (Units') financial statements, those corrections shall be provided within three business days of notification unless another deadline is agreed to by LGC staff.

15. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the

Secretary of the LGC, this contract may be modified or amended to include the increased time, compensation, or both as may be agreed upon by the Governing Board and the Auditor.

16. If an approved contract needs to be modified or amended for any reason, the change shall be made in writing, on the Amended LGC-205 contract form and pre-audited if the change includes a change in audit fee (pre-audit requirement does not apply to charter schools or hospitals). This amended contract shall be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract. It shall then be submitted to the Secretary of the LGC for approval. No change to the audit contract shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.

17. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit(s), shall be attached to this contract, and except for fees, work, and terms not related to audit services, shall be incorporated by reference as if fully set forth herein as part of this contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence. Engagement letter terms that conflict with the contract are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item 28 of this contract. Engagement letters containing indemnification clauses shall not be accepted by LGC Staff.

18. Special provisions should be limited. Please list any special provisions in an attachment.

19. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU shall be named along with the parent government on this audit contract. DPCU Board approval date, signatures from the DPCU Board chairman and finance officer also shall be included on this contract.

20. The contract shall be executed, pre-audited (pre-audit requirement does not apply to charter schools or hospitals), and physically signed by all parties including Governmental Unit(s) and the Auditor, then submitted in PDF format to the Secretary of the LGC.

21. The contract is not valid until it is approved by the Secretary of the LGC. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. The audit should not be started before the contract is approved.

22. Retention of Client Records: Auditors are subject to the NC State Board of CPA Examiners' Retention of Client Records Rule 21 NCAC 08N .0305 as it relates to the provision of audit and other attest services, as well as non-attest services. Clients and former clients should be familiar with the requirements of this rule prior to requesting the return of records.

23. This contract may be terminated at any time by mutual consent and agreement of the Governmental Unit(s) and the Auditor, provided that (a) the consent to terminate is in writing and signed by both parties, (b) the parties have agreed on the fee amount which shall be paid to the Auditor (if applicable), and (c) no termination shall be effective until approved in writing by the Secretary of the LGC.

24. The Governmental Unit's (Units') failure or forbearance to enforce, or waiver of, any right or an event of breach or default on one occasion or instance shall not constitute the waiver of such right, breach or default on any subsequent occasion or instance.

25. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.

26. E-Verify. Auditor shall comply with the requirements of NCGS Chapter 64 Article 2. Further, if Auditor utilizes any subcontractor(s), Auditor shall require such subcontractor(s) to comply with the requirements of NCGS Chapter 64, Article 2.

27. For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and Governmental Auditing Standards, 2018 Revision (as applicable). Financial statement preparation assistance shall be deemed a "significant threat" requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. If the Auditor cannot reduce the threats to an acceptable level, the Auditor cannot complete the audit. If the Auditor is able to reduce the threats to an acceptable level, the documentation of this determination, including the safeguards applied, must be included in the audit workpapers.

All non-attest service(s) being performed by the Auditor that are necessary to perform the audit must be identified and included in this contract. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the services performed. If the Auditor is able to identify an individual with the appropriate SKE, s/he must document and include in the audit workpapers how he/she reached that conclusion. If the Auditor determines that an individual with the appropriate SKE cannot be identified, the Auditor cannot perform both the non-attest service(s) and the audit. See "Fees for Audit Services" page of this contract to disclose the person identified as having the appropriate SKE for the Governmental Unit.

28. Applicable to charter school contracts only: No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions.

29. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted (See Item 16 for clarification).

30. The process for submitting contracts, audit reports and invoices is subject to change. Auditors and units should use the submission process and instructions in effect at the time of submission. Refer to the N.C. Department of State Treasurer website at <https://www.nctreasurer.com/slq/Pages/Audit-Forms-and-Resources.aspx>.

31. All communications regarding audit contract requests for modification or official approvals will be sent to the email addresses provided on the signature pages that follow.

32. Modifications to the language and terms contained in this contract form (LGC-205) are not allowed.

FEES FOR AUDIT SERVICES

1. For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct (as applicable) and *Governmental Auditing Standards, 2018 Revision*. Refer to Item 27 of this contract for specific requirements. The following information must be provided by the Auditor; contracts presented to the LGC without this information will not be approved.

Financial statements were prepared by: ☒ Auditor ☐ Governmental Unit ☐ Third Party

If applicable: Individual at Governmental Unit designated to have the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the non-attest services and accept responsibility for the results of these services:

Name:

Title and Unit / Company:

Email Address:

Bo Weichel

Finance Director

bweichel@valdesenc.gov

2. Fees may not be included in this contract for work performed on Annual Financial Information Reports (AFIRs), Form 990s, or other services not associated with audit fees and costs. Such fees may be included in the engagement letter but may not be included in this contract or in any invoices requiring approval of the LGC. See Items 8 and 13 for details on other allowable and excluded fees.

3. Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees below. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year billings. Should the 75% cap provided below conflict with the cap calculated by LGC staff based on the prior year billings on file with the LGC, the LGC calculation prevails. All invoices for services rendered in an audit engagement as defined in 20 NCAC 3 .0503 shall be submitted to the Commission for approval before any payment is made. Payment before approval is a violation of law. (This paragraph not applicable to contracts and invoices associated with audits of hospitals).

PRIMARY GOVERNMENT FEES


Primary Government Unit	Town of Valdese
Audit Fee	\$ 11170
Additional Fees Not Included in Audit Fee:	
Fee per Major Program	\$
Writing Financial Statements	\$ 4790
All Other Non-Attest Services	\$
75% Cap for Interim Invoice Approval (not applicable to hospital contracts)	\$ 11,970.00

DPCU FEES (if applicable)

Discretely Presented Component Unit	
Audit Fee	\$
Additional Fees Not Included in Audit Fee:	
Fee per Major Program	\$
Writing Financial Statements	\$
All Other Non-Attest Services	\$
75% Cap for Interim Invoice Approval (not applicable to hospital contracts)	\$

SIGNATURE PAGE

AUDIT FIRM

Audit Firm*	
Lowdermilk Church & Co., LLP	
Authorized Firm Representative (typed or printed)*	Signature*
Phillip E Church	
Date*	Email Address*
12-20-19	phil.church@lowdermilkchurchcpa.com

GOVERNMENTAL UNIT

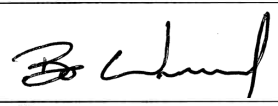
Governmental Unit*	
Town of Valdese	
Date Primary Government Unit Governing Board Approved Audit Contract* (G.S.159-34(a) or G.S.115C-447(a))	
Mayor/Chairperson (typed or printed)*	Signature*
John F Black, Mayor	
Date	Email Address

Chair of Audit Committee (typed or printed, or "NA")	Signature
NA	
Date	Email Address

GOVERNMENTAL UNIT – PRE-AUDIT CERTIFICATE

Required by G.S. 159-28(a1) or G.S. 115C-441(a1).
Not applicable to hospital contracts.

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

Primary Governmental Unit Finance Officer* (typed or printed)	Signature*
Bo Weichel	
Date of Pre-Audit Certificate*	Email Address*
	bweichel@valdesenc.gov

SIGNATURE PAGE – DPCU
(complete only if applicable)

DISCRETELY PRESENTED COMPONENT UNIT

DPCU*	
Date DPCU Governing Board Approved Audit Contract* (Ref: G.S. 159-34(a) or G.S. 115C-447(a))	
DPCU Chairperson (typed or printed)*	Signature*
Date*	Email Address*

Chair of Audit Committee (typed or printed, or "NA")	Signature
Date	Email Address

DPCU – PRE-AUDIT CERTIFICATE

Required by G.S. 159-28(a1) or G.S. 115C-441(a1).
Not applicable to hospital contracts.

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

DPCU Finance Officer (typed or printed)*	Signature*
Date of Pre-Audit Certificate*	Email Address*

Remember to print this form, and obtain all
required signatures prior to submission.

PRINT

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
 Morganton, North Carolina 28655
 Phone: (828) 433-1226
 Fax: (828) 433-1230

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

December 19, 2019

We are pleased to confirm our understanding of the services we are to provide Town of Valdese for the year ended June 30, 2020. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Town of Valdese as of and for the year ended June 30, 2020. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as Management's Discussion and Analysis (MD&A), to supplement Town of Valdese's 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. As part of our engagement, we will apply certain limited procedures to Town of Valdese's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by U.S. generally accepted accounting principles, and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Budgetary Comparison Information
- 3) Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll
- 4) Local Government Employees' Retirement System Schedule of the Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions
- 5) Schedule of Changes in the Total OPEB Liabilities and Related Ratios

We have also been engaged to report on supplementary information other than RSI that accompanies Town of Valdese's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Schedule of expenditures of federal awards and State awards
- 2) Combining and Individual Fund Financial Statements
- 3) Budgetary Schedules
- 4) Other Schedules

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of Town of Valdese and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Town of Valdese's financial statements. Our report will be addressed to the Town Council of the Town of Valdese. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit, or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgement prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If, during our audit, we become aware that the Town of Valdese is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and Government Auditing Standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or any misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards; an overview of the type of work to be performed on the financial information of components, including the basis for a decision to make reference to a component auditor in the auditor's report; an overview of the engagement team's planned involvement in the work of component auditors on the financial information of significant components.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and Government Auditing Standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town of Valdese's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

Other Services

We will also assist in preparing the financial statements and related notes of the Town of Valdese in conformity with U.S. generally accepted accounting principles based on information provided by you. We will also prepare the following based on information provided by you: AFIR, Data Collection Form and Unit Data Input Worksheet. These nonaudit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedures or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls, relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and the financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information, of which you are aware, that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud, or suspected fraud, affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; to evaluate the adequacy and results of those services; and to accept responsibility for them.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for the interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations and schedules we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Town; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Lowdermilk Church & Co., L.L.P. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request, and in a timely manner, to the Local Government Commission or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Lowdermilk Church & Co, L.L.P. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Local Government Commission. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Phillip E. Church is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. To ensure that Lowdermilk Church & Co., L.L.P.'s independence is not impaired under the AICPA Code of Professional Conduct, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Our fee for these services will be at our standard hourly rates, plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$15,960. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. We are required to inform you that we charge interest at rate of 18% per annum on all invoices over 30 days old.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

We are providing you with a copy of our 2018 external peer review report which accompanies this letter.

We appreciate the opportunity to be of service to the Town of Valdese and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

A handwritten signature in black ink, reading "Phillip E. Church". The signature is fluid and cursive, with the first name "Phillip" being more prominent and the last name "Church" following in a similar style. The signature is written over the printed name and title.

Phillip E. Church
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Town of Valdese.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____



Bernard Robinson & Company, L.L.P.

Report on the Firm's System of Quality Control

October 30, 2018

To the Partners of Lowdermilk Church & Co., L.L.P.
and the Peer Review Committee of the North Carolina
Association of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Lowdermilk Church & Co., L.L.P. (the firm) in effect for the year ended May 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.



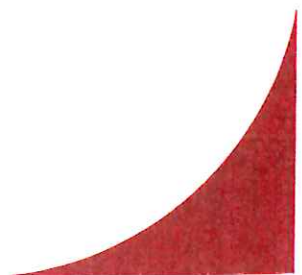
Lowdermilk Church & Co., L.L.P.
October 30, 2018
Page 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Lowdermilk Church & Co., L.L.P. in effect for the year ended May 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Lowdermilk Church & Co., L.L.P. has received a peer review rating of *pass*.

Bernard Robinson & Company, L.L.P.

BERNARD ROBINSON & COMPANY, L.L.P.





TOWN OF VALDESE

NORTH CAROLINA'S FRIENDLY TOWN

P.O. BOX 339

VALDESE, NORTH CAROLINA 28690-0339

PHONE (828) 879-2120 | FAX (828) 879-2139 | TOWNOFVALDESE.COM

AN ORDINANCE DECLARING ROAD CLOSURE FOR TOWN OF VALDESE SPECIAL EVENTS

WHEREAS, the Town of Valdese desires to schedule an Independence Day Celebration, Annual Waldensian Festival; Treats in the Streets; and the Annual Valdese Christmas Parade; and

WHEREAS, part of US 70/Main Street in Valdese will need to be closed for each of these special events; and

WHEREAS, G.S. 20-169 provides that local authorities shall have power to provide by ordinance for the regulation of the use of highways by processions or assemblages;

NOW, THEREFORE, be it ordained by the Town Council of the Town of Valdese pursuant to G.S. 20-169 that the following portion of the State Highway System be closed during the times set forth below:

2020 Independence Day Celebration (*Description of Closure: 1.19 mi. US 70 Main St from Hoyle St to Eldred St*) on July 3, 2020 from 5:00 PM until 11:00 PM.

2020 Waldensian Festival Kickoff Celebration (*Description of Closure: 1.19 mi. US 70 Main St from Hoyle St to Eldred St*) on August 7, 2020 from 5:00 PM until 11:00 PM.

2020 Waldensian Festival Celebration (*Description of Closure: 1.19 mi. US 70 Main St from Hoyle St to Eldred St*) on August 8, 2020 from 5:30 AM until 11:00 PM.

2020 Valdese Treats in the Streets (*Description of Closure: 1.19 mi. US 70 Main St from Hoyle St to Eldred St*) on October 30, 2020 from 3:30 PM until 6:30 PM.

2020 Valdese Christmas Parade (*Description of Closure: 1.19 mi. US 70 Main St from Hoyle St to Eldred St*) on December 5, 2020 from 9:30 AM until 12 Noon.

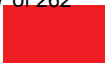








Signs shall be erected giving notice of the limits and times of these street closures as required by G.S. 20-169.

THIS, the 6th day of January, 2020.

John F. Black, Jr., Mayor

ATTEST:

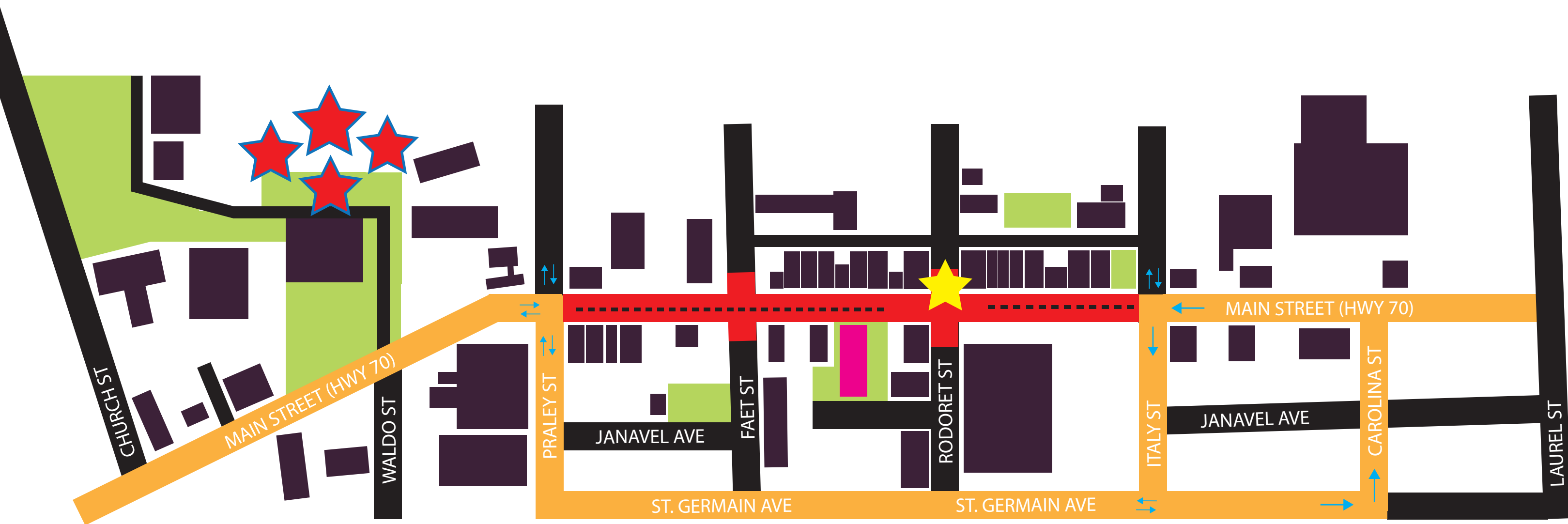
Town Clerk









-  Road Closure
-  Main Stage Area
-  Detour Route
-  Downtown Buildings
-  Traffic Flow
-  Public Parking
-  Car Show Parking
-  Amusement Rides
-  Fireworks

Road Closure Plan

Valdese Independence Day Celebration

Friday, July 3, 2020

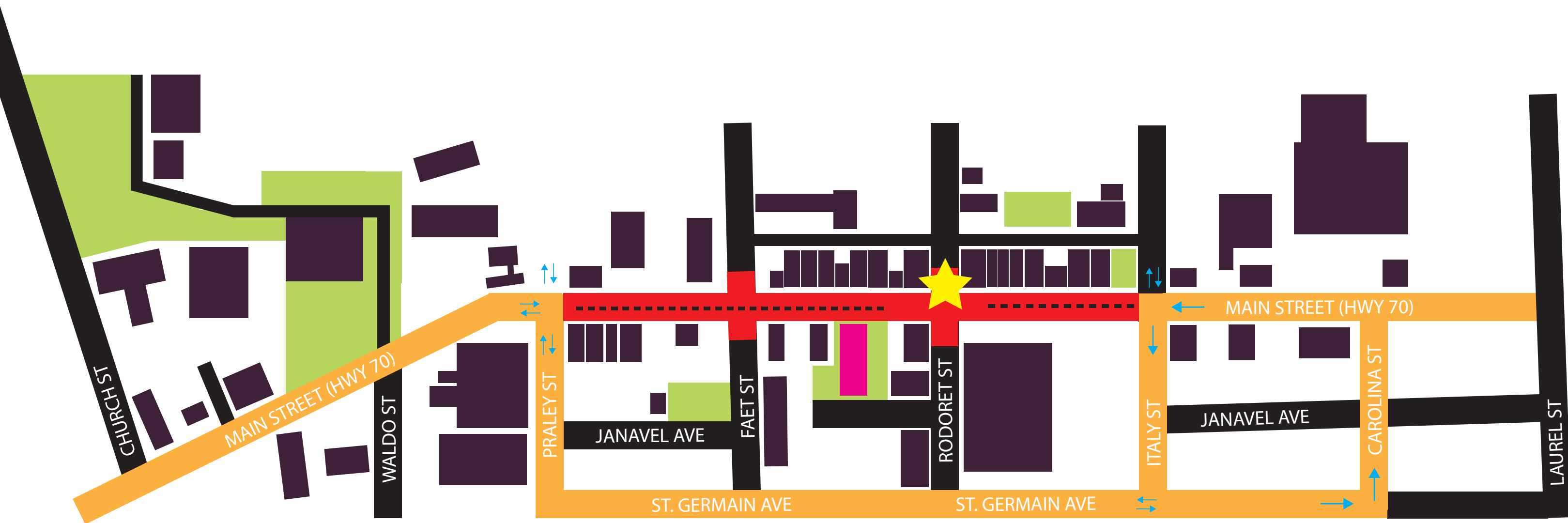










-  Road Closure
-  Main Stage Area
-  Detour Route
-  Downtown Buildings
-  Traffic Flow
-  Public Parking
-  Car Show Parking
-  Amusement Rides

Road Closure Plan

Festival Friday

Friday, August 7, 2020

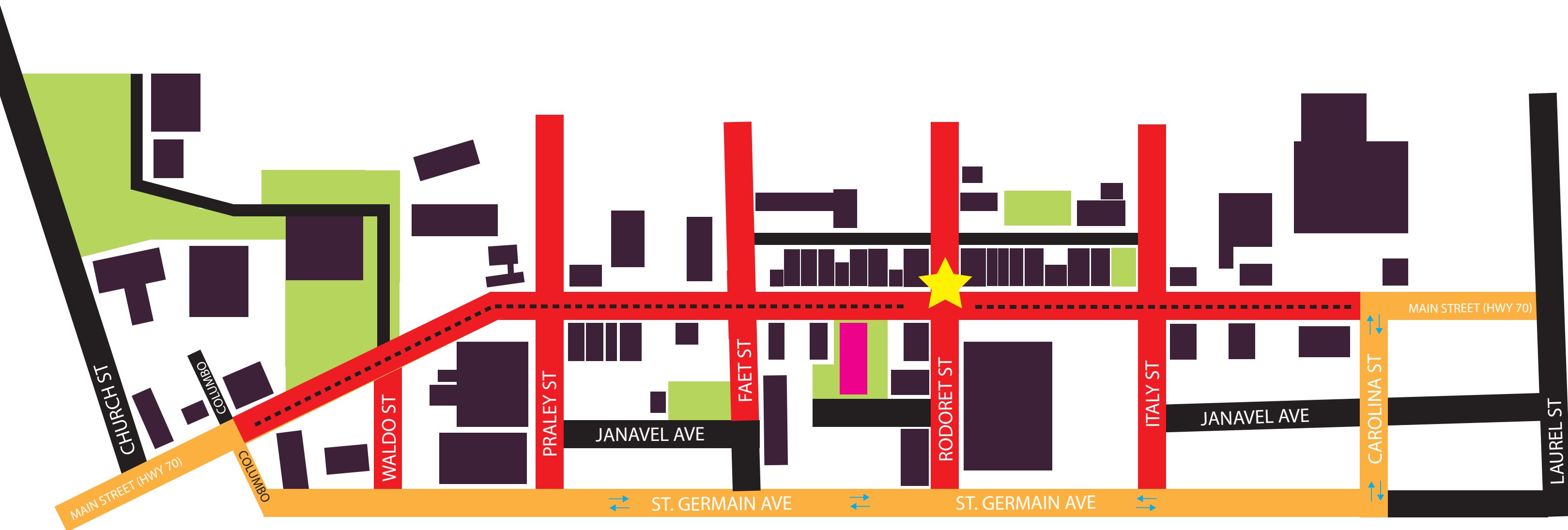


-  Road Closure
-  Main Stage Area
-  Detour Route
-  Downtown Buildings
-  Traffic Flow
-  Public Parking
-  Vendor Booths
-  Amusement Rides

Road Closure Plan

Festival Saturday

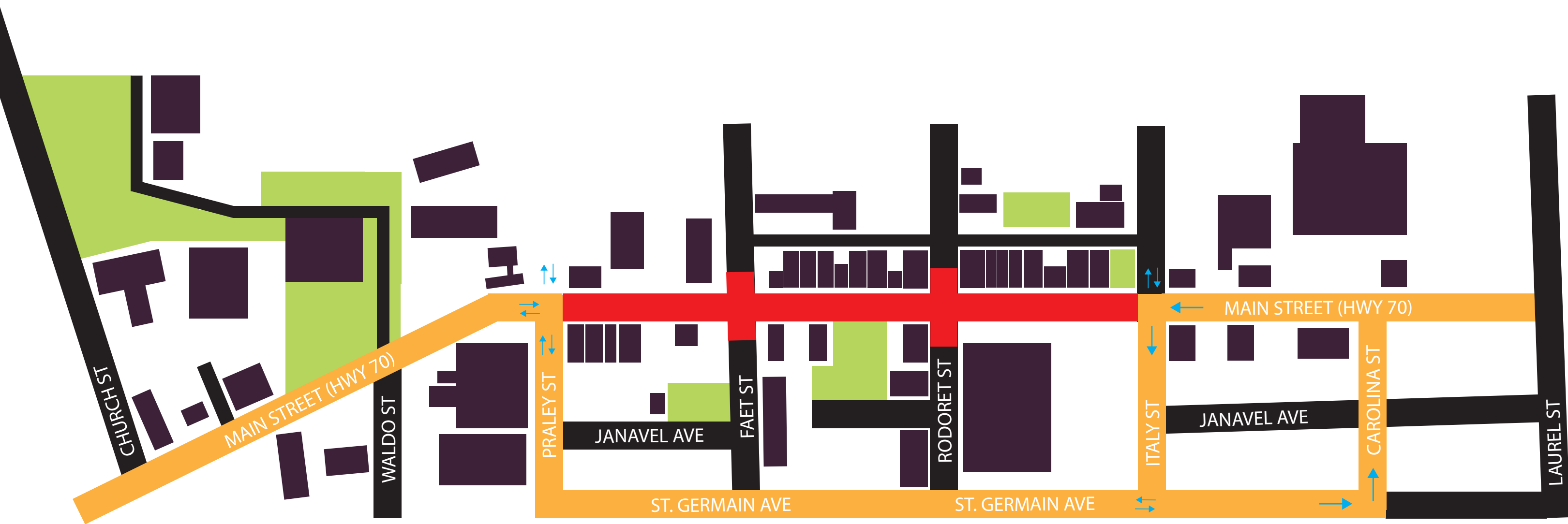
Saturday, August 8, 2020



Road Closure Plan

Treats in the Streets

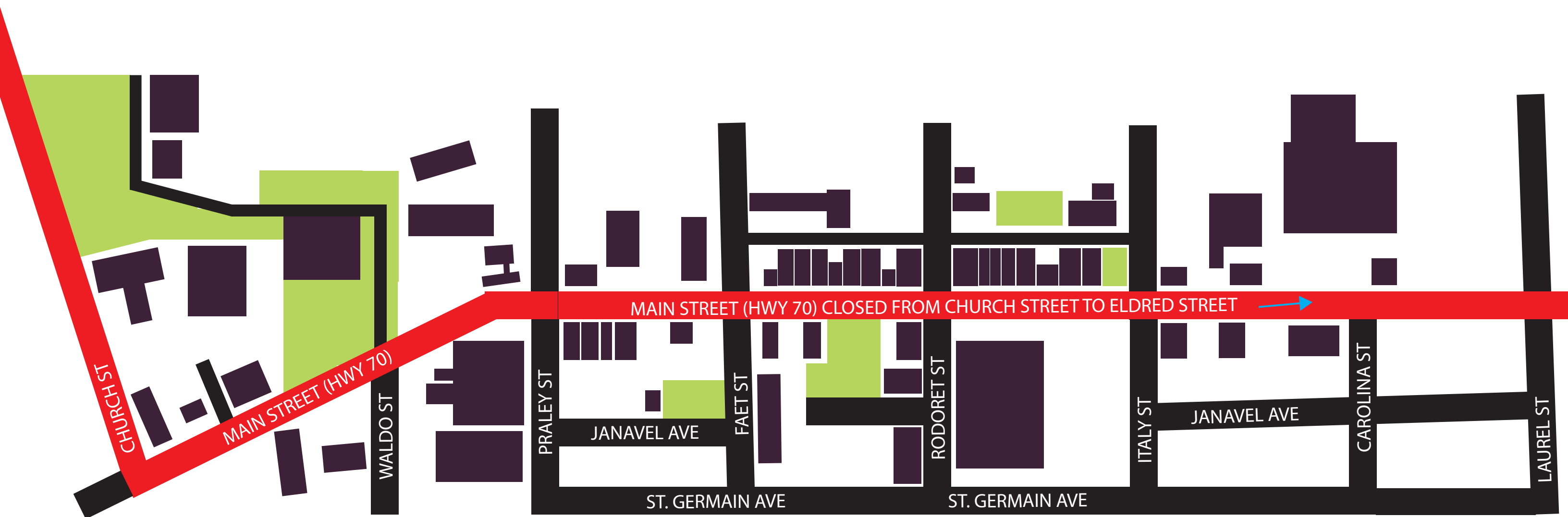
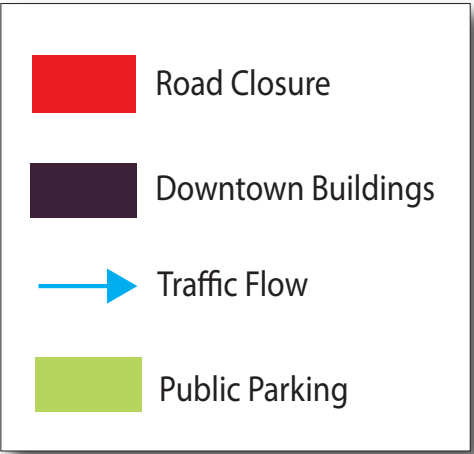
Friday, October 30, 2020



Road Closure Plan

Valdese Christmas Parade

Saturday, December 5, 2020



December 30, 2019

Mr. Seth Eckard
Town Manager
Town of Valdese
Post Office 339
Valdese, North Carolina 28690

RE: Award Recommendation
Wastewater Treatment Plant Centrifuge Controls
And Motor Replacements
Town of Valdese
Burke County, North Carolina

Dear Mr. Eckard:

On December 30th, 2019, the Town conducted an equipment purchase bid opening for the subject project. Andritz Separation, Inc. submitted the lowest bid and is a reputable manufacturer in the wastewater treatment equipment industry. As you may be aware, the project generally consists of providing a new centrifuge main control panel to control the two (2) new centrifuge VFD start panels and the sludge pump feeder control panel.

Andritz Separation, Inc. has successfully completed similar projects in the past and has also had preliminary correspondence with the Town in producing their Bid. We, therefore, recommend that the Town award the project to Andritz Separation, Inc. in the bid amount of **\$219,989.00** contingent upon successful negotiation of further contract elements relating to Contract Time and execution of the Contract Work.

Enclosed for your use is the Certified Bid Tabulation. Please do not hesitate to contact us if you have any questions.

Sincerely,
McGill ASSOCIATES, P.A.

A handwritten signature in blue ink, appearing to read 'Nicholas C. Huffman'.

Nicholas Huffman, PE
Electrical Project Manager

NCH:

Enclosures

BID RESULTS

WASTEWATER TREATMENT PLANT CENTRIFUGE CONTROLS AND MOTOR REPLACEMENTS

Town of Valdese

Burke County, North Carolina

Monday, December 30, 2019; 11:00 am

102 Massel Avenue South West, Valdese, North Carolina 28690

Bidder	Bid Amount
Andritz Separation Inc.	\$219,989
Alfa Laval Inc.	No Bid
E3 Integrated Engineering, LLC.	Non-Responsive

This is to certify that the bids tabulated herein were accompanied by a 5% bid bond or certified check and publicly opened and read aloud at 11:00 am local time on the 30th day of December 2019 at the Community Room in Town Hall, 102 Massel Avenue South West, Valdese, North Carolina 28690.

Nicholas C. Huffman, PE



1240 19th St Ln NW
Hickory, North Carolina 28601
Firm License No. C-0459





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Memorandum

To: John Black, Mayor
Town Council Members

From: Greg Padgett, Water Resources Director

Date: January 6, 2020

Subject: Wastewater Plant: Paving

Included are (3) quotes for paving at the wastewater plant. Quote is to mill existing pavement and pave the defined area. Staff recommends awarding the contract to Evans Construction, the low bidder. The total cost for paving is **\$46,050.00**. This is a project that is identified in the approved Capital Improvement Plan. The project is necessary to the upkeep and maintenance of the wastewater facility. This project will be paid for from the utility fund as planned in the CIP.

If you have comments or questions, please contact the Water Resources Director.



TELEPHONE: (828) 322-1706 • FAX: (828) 324-6160

3203 Highland Avenue NE
Hickory, NC 28601

PROPOSAL AND CONTRACT ("CONTRACT")

TO: **Town of Valdese**

DATE: **December 19, 2019**

JOB: **Water Treatment Plant**

E: **cbortnick@valdesenc.gov**

LOCATION: **Valdese**

We propose hereby to furnish materials, labor and equipment - complete in accordance with specifications stated below:

ITEM	DESCRIPTION	AMOUNT
<u>Bid I - Area Near Office</u>		
1.	Remove and haul off 1,200 sy of old asphalt.	
2.	Condition existing stone base.	
3.	Pave 1,200 sy with 2.5" of I 19.0 C asphalt and 1.5" of S 9.5 C asphalt.	\$ 44,550.00
<u>Bid II - Road by Mulch Yard</u>		
1.	Remove and haul off 870 sy of old asphalt.	
2.	Condition existing stone base.	
3.	Pave 870 sy with 2.5" of I 19.0 C asphalt and 1.5" of S 9.5 C asphalt.	\$ 31,770.00

FOR THE SUM OF: _____ DOLLARS

PROPOSAL VALID FOR 30 DAYS.

Jim Taylor

Jim Taylor

AUTHORIZED SIGNATURE

CONTRACT ACCEPTANCE

TO: Carolina Paving of Hickory, Inc.

Prices, Specifications, and Conditions of the Contract are hereby accepted. You are authorized to do work as specified herein.
Payment shall be made as outlined on the following page of the Contract.

NAME OF COMPANY, LLC. _____

SIGNED/TITLE _____

SIGNED/TITLE _____

DATE OF ACCEPTANCE _____

(NOTE: SEE CONDITIONS ON FOLLOWING PAGE)

EVANS CONSTRUCTION CO. INC

2646 Raintree St.

Connelly Springs NC

Office # 828-397-6545

Fax # 828-397-2848

mickeyevans@embarqmail.com

Estimate

Name/Address
TOWN OF VALDESE PO BOX 339 VALDESE NC 28690 cbortnick@valdesenc.gov

Estimate No.
923

Date
12/26/19

Description	Total
RE: WASTEWATER TREATMENT PLANT	
BASE BID: (1,982) SQ.YDS.	
REMOVE EXISTING PAVEMENT , ADD (225) TONS STONE BASE AND (2" S9.5C) ASPHALT	46,050.00
Accepted by _____	
Due to instability in the petroleum market we are no longer able to obtain material & fuel prices. This quote is base on current prices and availability of material. In the event we cannot obtain materials or fuel at these prices we reserve the right to cancel or re-negotitate this contract.	
Total	\$46,050.00

ANY QUESTIONS ABOUT THIS ESTIMATE JIMMY ISENHOUR @ 828-455-3368

QUOTE

Date: 2/4/2019

Invoice #

Expiration Date:

Carolina**Sealing and Striping**

P.O. Box 511

Morganton, NC 28680

(828) 448-1923

CarolinaSealing@aol.com

To Valdese Wastewater
Plant

<i>Salesperson</i>	<i>Job</i>	<i>Payment Terms</i>	<i>Due Date</i>
Aaron Wittenberg		Due upon completion	

	<i>Description</i>	<i>Unit Price</i>	<i>Line Total</i>
30x40 (upper patch)	Sawcut and remove existing asphalt, install 3" new asphalt and compact		\$3,500.00
(middle patch)	Sawcut and remove existing asphalt, install 3" new asphalt and compact		\$32,000.00
(lower patch)	Sawcut and remove existing asphalt, install 3" new asphalt and compact		\$34,000.00
Subtotal			
Total			

Quotation prepared by: Aaron Wittenberg / owner _____

To accept this quotation, sign here and return: _____

Thank you for your business!



Town of Valdese

Agenda Packet

Communication Notes

Submitted by: Bryan Duckworth

Department: Public Works

Water and Sewer Construction

Contact Number: 828-879-2128

Date Submitted: December 27, 2019

Email: bduckworth@valdesenc.gov

Date of Council Meeting to consider item: January 6, 2020

Council Action Requested: Acceptance of Maintenance Contract Renewal Connelly Springs

Funding – N/A

Special Notes / Information:

Staff is requesting acceptance of collections system maintenance contract with the Town of Connelly Springs. The contract is for services dealing with repair and maintenance of the collections system with the town limits of Connelly Springs. Valdese is currently supplying maintenance and operation for the Connelly Springs Collections System. The contract is a mirror of the expired expect with new auto-renewal language.

**CONTRACT FOR WASTEWATER MANAGEMENT SERVICES
FOR THE TOWN OF CONNELLY SPRINGS
TOWN OF VALDESE – CONTRACTOR**

THIS CONTRACT FOR WASTEWATER MANAGEMENT SERVICES (the “Agreement”), effective as of July 1, 2019, is made and entered into by and between the Town of Connelly Springs, a municipal corporation of the State of North Carolina (“Connelly Springs”) and the Town of Valdese, a municipal corporation of the State of North Carolina (“Valdese” or “Contractor”).

WITNESSETH:

Connelly Springs and Valdese, in consideration of the mutual agreements set forth below, do agree as follows:

1. Valdese shall provide Connelly Springs with services for the operation and maintenance of the wastewater collection system for Connelly Springs.

Standard Services

2. Valdese shall perform Standard Services as set forth in Item Nos. 1,2,3, and 4, of Schedule A, attached hereto and incorporated by reference.
3. The annual cost for Standard Services under this contract shall be Twenty-Three Thousand Dollars (\$23,000.00) per year beginning with the period of July 1, 2019 through June 30, 2020.
4. Valdese will notify Connelly Springs of any annual rate increases ninety (90) days prior to July 1st of the next fiscal/contract year. Annual rate adjustments will not exceed two percent (2%) unless agreed upon by both parties.
5. Valdese shall submit invoices for Standard Services to Connelly Springs twice a year, on or about June 15 and December 15, with one-half of the fee for the Standard Services being billed on each date. Connelly Springs will pay Valdese within thirty (30) days of the date of billing for the Standard Services.

Additional Services

6. Connelly Springs agrees to pay fees to Valdese for Additional Services as set forth in Schedule A, Item Nos. 4 and 5. Those fees shall be billed on the same schedule as the Standard Services and shall be paid within thirty (30) days of the billing for the Additional Services provided.

General Provisions

7. Valdese shall take all reasonably necessary and available measures to insure that the services to Connelly Springs hereunder are in compliance with all applicable codes, rules and regulations promulgated by Connelly Springs, the State of North Carolina, the United States, and any other agency or entity vested with jurisdiction regarding the services that are the subject of the Agreement.
8. Valdese will perform all services in a workmanlike manner and will use materials that meet all applicable standards.
9. Valdese is hereby designated as an agent of Connelly Springs for the specific purposes of furnishing services and carrying out the terms of this Agreement.

10. When necessary, Valdese shall consult with the Connelly Springs Mayor or Board of Aldermen or its designated representative, relating to any matter involving proper procedures to be followed in unusual circumstances.
11. Valdese shall maintain supervision, responsibility, and control over all personnel providing services pursuant to the terms of this Agreement.
12. The parties may amend this Agreement in writing at any time upon mutual consent. Any such amendment shall not be effective until ratified by both parties by duly adopted resolutions.
13. This Agreement may not be assigned or transferred without the advance written consent of the other party.
14. This Agreement shall be governed by and shall be construed in accordance with the laws of the State of North Carolina.

Liability and Indemnification

15. It is agreed that no employer/employee relationship will exist between the Valdese employees and Connelly Springs. Valdese agrees to maintain all required insurance on its employees, including workers' compensation insurance, and will hold Connelly Springs harmless for any claims or damages arising out of the actions of its agents and/or employees.
16. Each party shall indemnify, defend and hold harmless the other again all liability, claims, losses, damages and expenses (collectively, "Liability") but only to the extent that such Liability arises from any negligent or willful misconduct, breach of this Agreement, or violation of a third party's rights or applicable law on the part of the party from whom indemnity is sought. Each party seeking such indemnification shall use reasonable efforts to promptly notify the other of any situation giving rise to an indemnification obligation hereunder, and neither party shall enter into a settlement that imposes liability on the other without the other party's consent, which shall not be unreasonably withheld.
17. Neither party shall be liable to the other party for any delay or its failure to perform any obligation under this Agreement if such delay or failure is caused by the occurrence of any event beyond such party's reasonable control.

Term and Termination

18. This Agreement is for the period from July 1, 2019 through June 30, 2020.
19. This Agreement shall automatically renew on a year-to-year basis following the expiration of the original term, unless either party shall give the other party written notice of its intent not to renew at least six (6) months prior to the expiration of the term. In the event that the then current terms and conditions are to be modified at the time of such renewal, the proposed modification shall be presented to the governing board of each party for approval not less than sixty (60) days prior to the beginning of the new term.
20. Either party may terminate this Agreement at any time by providing written notice to the other party by certified mail, return receipt requested, no less than sixty (60) days prior to the day of termination.
21. In the event of a default by a party hereunder, the non-defaulting party may (a) terminate the Agreement after thirty (30) day prior written notice, unless the other party cures or commences to cure such breach during such thirty (30) day period and diligently proceeds with such cure (exercising commercially reasonable efforts).

Confidentiality and Return of Records and Property of Connelly Springs

22. Valdese will maintain records pertaining to the Connelly Springs wastewater collection system at the Valdese Town Hall. Valdese shall keep all information coming to it concerning the affairs of Connelly Springs and any of its customers, officers, agents, servants or employers strictly confidential, unless otherwise required by law. All requests for public inspection of any such information shall be directed to Connelly Springs.
23. Upon termination of this Agreement, Valdese will retain all files, computer discs, and/or other electronic information pertaining to Connelly Springs pursuant to its standard retention procedures for similar information, but no less than five (5) years after the termination of the term, and any extension thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day(s) and year written below,

TOWN OF CONNELLY SPRINGS

By: _____
Johnny E. Berry, Mayor

ATTEST:

Tamara Brooks, Town Clerk

Dated: _____

TOWN OF VALDESE

By: _____
John F. Black, Jr., Mayor

ATTEST:

Frances Hildebran, Town Clerk

Dated: _____

SCHEDULE A**Connelly Springs Collection System****Maintenance Proposal – 3 year plan**

1. Mowing of thirty-four thousand (34,000) feet of sewer line, eighty-three (83) manholes, and one (1) flow meter station. Mowing and clearing will be completed once in the spring and once in the fall season. Inspect lines and manholes in accordance with the NCDENR requirements.
2. GIS mapping of all lines and manholes. (Completed)
3. Work order based maintenance tracking – delivered to Alderman/Chairperson on a 6-month schedule. Documenting all work completed on the collections system.
4. Sewer taps, repairs and other maintenance will be billed as time and material as follows:

Mobilization	\$150.00 per repair
Repair Technician	\$ 30.00 per hour/per man
Trackhoe	\$ 75.00 per hour
Sewer Jetter	\$ 75.00 per hour
Push Camera	\$ 50.00 per hour
5. Preventative maintenance and line cleaning \$0.80 per foot
NCDENR suggests 10% annually
Schedule to be agreed upon by Alderman/Chairman



Town of Valdese

Agenda Packet

Communication Notes

Submitted by: Bryan Duckworth

Department: Public Works

Water and Sewer Construction

Contact Number: 828-879-2128

Date Submitted: December 27, 2019

Email: bduckworth@valdesenc.gov

Date of Council Meeting to consider item: January 6, 2020

Council Action Requested: Adoption of Backflow Ordinance

Funding – N/A

Special Notes / Information:

Staff is requesting adoption of a Backflow Ordinance, as a part of the creating a Backflow / Cross Connection program. As backflow/cross connection prevention has previously been required as a part of the North Carolina Plumbing Code, the North Carolina Division of Water Quality requires an adopted ordinance as a part of the backflow/cross connection program. This requirement is effective on January 1, 2020. The adopted ordinance will be a part of the Utility Ordinance. Attached along with the ordinance is a short informative of "What is Cross Connection," explaining how hazards can enter the Public Water System.

CROSS CONNECTION / BACKFLOW CONTROL PROGRAM

For technical information please contact:

Bryan Duckworth

Public Works Director

828-874-6779

Cross Connection/Blackflow Control Program

e-mail: bduckworth@valdesenc.gov

Clean Drinking Water

HELP TO PROTECT OUR WATER SUPPLY

Lake Rhodhiss



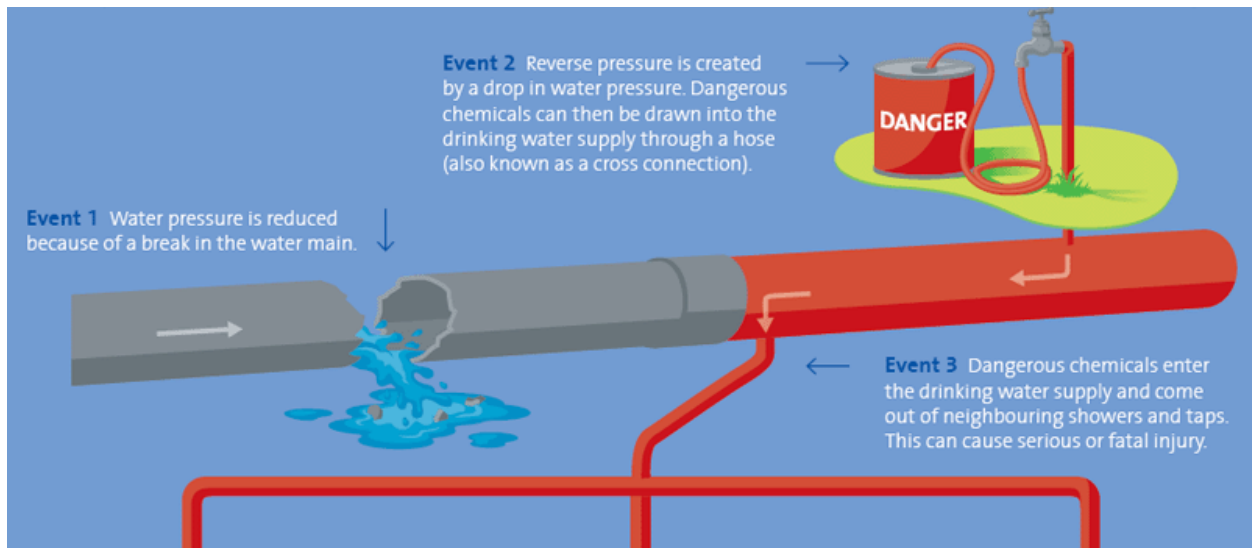
What is Cross Connection?

A cross connection occurs when an unapproved source of water is connected to the public water supply, whether intentionally or not. If this happens, your drinking water or the public water supply can become contaminated.

This contamination can occur when the public water supply has a momentary loss of pressure, which can create a *backsiphon* effect, or when a customer's private water system creates a higher pressure than the public water supply, known as *backpressure*.

The Town of Valdese has adopted a cross connection control ordinance that puts the town in compliance with state (15A NCAC 18C and 18D.0206), Federal (Safe Drinking Water Act P.L. 93-523 of 1974), and North Carolina Plumbing Code (Volume II) mandates concerning backflow prevention.

Potential Hazards



Why is This Important?

Having safe drinking water is paramount in the prevention of disease and illness. The Town of Valdese is diligent in its efforts to ensure that the potable water supply is safe for all its customers.

The consumer has the primary responsibility of preventing pollutants and contaminants from entering the potable water supply through their privately owned plumbing system. The responsibility of each homeowner, commercial, and industrial user begins at the point of connection and continues throughout the entire facility or home.

The key to protecting your safety is having the proper backflow measures in place and making sure backflow devices are maintained regularly.

Who needs a Backflow Prevention Device?

Most industrial, commercial, and irrigation customers are required to install, maintain, and test backflow prevention devices as directed by the Town of Valdese and the State of North Carolina.

You will be notified if a backflow device is required on your particular service. If notified, you will be required to install, maintain, and test the device on a regular basis. The testing must be completed by a properly certified tester, and the results must be sent to our office. For a list of firms who are approved, contact our office or visit our website at www.townofvaldese.com.

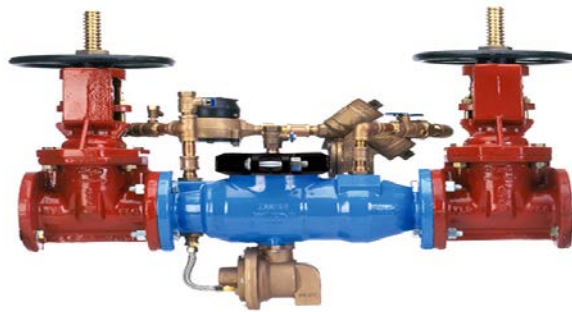
Moderate Hazard:

Most commercial establishments, bakeries, automotive service stations, tanks that handle non-toxic substances, beauty shops, etc. are required to install a Double Check Valve Assembly (DCVA).



Severe Hazard:

Lawn sprinkler systems, wastewater treatment plants, hospitals, swimming pools, car wash facilities, laundries, chemical processing plants, etc. are required to install a Reduced Pressure Zone Assembly (RPZ).



What do you need to do?

If your service falls under the Cross Connection Program, you will be contacted in writing by the Town of Valdese as to steps you must take. You may be required to install one of more devices, correct an existing cross connection, or test an existing device. Once you are notified that your service connection falls under the Cross Connection/Backflow Control Program, it will be your responsibility to maintain your device and test it in accordance with the schedule provided by Public Works.

Section 5-1023 Cross connection control, backflow prevention assemblies required, program established.

(a) *Application, purpose, authorization.* This section applies to all persons who use, or connect in any way to the Town of Valdese public water system. The purpose of this section is to protect the health and safety of the public by protecting the public water system from contaminants "backflowing" into the public water system from private water systems. This section:

(1) Requires the installation of backflow prevention assemblies to prevent contaminants from "backflowing" or siphoning through uncontrolled cross connections into the public water system; and

(2) Establishes a backflow prevention program.

(b) *Definitions.* As used in this Section, the following definitions apply:

(1) *Backflow prevention assembly or BPA* means an approved device used to prevent backflow into the public water system from a consumer's water service connection. The type of BPA required by this section depends on the degree of contamination hazard. An "approved" BPA is one that has been approved by the American Society of Sanitary Engineers (ASSE) or the American Water Works Association (AWWA), or USC, or the Foundation for Cross Connection Control and Hydraulic Research.

(2) *Certified Backflow prevention assembly technician or technician* means any person who is certified by the State of North Carolina to install, test, repair, overhaul, or maintain approved backflow prevention assemblies.

(3) *Consumer* means any customer of the town's public water system, or any person, firm, or entity using or receiving water from the town's public water system or owning or possessing property or facilities that receive water from or connect to the town's public water system.

(4) *Contamination hazard* means an existing or potential cross connection that presents the risk of impairment to the quality of the water in the public water system and creates a potential or actual hazard to public health through the introduction of hazardous or toxic substances or waterborne health hazards in the form of physical or chemical contaminants or biological organisms and pathogens.

(5) *Cross connection* means any unprotected actual or potential connection or structural arrangement between the town's public water system and any other pipe, conduit, source or system through which it is possible to introduce any contamination into the intended potable water with which the system is supplied. Bypass arrangements, jumper connections, removable sections, swivel or changeover devices, and other temporary or permanent devices or arrangements through which or because of which backflow can or may occur are considered to be cross connections.

(6) *Degree of hazard* means whether a hazard is a moderate hazard or a severe hazard as determined by the town from the evaluation of conditions within a private water system and the use to which a property connected to the public system is put. A severe hazard is an actual or potential threat of contamination that presents an imminent danger to the public health with consequences of serious injury. A moderate hazard is one that presents foreseeable and significant potential for pollution, nuisance, aesthetically objectionable or other undesirable alterations to the drinking water supply.

(7) *Health hazard* means an actual or potential threat of contamination of a physical, chemical, biological, pathogenic, or toxic nature to the public or private water system to such a degree or intensity that there would be a danger to health. Examples of waterborne hazards include, but are not limited to:

- a. *Physical*: Radioisotopes/radionuclides;
- b. *Chemical*: Lead, mercury and other heavy metals, organic compounds, other toxins and hazardous substances;
- c. *Biological*: Microorganisms and pathogens such as cryptosporidium, typhoid, cholera, and E. Coli.

(8) *Imminent Hazard* means a hazard situation that is likely to cause an immediate threat to human life, an immediate threat of serious physical injury, an immediate threat of serious adverse health effects, or a serious risk of irreparable damage to the environment if no immediate action is taken.

(9) *Non-health Hazard* means a hazard that, if introduced into the public water supply system, could be a nuisance to water users, but would not adversely affect human health.

(10) *Private water system* means that part of a water service connection to the town's public water system that is located on the consumer's side of the town's water meter. A private water system may be a water service line to a single premise or structure, or it may be a privately owned and maintained water distribution system that serves more than one structure or premises. For the purpose of this section, once water from the town's public water system passes through the meter to the consumer's side, that water is considered part of the private water system.

(11) *Public water system* means the Town of Valdese water system and includes all of the town's system for the provision to the public of potable water for human consumption through pipes or other constructed conveyances and includes:

- a. Any collection, treatment, storage, or distribution facility and all appurtenance to those facilities under control of the town and used primarily in connection with the town's water system; and
- b. Any collection, treatment, storage, or distribution facility and all appurtenance to those facilities not under the control of the town that is used primarily in connection with the town's water system.

(c) *New unprotected cross-connections prohibited, existing cross-connections to be protected.* All consumers and any other person or entity receiving water from the town's public water system shall be in violation of this section if they fail to comply with any of the following:

(1) *New water service connections.* No new residential or new nonresidential water service connections to the public water system shall be made unless equipped with an approved backflow prevention assembly. The BPA shall be tested and properly functioning as prescribed herein prior to the issuance of a certificate of occupancy for any building. All new nonresidential construction plans and specifications shall be provided to the town for review to determine the hazard level to the town's public water system.

(2) *Existing water service connections.* An approved backflow prevention assembly shall be installed on all existing cross connections to the town's public water system

upon notification of the need for installation by the town. Upon determining that a backflow prevention assembly is required to be installed on an existing water service connection, the town will notify the consumer in writing of:

- a. The requirement for installation;
- b. The hazard level that has been established for that consumer by the town based upon the use of their premises;
- c. The type of approved backflow prevention assembly required;
- d. The date by which the backflow prevention assembly must be installed, tested, and approved. The consumer will have a minimum of sixty (60) calendar days and a maximum of 180 calendar days within which to install, test, and have the BPA approved after notice is given.

(d) *Contamination prohibited.* No consumer shall cause or allow any contamination of the town's public water system through uncontrolled backflow or backsiphonage from or through the consumer's private water system.

(e) *No cross-connections.* It shall be unlawful to have plumbing cross-connected or installed so that water from the town's public water system and water from or in any private water system may in any way become intermingled.

(f) *Compliance.* No private water system shall be connected in any manner to the town's public water system nor may any service connection be made or maintained to the town's public water system unless the requirements of this Chapter have been satisfied.

(g) *Approved BPAs and installations required.* Only an approved backflow prevention assembly shall be installed to meet the requirements of this section. Any backflow prevention assembly that is installed that is not an approved BPA, or any installation of any backflow prevention assembly that is not installed in accordance with the provisions hereof shall be a violation of this section.

(h) *Notification of change in use of property.* Within ten (10) calendar days of the date of any change in use of any nonresidential property connected to the town's public water system, the consumer shall notify the town so that the town can reassess the hazard level of that use.

(i) *Certification and testing program.*

(1) Installation, maintenance, testing, and repair of BPAs shall be done only by a certified backflow prevention assembly technician. Consumers shall have a technician test the BPA for proper operation and that technician shall certify the results in writing to the town.

(2) Any consumer or other person who removes or repairs any cross-connection condition shall notify the town for the purpose of securing an inspection or re-inspection by the town.

(3) All backflow prevention assemblies required by this section shall be installed in accordance with the manufacturer's instructions.

(4) All backflow prevention assemblies required by this section shall be installed and maintained on the consumer's premises as part of the consumer's water system.

(5) Ownership, installation, testing and maintenance of a backflow prevention assembly and all costs associated therewith shall be the responsibility of the consumer.

(6) Each backflow prevention assembly required under this section must be accessible by the town.

(7) Any bypass around a backflow prevention assembly, including when the BPA is in need of testing, repair or replacement, is prohibited. When it is not possible to interrupt water service, the consumer shall provide for the parallel installation of an approved backflow prevention assembly.

(8) Backflow prevention assemblies with test ports or test cocks shall not be installed below ground.

(j) *Testing and repair of backflow prevention assemblies.*

(1) *Testing/Certification.* A certified backflow prevention assembly technician shall conduct testing of backflow prevention assemblies at the consumer's expense. Tests shall be conducted upon installation, and annually thereafter, with a record of all testing and repairs retained by the consumer. Each consumer shall send a copy of the report, signed by the certified backflow prevention assembly technician, for each test or repair to the town within 30 days after the completion of each test or repair. Such records in the form approved by the town must be maintained by the consumer for a period of three years.

(2) *Repairs.* Any time that repairs to a backflow prevention assembly are deemed necessary, whether through annual testing or routine inspection by the consumer or by the town, these repairs must be completed within a time specified below, in accordance with the hazard level.

a. Health hazard facilities: Within 14 days of discovery.

b. Nonhealth hazard facilities: Within 28 days of discovery.

(3) *Equipment.* All certified backflow prevention assembly technicians must obtain and employ backflow prevention assembly test equipment that has been approved by the town. All test equipment shall be registered with the town and shall be calibrated annually, and certified to the town as to such calibration, employing a calibration method acceptable to the town.

(4) *Records.* It is unlawful for any consumer or certified backflow prevention assembly technician to submit any record to the town that is false or fraudulent in any material respect. It is unlawful for any consumer or certified backflow prevention assembly technician to fail to submit any record that is required by this section. Such violations may result in any of the enforcement actions outlined in paragraph (m) of this section.

(k) *Protection of the public water system during bulk water sales.* No bulk water may be taken except through a metered assembly provided by the town that includes a reduced pressure backflow prevention assembly. In addition, any truck, tank, or receiving vessel that is directly or indirectly connected to any pipe, hose, or outlet from the town's public water system must be equipped with an approved, permanently installed, air gap designed to create a minimum of 4 inches separation between the receiving tank or vessel and the connection to the town's public water system.

(l) *Backflow prevention assembly protection.* Any backflow prevention assembly that might be subjected to pressure surges or abnormally high pressures shall be protected against

possible damage by a device approved by the town, such as a water hammer arrestor or a pressure reducing valve.

(m) *Violations.* Any consumer or other person who fails to comply with any provision of this section, or who fails to comply with any notice, citation, or order made hereunder, or who shall install or alter a private water system in violation of this section or any detailed statement of specifications or plans submitted and approved hereunder, or any certificate or permit issued hereunder, or who shall fail to comply with such a notice, citation, or order within the time fixed therein, or who shall submit a false or fraudulent report, or who shall fail to submit a report shall be in violation of this section for each such occurrence or noncompliance and shall be subject to enforcement as provided in this section. The remedies provided for violations of this section, whether civil or criminal, shall be cumulative and in addition to any other remedy provided by law, and may be exercised in any order.

(1) The Public Works Director or designee shall serve a written notice of violation to any person who violates this section. Such notice shall be personally delivered, or delivered by certified mail, return receipt requested. A copy of the notice may also be sent by regular mail. Service shall be deemed sufficient if the registered or certified mail is unclaimed or refused, and the regular mail is not returned by the post office within ten (10) days after the mailing.

(2) Such notice of violation shall set forth the violation and the time period within which the violation must be corrected. The violation must be corrected within the time period specified in the notice of violation. If the town determines that the violation has created or contributed to the existence of an imminent health hazard, the consumer may be required to correct the violation immediately. If the violation is cured or corrected within the time period specified in the notice of violation, then the Town shall take no further action against the person.

(3) Any person who, after being given a notice of violation pursuant to paragraph (m)(1) above does not comply within the time period set forth in the notice of violation, and who continues such violation, shall be subject to the penalties and remedies set forth in paragraph (m)(4). The following citation procedure shall be used:

a. *Citation for Violation.* The Public Works Director or designee shall serve a written citation on the alleged violator by any of the methods specified in paragraph (m)(1).

b. *Content of Citation.* The citation shall describe the nature of the violation and any actions that the alleged violator must take to cure or correct the violation, and shall specify the amount of any civil penalty levied against the alleged violator.

c. *Corrective Action Required.* The civil penalty shall be paid and the violation shall be cured or corrected, within seventy-two (72) hours of receipt of the citation by the alleged violator, or such other time period, not to exceed thirty (30) days, as the citation may specify.

d. *Action for Recovery of Penalty.* If payment is not made and the violation is not cured or corrected within the time specified in the citation, then the Town may recover the civil penalty together with all costs by filing one or more civil actions in the name of the Town in the nature of a suit to collect a debt. The town attorney is hereby authorized to file suit on behalf of the town to collect any civil penalties.

e. *Suspension or Termination of Water Service; Revocation of Permits.* Water service may be suspended or terminated to a consumer, and/or applicable permits

revoked, if the consumer fails to correct a violation in a timely manner. Suspension or termination of water service or revocation of permits will be without prejudice to the town's ability to assert any other remedy available to the town against the consumer or any other person responsible for the violation.

(4) Violations of this Section 5-1023 shall subject the offender to the following civil penalties:

Description	Penalty	Frequency
Unprotected cross connection – wholesale customers (as defined in Section 11) or Unprotected cross connection – public water system not under the control of the town	\$1,000	With first citation and thereafter for each thirty-day period or part thereof in which the violation persists
Unprotected cross connection – non-wholesale customers	\$500	With first citation and thereafter for each thirty-day period or part thereof in which the violation persists
Falsifying records	\$500	Per occurrence
Failing to maintain and test residential irrigation backflow prevention assemblies	\$500	With first citation and thereafter for each thirty-day period or part thereof in which the violation persists
Any other violation of this section	\$500	Per occurrence

(5) The town may increase any civil penalty assessed by 50 percent of the maximum civil penalty associated with the violation for a second violation of the same provision within a 24-month period. The town may increase any civil penalty by doubling the amount of the penalty for a third violation of the same provision within a 24-month period. Water service may be terminated after a third violation of the same provision within a 4-month period.

(6) Any person violating any provision of this section shall pay to the town all expenses incurred by the town in repairing any damage to the public water system caused in whole or in part by such violation and any expense incurred by the town in investigating such violation. All such expenses shall be in addition to the civil penalty assessed with the violation.

(7) The application of civil penalties shall not prevent the enforced correction or removal of any prohibited condition.

(n) *Administration of program.* The Public Works Director for the town, or designee, shall administer this program.