

**Town of Valdese
Town Council Meeting
Valdese Town Hall
102 Massel Avenue SW, Valdese
Monday, March 4, 2019
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

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 Special Meeting Minutes of January 31, 2019
- B. Approval of Regular Meeting Minutes of February 4, 2019
- C. Resolution in Support of a Statewide Initiative for Legislative Funding to Re-establish a Passenger Rail Connection for Western North Carolina
- D. Set Public Hearing Date for Zoning Map Amendment #1-2-19
- E. Request to Sell Wine at April Craft Market
- F. Reappointment to Valdese ABC Board
- G. Set Sunday, April 14, 2019 as Tax Lien Advertising Date for Real & Personal Property
- H. Budget Amendments

7. New Business

- A. Introduction of New Employee
- B. Audit Report Presentation – FY 17-18 – Lowdermilk Church & Co., LLP
- C. Approval of FY 18-19 Audit Contract – Lowdermilk Church & Co., LLP
- D. Arbor Day Proclamation and Ceremony Update
- E. Public Hearing for Amendments to Zoning Ordinance
- F. Neighborhood Revitalization Program Grant Agreement, Funding Approval, and Implementation Schedule
- G. Amendment to Tobacco Usage Ordinance

8. Manager's Report

- A. Annual Budget Retreat is scheduled for Monday, March 18, 2019
- B. Next Regular Council Meeting is Monday, April 1, 2019
- C. Movies at the Rock-Jurassic Park-Friday, March 8, 2019 at 7:00 p.m.
- D. Litter Program Update

9. Mayor and Council Comments

10. Adjournment

COMMUNICATION NOTES

To: Mayor Black
Town Council

From: Seth Eckard, Town Manager

Date: March 1, 2019

Subject: Monday, March 4, 2019 Council Meeting

6. Consent Agenda

A. Approval of Special Meeting Minutes of January 31, 2019

B. Approval of Regular Meeting Minutes of February 4, 2019

C. Resolution in Support of a Statewide Initiative for Legislative Funding to Re-establish a Passenger Rail Connection for Western North Carolina

Enclosed in the agenda packet is a letter and resolution prepared by the Western North Carolina Rail Committee, Inc. requesting support from the Town of Valdese for the creation of bus-rail connection service for Western North Carolina.

Requested Action: Staff recommends that Council approve the Resolution in Support of a Statewide Initiative for Legislative Funding to Re-establish a Passenger Rail Connection for Western North Carolina, as presented.

D. Set Public Hearing Date for Zoning Map Amendment #1-2-19

Staff received a petition from Striker Properties LLC, requesting their property be rezoned from M-1 Manufacturing to B-2 General Business. Council will need to hold a public hearing on this proposed rezoning.

Requested Action: Staff recommends that Council set the date of April 1, 2019, 6:00 p.m., to hold a public hearing for Zoning Map Amendment 1-2-19.

E. Request to Sell Wine at April Craft Market

Enclosed in the agenda packet is a request from Waldensian Styles Wines to sell wine at the April Craft Market event on April 13, 2019 from 9:00 a.m. to 4:00 p.m. in the Waldensian Room at Old Rock School.

F. Reappointment to Valdese ABC Board

Staff recommends the reappointment of John Heilman to the Valdese ABC Board for a first, full three-year-term which expires April 1, 2022. Mr. Heilman was appointed on October 1, 2018 to fill the unexpired term of J. Andrew Thompson, upon his appointment to Council.

G. Set Sunday, April 14, 2019 as Tax Lien Advertising Date for Real & Personal Property

Staff recommends the aforementioned date be set as Tax Lien Advertising Date for real and personal property.

H. Budget Amendments

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

7. New Business

A. Introduction of New Employee

Public Works Director Bryan Duckworth will introduce Utility Field Service Technician Richard Damron.

B. Audit Report Presentation – FY 17-18 – Lowdermilk Church & Co., LLP

Enclosed in the agenda packet is a copy of the FY 17-18 Audit Report. Phil Church and 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.

C. Approval of FY 18-19 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 2018-2019, in the amount of \$15,960.00.

Requested Action: Staff recommends that Council approve the FY 18-19 audit contract in the amount of \$15,960.00.

D. Arbor Day Proclamation and Ceremony Update

Enclosed in the agenda packet is a proclamation for Arbor Day 2019. Staff plans to hold a ceremony in conjunction with Valdese Elementary School in front of Town Hall on Friday, March 22, 2019, 1:30 p.m. Each student will be presented with a small tree.

E. Public Hearing for Amendments to Zoning Ordinance

Enclosed in the agenda packet is a memo from Planning Director Larry Johnson and text amendments to the zoning ordinance. The Planning Board met on January 28th for final review of the proposed amendments to the Valdese Zoning Ordinance that will limit the size of accessory buildings, allow light manufacturing in a commercial district, and redefine retail

establishments. The Planning Board also recommends approval to allow flag signs in two zoning districts and to clarify sign language in the Central Business District.

Requested Action: Staff requests that Council approve the amendments to the Valdese Zoning Ordinance as presented.

F. Neighborhood Revitalization Program Grant Agreement, Funding Approval, and Implementation Schedule

Enclosed in the agenda packet is a memo from Planning Director Larry Johnson, Grant Agreement with North Carolina Department of Commerce, Funding Approval, and Implementation Schedule for the Neighborhood Revitalization Program. The Town received a CDBG grant in the amount of \$350,600 to assist with the rehabilitation of 12 homes scattered throughout Valdese. Mr. Johnson will be at the meeting to answer any questions.

Requested Action: Staff recommends that Council accept, and authorize Town Manager Seth Eckard to sign, the grant agreement and authorize Mayor Black to sign all other necessary documents related to the grant.

G. Amendment to Tobacco Usage Ordinance

Enclosed in the agenda packet is a memo from Parks and Recreation Director Doug Knight and a resolution amending the Smoking Ordinance. The amendment will prohibit smoking and the use of tobacco products and E-cigarettes at Town buildings, grounds, vehicles, parks, and sports facilities. Mr. Knight will be at the meeting to answer any questions.

Requested Action: Staff recommends that Council approve the amendments to the Smoking Ordinance, as presented.

READING MATERIAL

**TOWN OF VALDESE
TOWN COUNCIL SPECIAL MEETING
JANUARY 31, 2019**

The Town of Valdese Town Council met on Thursday, January 31, 2019, at 5:30 p.m., at the Valdese Fire and Police Department, 121 Faet Street SW, Valdese, North Carolina. The following were present: Mayor John F. "Chip" Black, Jr., Councilman Keith Ogle, Councilwoman Frances Hildebran, Councilman J. Andrew Thompson, and Councilman Roy F. Sweezy. Also present were: Town Manager Seth Eckard, Deputy, Deputy Town Clerk Courtney Kennedy, and various department heads.

Absent: Councilwoman Susan Stevenson.

A quorum was present.

Mayor Black called the meeting to order at 5:30 p.m. at the Valdese Fire and Police Department. Mr. Black stated that this was a Special Called Council Meeting to tour the facility with town staff and engineers. Structural Engineer Michael Alberto led a tour of the facility; identifying issues throughout the building. At 5:57 p.m. Councilman Ogle made a motion to recess the meeting to 6:00 p.m. in the Waldensian Room at Old Rock School, 400 Main Street W, Valdese; seconded by Councilwoman Hildebran. The vote was unanimous.

Mayor Black reconvened the meeting at 6:00 p.m. at Old Rock School. Mr. Black informed the audience that public comments would be taken at the end of the meeting.

PUBLIC SAFETY BUILDING PRESENTATION: Benjie Thomas of West Consultants, PLLC; Structural Engineer C. Michael Alberto; and Bob Smith of Talley & Smith Architecture, Inc. provided the following presentation:



C. MICHAEL ALBERTO, III, P. E., PLLC
STRUCTURAL ENGINEER
580 20TH AVENUE COURT NW, HICKORY, NC 28601



VALDESE PUBLIC SAFETY BUILDING STUDY
January 31, 2019



**PUBLIC SAFETY BUILDING
Structural Issues and Building Options
TOWN OF VALDESE
Fire and Police Departments**

**PUBLIC SAFETY BUILDING
Structural Issues and Building Options
TOWN OF VALDESE
Fire and Police Departments**



Presentation Contents

1. Structural Inspection and Other Issues.
2. Primary Options
3. Estimated Costs of Options

**PUBLIC SAFETY BUILDING
Structural Issues and Building Options
TOWN OF VALDESE
Fire and Police Departments**



Structural Building Inspection

1. The building exhibits severe corrosion and masonry cracking with significant loss of structural integrity attributable to water infiltration, building expansion, and building contraction forces.
2. Some of the deterioration mechanisms are common, but are exacerbated by the age and type of construction of the structure.



Old Town Hall Wing of Building
Cracks in load bearing masonry block walls.



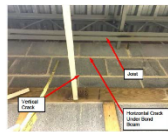
Vertical cracks in mortar joints and through middle of block.

**PUBLIC SAFETY BUILDING
Structural Issues and Building Options
TOWN OF VALDESE
Fire and Police Departments**

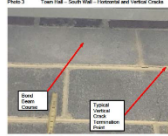


Structural Building Inspection

3. The loss of structural integrity represents an elevated risk to occupant life safety and operational readiness, the damage is beyond the acceptable limits for an essential services facility.



Old Town Hall Wing of Building
Cracks extend up to masonry block bond beam.



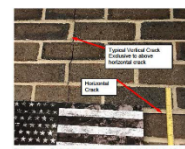
Horizontal cracks occur at bottom of masonry bond beams, separating bond beams from supporting walls.

**PUBLIC SAFETY BUILDING
Structural Issues and Building Options
TOWN OF VALDESE
Fire and Police Departments**



Structural Building Inspection

4. Building replacement or permanent repairs are required.
5. If a new facility is the selected option, temporary shoring is recommended to mitigate risk between now and completion of a new building.



Public Safety Wing of Building
Vertical and horizontal cracks in load bearing double wythe brick wall.



Some vertical cracks run full height of wall on interior of building.

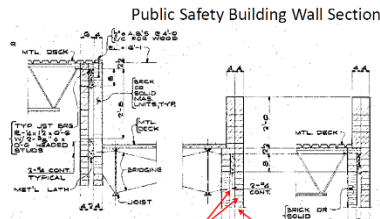
January 31, 2019, MB#31



Public Safety Wing of Building

Exterior horizontal cracks at 16" on center at each band of steel ties.

Steel ties are rusting and pushing the mortar out. The deteriorated ties no longer hold the two wythes of brick together.



The deteriorated steel ties no longer hold the two wythes of brick together. Each wythe of wall is bowing out away from each other.

PUBLIC SAFETY BUILDING Structural Issues and Building Options TOWN OF VALDESE Fire and Police Departments



Other Considerations

- Building is not suited to current operational requirements for a Fire and Police Department.
- Walls have only 2" of insulation (maybe R10).
- Building does not comply with current ADA standards.
- Electrical and mechanical systems are outdated and are not energy efficient.
- Asbestos containing materials must be removed.

PUBLIC SAFETY BUILDING Structural Issues and Building Options TOWN OF VALDESE Fire and Police Departments



Other Considerations (continued)

- Building does not meet current "essential facility" standards. (Structural design, seismic, and wind loads.)
- Sleeping quarters do not comply with current fire safety codes. (No sprinkler system.)
- Truck Bay doors are 12'w x 12'h, need to be 12'w x 14'h. A ladder truck will not fit inside building.

PUBLIC SAFETY BUILDING Structural Issues and Building Options TOWN OF VALDESE Fire and Police Departments



3. Build a new facility that complies with current building and life safety codes, and that meets current Fire and Police Department operational and essential facility standards.

A new facility can be designed to meet current operational needs, and provide flexibility for future changes. Can meet essential facility, building code, life safety, energy efficiency, and ADA standards.

PUBLIC SAFETY BUILDING Structural Issues and Building Options TOWN OF VALDESE Fire and Police Departments



Primary Options

1. Repair the existing building. Limit renovations and updates to only the work necessary for continued use.

Does not address operational issues. Significant maintenance will be necessary. Continued use of the building is limited without future significant improvements.

Probable Construction Costs for Options

1. Structural Repairs to Building----- \$1,200,000
- 1a. Maintenance & Repairs (15-20yrs)----- \$740,000
 1. + 1a. Structural and Ongoing Maint.--- \$1,940,000

Includes reroofing, repaving, HVAC, asbestos abatement, painting, and other ongoing maintenance and repairs that will be required.
2. Repair/Fully Renovate Building ----- \$4,850,000

Structural repairs and complete renovation (new finishes, lights, HVAC, etc.)
3. New Construction, 17,094 SF ----- \$5,700,000

Same SF as renovation
- 3a. New Construction, 23,500 SF ----- \$7,810,000

Recommended SF

New construction on new site. Includes demo cost of existing PS building.
4. Temporary Shoring/Repairs ----- \$200,000

Costs include A/E fees and sitework (if applicable), but do not include new furniture.

PUBLIC SAFETY BUILDING Structural Issues and Building Options TOWN OF VALDESE Fire and Police Departments

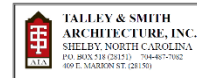


2. Repair and full renovation of the existing building with the goal of gaining another 25 years of use.

Can address most operational issues, improve insulation, energy efficiency, and ADA issues. Cannot add truck bays or increase height of bay doors. A sprinkler system and elevator will have to be added to the building.



C. MICHAEL ALBERTO, III, P. E., PLLC
STRUCTURAL ENGINEER
580 20TH AVENUE COURT NW, HICKORY, NC 28601



VALDESE PUBLIC SAFETY BUILDING STUDY
January 31, 2019

Town Manager Seth Eckard presented the following financing options:

Repair Building		New Construction (same size)	
Loan Amount	\$1,456,000	Loan Amount	\$5,550,000
Rate	4%	Rate	4%
Years	15	Years	40
Debt Service	\$132,000	Debt Service	\$284,000
Repair & Renovate Building		New Construction (+6,500 SF)	
Loan Amount	\$4,300,000	Loan Amount	\$7,610,000
Rate	4%	Rate	4%
Years	40	Years	40
Debt Service	\$220,000	Debt Service	\$389,000

Mr. Eckard informed Council that the aforementioned financing options do not include the cost of demolition of the old town hall building; however, the numbers presented by Mr. Thomas reflect that cost. Mr. Eckard shared that there are not any grants available for a police or fire station at this time.

OPEN FORUM/PUBLIC COMMENT:

GLENN HARVEY, 404 LOUISE AVE, VALDESE: Mr. Harvey expressed his concerns about the lack of trend line data and trends for the future. Mr. Harvey would like to see data that identifies population trends, tax base, number of fires, what kind of fires and what equipment was required, what equipment was needed that the Town didn't have, how many arrests a year, does the Town need the current staffing levels for police and fire, along with other critical information before Council makes a decision. Mayor Black informed

Mr. Harvey that the Western Piedmont Council of Governments creates annual reports that identify a significant amount of this information. Town Manager Seth Eckard shared that each month, the fire department presents a report to Council in the agenda packet that identifies the monthly activity in the department.

ADJOURNMENT: At 7:18 p.m., there being no further business to come before Council, Mayor Black declared the meeting adjourned.

Town Clerk
ck

Mayor

February 4, 2019, MB#31

**TOWN OF VALDESE
TOWN COUNCIL REGULAR MEETING
FEBRUARY 4, 2019**

The Town of Valdese Town Council met on Monday, February 4, 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 Courtney Kennedy, 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:

OLD COLONY PLAYERS-EDYTH PRUITT, PO BOX 2038, DREXEL: Ms. Pruitt provided Council with the following update on Old Colony Players: A total of four productions; Into the Woods, From This Day Forward, Night of the Living Dead, and A Charlie Brown Christmas, were held throughout the year with approximately 2600 patrons attending the shows. The next production will be Jesus Christ Superstar, in April. Tickets are on sale now. Ms. Pruitt encouraged everyone to visit www.oldcolonyplayers.com for more information and to order tickets. Ms. Pruitt finished by thanking Council for their commitment to Old Colony Players.

ANIMAL CONTROL ORDINANCE-DIANE MOORE, 1040 ORCHARD STREET SW, VALDESE: Ms. Moore requested that Council adopt an ordinance that identifies what is adequate shelter for an animal, similar to Article 1 of the Burke County Animal Control Ordinance. Ms. Moore would like Valdese to use the ABC Method to determine if a shelter is sufficient for the animal and provided an explanation of this method. Ms. Moore also asked Council to consider adding language to state that if the outside temperature is below 32 or above 90 degrees that dogs and cats should be brought inside except for half-hour periods.

CONSENT AGENDA: (enacted by one motion)

APPROVED REGULAR MEETING MINUTES OF JANUARY 7, 2019

SET PUBLIC HEARING DATE FOR AMENDMENTS TO ZONING ORDINANCE: A public hearing will be held on Monday, March 5, 2019 to consider amendments to the Valdese Zoning Ordinance regarding text amendments that address accessory structures, the Downtown Business Corridor District, permitted uses in the Central Business District, sail signage and ground signs.

BUDGET AMENDMENTS:

Valdese Town Council Meeting

2/4/2019

Budget Amendment #

19

Subject:

Purchase order/encumbrance
software

Memorandum:

As per discussions held in previous council meetings pertaining to the subject, the following budget amendment is essential in order to appropriate the necessary funds.

Proposed Action:

February 4, 2019, MB#31

BE IT ORDAINED by the Governing Board of the Town of Valdese, North Carolina that the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2018:

Section I:

To amend the General Fund, the expenditures are to be changed as follows:

Account	Description	Increase/ Debit	Decrease/ Credit
10.4200.490	Information Technology	4,714	
Total		\$4,714	

This will result in a net increase of \$4714 in the expenditures of the General Fund. To provide funding for the above, the following revenue budgets will be increased. These additional revenues have already been received.

Account	Description	Decrease/ Debit	Increase/ Credit
10.3990.000	Fund Balance Appropriated		4,714
Total			\$4,714

Section I:

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

2/4/2019

Budget Amendment #

20

Subject:

Kellex sinkhole stablization of sewer line
Camera sewer line Hospital Outfall; Replace electrical pole Curville sewer
meter flune

Memorandum:

As per discussions held in previous council meetings pertaining to the subject, the following budget amendment is essential in order to appropriate the necessary funds.

Proposed Action:

BE IT ORDAINED by the Governing Board of the Town of Valdese, North Carolina that the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2018:

Section I:

To amend the General Fund, the expenditures are to be changed as follows:

Increase/	Decrease/
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February 4, 2019, MB#31

Account	Description	Debit	Credit
30.8120.150	Maint & Repairs	22,632	
Total		\$22,632	

This will result in a net increase of \$22632 in the expenditures of the Utility Fund. To provide funding for the above, the following revenue budgets will be increased. These additional revenues have already been received.

Account	Description	Decrease/ Debit	Increase/ Credit
30.3990.000	Fund Balance Appropriated		22,632
Total			\$22,632

Section I:

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

2/4/2019

Budget Amendment #

21

Subject:

Train Art donations

Memorandum:

As per discussions held in previous council meetings pertaining to the subject, the following budget amendment is essential in order to appropriate the necessary funds.

Proposed Action:

BE IT ORDAINED by the Governing Board of the Town of Valdese, North Carolina that the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2018:

Section I:

To amend the General Fund, the expenditures are to be changed as follows:

Account	Description	Increase/ Debit	Decrease/ Credit
10.6250.928	Public Art	24,294	

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Total		\$24,294	

This will result in a net increase of \$24,294 in the expenditures of the General Fund. To provide funding for the above, the following revenue budgets will be increased. These additional revenues have already been received.

		Decrease/ Debit	Increase/ Credit
Account	Description		
10.3350.030	Other Donations		24,294
Total			\$24,294

Section I:

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

2/4/2019

Budget Amendment # 22

Subject: Engineering & Architect fees for Fire/Police Building
(anticipated costs for workshops, studies, reports, etc.)

Memorandum:

As per discussions held in previous council meetings pertaining to the subject, the following budget amendment is essential in order to appropriate the necessary funds.

Proposed Action:

BE IT ORDAINED by the Governing Board of the Town of Valdese, North Carolina that the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2018:

Section I:

To amend the General Fund, the expenditures are to be changed as follows:

		Increase/ Debit	Decrease/ Credit
Account	Description		
10.5300.040	Professional Services	40,000	
Total		\$40,000	

February 4, 2019, MB#31

This will result in a net increase of \$40000 in the expenditures of the General Fund. To provide funding for the above, the following revenue budgets will be increased. These additional revenues have already been received.

Account Description		Decrease/ Debit	Increase/ Credit
10.3990.000	Fund Balance Appropriated		40,000
Total			\$40,000

Section I:

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

2/4/2019

Budget Amendment # 23

Subject: Other Post Employment Benefits (OPEB) actuarial study
(required annually for Town's audit)

Memorandum:

As per discussions held in previous council meetings pertaining to the subject, the following budget amendment is essential in order to appropriate the necessary funds.

Proposed Action:

BE IT ORDAINED by the Governing Board of the Town of Valdese, North Carolina that the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2018:

Section I:

To amend the General Fund, the expenditures are to be changed as follows:

Account Description		Increase/ Debit	Decrease/ Credit
10.4200.040	Professional Services	4,503	
Total		\$4,503	

This will result in a net increase of \$4503 in the expenditures of the General Fund. To provide funding for the above, the following revenue budgets will be increased. These additional revenues have already been received.

Account Description		Decrease/ Debit	Increase/ Credit
10.3990.000	Fund Balance Appropriated		4,503

February 4, 2019, MB#31

Total

\$4,503

Section I:

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

2/4/2019

Budget Amendment #

24

Subject:

Meridian incentive grant agreement dated January 4, 2016

Memorandum:

As per discussions held in previous council meetings pertaining to the subject, the following budget amendment is essential in order to appropriate the necessary funds.

Proposed Action:

BE IT ORDAINED by the Governing Board of the Town of Valdese, North Carolina that the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2018:

Section I:

To amend the General Fund, the expenditures are to be changed as follows:

Account	Description	Increase/ Debit	Decrease/ Credit
30.8100.935	Economic Grant - Meridian	137,514	
Total		\$137,514	

This will result in a net increase of \$137,514 in the expenditures of the Utility Fund. To provide funding for the above, the following revenue budgets will be increased. These additional revenues have already been received.

Account	Description	Decrease/ Debit	Increase/ Credit
30.3990.000	Fund Balance Appropriated		137,514
Total			\$137,514

Section I:

February 4, 2019, MB#31

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.

INTRODUCTION OF NEW EMPLOYEES: Water Resources Director Greg Padgett introduced Laboratory Supervisor Candace Cox, Treatment Plant Operator Alexander Garrison, and Treatment Plant Operator Buddy Leger.

AGREEMENT WITH BURKE COUNTY FOR TAX COLLECTION SERVICES: Finance Director Bo Weichel informed Council that the Town handles property taxes separately from Burke County. Mr. Weichel shared that a growing trend in finance is the establishment of inter-local agreements between municipalities and counties to authorize the county to oversee tax collection; sharing that every municipality in Catawba County partners with the County, and the following municipalities in Burke County: Glen Alpine, Rhodhiss, Long View, Connelly Springs, and Hildebran. Mr. Weichel informed Council that Burke County currently has a collection rate of 98%.

Councilwoman Hildebran expressed her appreciation for Finance Director Bo Weichel and acknowledged how well he has performed since starting with Valdese in October. Ms. Hildebran asked Mr. Weichel if he thought that maybe staff should be given at least one full year to evaluate the tax collection process before making any changes, as Apryl Hardin has been appointed as tax collector for only six months. Ms. Hildebran asked what the revenue difference was between our current collection rate and the County's. Mr. Weichel shared that it is approximately \$40,000.

Town Manager Seth Eckard shared with Council that he encouraged Mr. Weichel to be creative in his role as finance director and identify ways to save money and/or increase revenues; stating that this was one idea that Mr. Eckard wished to present to Council for discussion. Mr. Eckard stated that this may not be the appropriate time to enter into an agreement for tax collection and indicated a willingness to present this at a later time.

Councilman Ogle asked why it has been reported to Council for the last four to five years, that the Town was at a collection rate of 98 and 99 percent if the actual percentage was less. Mr. Ogle asked why the collection rate is not 100% and what collection options the Town has. Town Attorney Marc Mitchell explained that property owners are subject to a tax foreclosure if property taxes are not paid and that all court costs and other fees are recoupable through this process, but the process takes time. Mr. Ogle stated that he would like to keep taxes in house, allowing citizens to pay their taxes at town hall.

Mayor Black shared that the overall cost to enter into an agreement with Burke County is approximately \$23,000. Mr. Black asked Mr. Weichel if it would be possible to hire someone to perform this duty, with the efficiency the County has, for that amount; Mr. Weichel stated that he did not believe that was possible due to the level of responsibility a tax collector has. Mr. Black also identified the need to accept online or electronic payments for property tax bills; however, the Town of Valdese does not have the resources available to start or continue this type of service for citizens as the process can be very costly. The County currently has this option available, or is working on implementing this option, for tax payers.

Councilwoman Stevenson expressed her appreciation to Finance Director Bo Weichel for identifying ways to improve the Town's financial status and informed him that this is a great idea but it may be beneficial to allow more time to pass before considering such a significant change to the finance department. Ms. Stevenson expressed concerns about outsourcing services and requested more time to evaluate the costs and benefits of this type of agreement.

Councilman Sweezy asked if other municipalities offer a discount for early payment. Burke County Tax Administrator Daniel Isenhour informed Council that Morganton, Rhodhiss, Glen Alpine, and one other municipality do offer a discount but the others do not.

February 4, 2019, MB#31

Councilwoman Hildebran asked if the County would set the tax rate for Valdese. Mr. Isenhour informed Council that the County only collects tax payments based on what the municipality establishes for their citizens. Ms. Hildebran stated that she agrees with Councilwoman Stevenson; she is not against entering into an agreement with the County but would like more time to evaluate it.

Mayor Black asked Council if they would like to consider removing the early payment discount, which amounts to approximately \$39,000 in lost revenues. Councilman Ogle asked if this could be discussed during the March budget meeting. Town Attorney Marc Mitchell informed Council that the statute does not specify a date but the School of Government identifies May 1st as the date by which a municipality must indicate whether or not they will offer a discount.

RESOLUTION DESIGNATING WELLS FARGO BANK AS OFFICIAL DEPOSITORY:

RESOLUTION

Designating Wells Fargo Bank, NA an Official Depository

WHEREAS, G.S. 159-31(a) states that the governing board shall designate as its official depositories one or more banks or other financial institutions as authorized by that statute; and

WHEREAS, it is the desire of the Town Council that all public funds of the Town of Valdese, North Carolina (hereafter the "Town") be deposited in a secure, efficient and effective manner;

WHEREAS, BB&T was designated as an official depository for the town, and the town council desires to annul BB&T's selection as an official depository for town funds; and

WHEREAS, it is the responsibility of the Finance Director, who is appointed by and serves at the pleasure of the Town Manager, to supervise the receipt, custody and disbursement of the public funds of the Town;

WHEREAS, the Finance Director has evaluated proposals for Banking Services and has reviewed the financial soundness of the proposing financial institutions; and

WHEREAS, Wells Fargo Bank NA is qualified to be an official depository for the Town pursuant to G.S. 159-31 and has selected to secure its uninsured public deposits under the "Pooling Method", which is a collateral pool under which each public depositor's uninsured deposits are secured with securities held by the State Treasurer's agent in the name of the State Treasurer; and

WHEREAS, Wells Fargo Bank NA will also serve the Town for merchant processing and electronic payment services.

NOW, THEREFORE, BE IT RESOLVED, by the Council of the Town of Valdese, North Carolina that:

Section 1. Wells Fargo Bank NA (hereafter the "Official Depository") is hereby designated as the official depository, merchant processor, and payment services of the Town. The Finance Director of the Town shall be and is hereby authorized and directed to deposit funds of the Town in the Official Depository in the name and to the credit of the Town of Valdese, North Carolina.

Section 2. As required by G.S. 159-25(b), all checks, drafts, or orders of the Town drawn against said funds shall be authorized and signed as appropriate by the following (hereinafter the "Authorized Signers"):

- a. One of the following officers: Finance Officer, Town Manager

and countersigned by

- b. One of the following officers: Mayor, Mayor Pro Tempore, Treasurer

The names and signatures of the Authorized Signers shall be duly certified by the Clerk to the Town Council to the Official Depository as from time to time may be necessary and no check, draft, or order drawn against the Official Depository shall be valid unless so signed or authorized.

February 4, 2019, MB#31

Section 3. Upon opening an account with the Official Depository, the Finance Officer must:

- a. Give written instructions that the proceeds from all checks payable to the order of the Town shall be deposited to the credit of the Town of Valdese, North Carolina and that under no circumstance may such an item be converted into cash.
- b. Verify the method currently used by the depository to collateralize the public deposits and stay informed of any change in methods as the result of conversions to a different method or as the result of merger of depositories;
- c. Execute such other forms and documentation with provisions consistent with this resolution as may be reasonably required by the Official Depository to establish the account;
- d. Report the amount of deposits and investments and such other information as may be required on the semi-annual reports on form LGC 203 required to be filed with the Local Government Commission pursuant to G.S. 159-33; and
- e. Comply with other requirements of law, regulation or sound banking practice and with any requirements described in the State Treasurer's publication, The Collateralization of Public Deposits in North Carolina.

Section 4. Certified copies of this resolution shall be provided to the Official Depository herein designated.

THE FOREGOING RESOLUTION IS ADOPTED THIS 4th DAY OF FEBRUARY, 2019.

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

ATTEST: /s/ Town Clerk

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

FAÇADE GRANT REQUEST: Community Affairs Director Morrissa Angi presented a request from Farris Insurance Agency, Inc. for a Façade Grant in the amount of \$5,000 to assist with the installation of two lighted LED signs for their building located at 225 Main Street E, Valdese. The Valdese Main Street Design Committee approved \$500.00 for reimbursement due to this project being a low priority for the Façade Grant program as the project is signage only.

Councilman Ogle made a motion to approve the aforementioned Façade Grant in the amount of \$500.00, seconded by Councilman Thompson. The vote was unanimous.

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

Concerts at the Rock, Hogslop String Band is scheduled for Saturday, March 2, 2019 at 7:30 p.m.

The Town was recently informed that the Local Governmental Employees' Retirement System (LGERS) is requiring employers to increase their contributions to the system. The employer percentage will be 8.95 percent for FY 2019-2020 and will continue to increase by approximately 1 percent each year until it reaches a maximum of 12 percent.

MAYOR AND COUNCIL COMMENTS: Councilman Ogle announced that the neighborhood watch meeting for Dixie Avenue and the surrounding area was held on Thursday, January 17, 2019 in the Community Room at Town Hall. Mayor Black informed Council that eight, new neighborhood watch signs have been installed in the area, compliments of Councilman Ogle and expressed his appreciation for Mr. Ogle's generosity.

Councilman Sweezy shared that Friends of the Valdese Rec held a group walk on the greenway at Valdese Lakeside Park on February 3, 2019, with approximately 63 people participating. Councilwoman Hildebran shared that she attended the event and was so impressed, stating that she believes this is one of Valdese's best kept secrets.

February 4, 2019, MB#31

Councilwoman Hildebran provided the following update on the Library Project: foundation walls are up and the foundation slab will be poured next week, weather permitting. The exterior and interior finishes are being selected and the renovations are moving along.

Mayor Black stated that Council is appreciative of the individuals that attend the Council meetings, identifying how important their participation is and thanked them for being present.

ADJOURNMENT: At 7:15 p.m., there being no further business to come before Council, Councilwoman Stevenson made a motion to adjourn, seconded by Councilman Ogle. The vote was unanimous.

The next meeting is a regularly scheduled meeting on Monday, March 4, 2019, 6:00 p.m., Valdese Town Hall.

Town Clerk

Mayor

ck

**Western North Carolina Rail Committee, Inc.
PO Drawer 700
Marion, NC 28752**

Dear Western NC Rail Community:

Attached you will find a resolution drafted by the Western North Carolina Rail Committee, Inc. for you to consider for your local government's adoption. We invite you to draft a local resolution that supports re-establishing a passenger rail connection between Asheville and Salisbury and urge you to do this as quickly as possible.

By way of background you should know that the Western North Carolina Rail Committee, Inc was reconstituted and incorporated in 2017 after functioning for nearly 20 years as the Western North Carolina Rail Corridor Committee, originally a Task Force of the Asheville Chamber of Commerce. The newly reorganized WNC Rail Committee, Inc. has three foci: (1) to Improve and expand freight rail service in WNC; (2) to increase the number of tourist and excursion trains in the region (such as the Great Smoky Mountain Railroad and the Craggy Mountain Line); and (3) re-establish a passenger rail connection to Western North Carolina beginning with AMTRAK Thruway Bus Service between Asheville and Salisbury as a first-step toward launching a dedicated train to serve the communities along this route.

The urgency of this request is related to the willingness of AMTRAK to launch its Thruway Bus Service along this route and the cooperation of the NC Department of Transportation Rail Division to manage the contract for this service. An allocation to operate this service is being considered by the North Carolina Legislature and we need letters of support from communities, organizations and agencies along the route. Since the budget process in the Legislature must be completed by June, we need action immediately as we make our case for re-establishing a passenger rail connection to Western North Carolina.

The last passenger train to operate between Asheville and Salisbury departed in 1975 and the time has come to restore a rail connection for our region. Please consider adopting a form of the draft resolution below and submit it to Freddie Killough @ freddiek@frontier.com, or PO Drawer 700, Marion, NC 28752

Sincerely,

Ray Rapp, Chair
Steve Little, Vice-Chair
Freddie Killough, Secretary-Treasurer



Western North Carolina Rail Committee Inc is a 501(c)(3) non-profit corporation with focus on rail freight, rail excursions and passenger rail access in Western North Carolina.

RESOLUTION

IN SUPPORT OF A STATEWIDE INITIATIVE FOR LEGISLATIVE FUNDING TO RE-ESTABLISH A PASSENGER RAIL CONNECTION FOR WESTERN NORTH CAROLINA

WHEREAS, rail service is an integral part of a comprehensive transportation system for the State of North Carolina; and,

WHEREAS, the Western North Carolina Rail Committee, Inc. has worked persistently in support of improved rail service and connectivity since 1999. These local communities, Asheville, Black Mountain, Old Fort, Marion, Morganton, Valdese, Hickory, Conover, Statesville and Salisbury would thus benefit from WNC Thruway Bus service; and,

WHEREAS, economic development, tourism and job creation will benefit through the enhancement of a passenger rail and bus system that serves the citizens of North Carolina and visitors to our state; and,

WHEREAS, we applaud the State of North Carolina for development of comprehensive intercity rail and transportation services in urban jurisdictions through the state, and recognize that Asheville and Western North Carolina have been without a passenger rail connection since 1975; and,

WHEREAS, there is a vital need to provide a strong and balanced transportation system that promotes freight and passenger service; and,

WHEREAS, an increase in state funding for bus-rail service in North Carolina is necessary to connect our small urban and rural areas of the state with the urbanized centers of our state; and,

WHEREAS, support by local and state elected officials is essential for the future of alternative transportation in North Carolina, such as the successful Amtrak Thruway bus-rail service between Morehead City and Wilson and between Wilmington and Wilson; and,

WHEREAS, support and utilization of transportation improvements by business and commercial interests is essential for the successful deployment of alternative transportation modes in North Carolina, especially in Western North Carolina; and,

WHEREAS, this resolution is a vehicle to express the twenty years of unified support of communities and chambers of commerce throughout Western North Carolina for increased statewide funding for bus- rail service; and,

WHEREAS, rail and bus linkages between communities and regions within North Carolina establish and strengthen social, historical, commercial and cultural bonds; and,

WHEREAS, the average return on investment for the surrounding community for station revitalizations throughout North Carolina is more than one dollar for every dollar invested, as demonstrated in Salisbury, Morganton, Marion, Old Fort and Asheville (with purchase of land); and,

WHEREAS, the associated improvements to rail facilities have increased the efficiency and safety of rail service, helped attract new freight traffic and provided environmental benefits by reducing the impact of traffic congestion on North Carolina's highways, particularly Interstate 40; and,

WHEREAS, an integrated bus-rail system will enhance accessibility and reliability for citizens, tourists and businesses in Western North Carolina, and by extension to the entire State of North Carolina; and,

WHEREAS, North Carolina Department of Transportation's Rail Division has agreed to manage, subject to NC Legislative appropriation, contract development and implementation of Amtrak Thruway bus service between Salisbury and Asheville, similar to the successful Amtrak Thruway bus-rail service in Eastern North Carolina that was intended to be extended to Western North Carolina.

WHEREAS, the WNC Rail Committee is committed to working with the local communities to effectively market Thruway Bus service in WNC and provide other local assistance/services as appropriate to help insure the connection service's long term success; and,

NOW, THEREFORE, BE IT RESOLVED, that the Town of Valdese, through the adoption of this resolution, fully supports the creation of an attractive, marketable and cost effective bus-rail connection service for Western North Carolina, that includes sufficient new funding for a two year trial period by the North Carolina General Assembly to the North Carolina Department of Transportation Rail Division for the proposed Amtrak Thruway bus service between Asheville and Salisbury. This service will be evaluated prior to the completion of two years of service by Amtrak, the North Carolina Department of Transportation Rail Division, the Western North Carolina Rail Committee, Inc. and the communities served by the Salisbury-Asheville bus-rail connection to determine its viability and whether continued funding from the North Carolina General Assembly should be sought by the parties.

Adopted this ____ day of _____, 2019

Printed Name of Organization / Entity

By: _____
Signature of Authorized Signer

Printed Name of Authorized Signer

Printed Title of Authorized Signer

Memorandum

To: John Black, Mayor
Town Council Member

From: Larry Johnson, Planning Director
Hunter Nestor, Technical Assistance Planner

Date: February 21, 2019

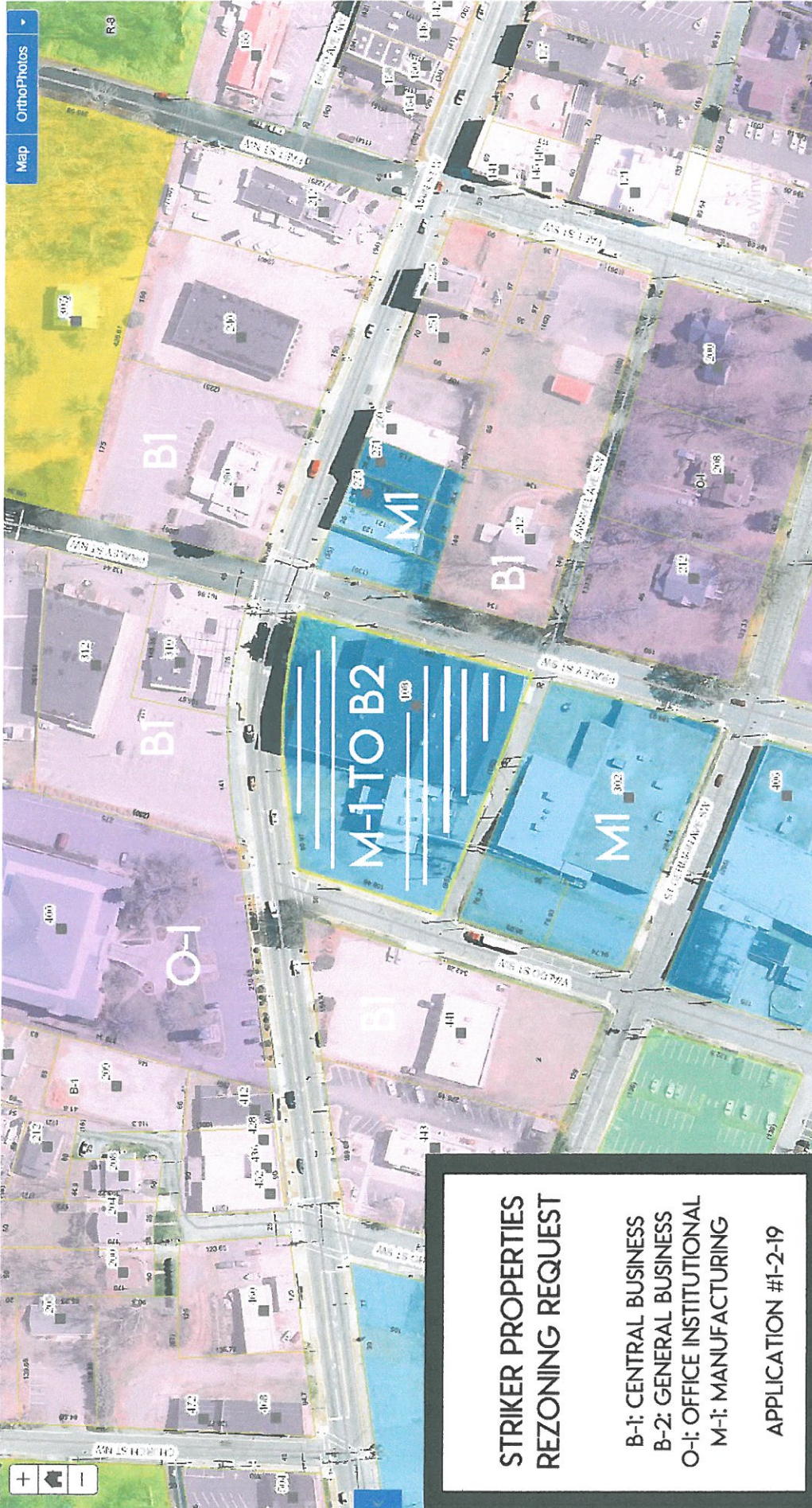
Subject: Set Public Hearing Date
Zoning Map Amendments

Staff respectfully request that Council set April 1st, 2019 as the date to hold a public hearing for Zoning Map (rezoning) Amendment 1-2-19.

The Town has received a petition from Striker Properties LLC requesting their property be rezoned from M-1 Manufacturing to B-2 General Business. Any change in the zoning map requires a public hearing by Town Council.

Staff will present the recommendation of the Valdese Planning Board on the Rezoning. A location map is attached for your review.

If you have comments or questions, please contact me.



Eddie & Brenda Zimmerman
Waldensian Style Wines
2340 Quail Run
Connelly Springs, NC 28612

Town of Valdese,

Respectfully request to sell wine at the April Craft Market event held on April 13, 2019 from 9:00am until 4:00pm in the Old Rock School Waldensian Room. All our wines are listed as North Carolina wines. Waldensian style Wines does have a Special Event permit and will follow the guidelines enforced by the North Carolina ABC Commission.

Thank you!



Eddie Zimmerman



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: Mayor and Town Council

FROM: Seth Eckard, Town Manager

DATE: March 1, 2019

SUBJECT: Valdese ABC Board Reappointment

Staff recommends the reappointment of John Heilman to a first, three-year term on the Valdese ABC Board. The term will expire April 1, 2022.

COUNCIL AGENDA MEMO

To: Town Clerk
From: Bo D. Weichel / Finance Director
Date: 2/07/2019
Agenda: 3/04/2019
Re: 2018 Delinquent Taxes

REQUEST

G.S. 105-369(a) mandates that the tax collector must first inform the governing body of and then advertise the "total amount of unpaid taxes for the current fiscal year that are liens on real property".

BACKGROUND

A taxing unit has the option of also advertising personal property taxes that are not a lien on real property, but the cost of that advertisement may not be passed along to taxpayers as is the cost of the real property tax lien advertisement. The amount advertised should be only the principal amount of taxes owed, not including any interest, costs, or fees.

G.S. 105-369(c) requires that real property tax liens for the current year be advertised at any time from March 1 through June 30.

Three actions must occur before the advertisement may be published and posted. (1) The governing body is informed of the "total amount of unpaid taxes for the current fiscal year that are liens on real property". (2) The governing body must issue an order to the tax collector to advertise the tax liens; the order will be issued, presumably, immediately upon receipt of the tax collector's report. (3) At least thirty days before the advertisement is published and posted, the tax collector must provide written notice to the affected taxpayers of the intent to publish outstanding current tax liens.

ANALYSIS

In compliance with item (1) above, the Tax Collector reports a total amount of unpaid 2018 Real Property taxes to be \$145,137.19.

In compliance with item (3) above, written notice was provided on February 7, 2019.

RECOMMENDATION

The Tax Collector has informed Town Council of the unpaid tax amounts for the current fiscal year. It is recommended that Council issue an order to advertise all real tax amounts in the Morganton News Herald in an attempt to collect the outstanding amounts. The advertisement date will be Sunday April 14, 2019.

BUDGET ANALYSIS:***Budgetary Action***

Is a Budget Amendment required?

Yes

☐

No

☒
LIST THE EXPENDITURE CODE:

**ORDER OF THE TOWN OF VALDESE CITY COUNCIL
IN ACCORDANCE WITH NCGS 105-369**

State of North Carolina
Town of Valdese

To: Apryl Hardin, Tax Collector, Town of Valdese

- You are hereby authorized, empowered, and commanded to advertise tax liens on real property for failure to pay 2018 property taxes.
- You shall advertise said liens by publishing each lien in the local newspaper having general circulation in Valdese and adjacent areas.
- Advertisement of the liens shall be made on **Sunday April 14, 2019**

This order shall be full and sufficient authority to direct, require, and enable you to advertise said tax liens in accordance with North Carolina General Statute 105-369.

Witness my hand and official seal, this 4th day of March 2019.

John F. Black Jr.
Mayor

Attest:

Frances Hildebran
Clerk

Valdese Town Council Meeting

Monday, March 04, 2019

Budget Amendment #

25

Subject:

Waterside tax incentive agreement

refund of 50% of taxes paid exceeds current budget amount

Memorandum:

As per discussions held in previous council meetings pertaining to the subject, the following budget amendment is essential in order to appropriate the necessary funds.

Proposed Action:

BE IT ORDAINED by the Governing Board of the Town of Valdese, North Carolina that the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2018:

Section I:

To amend the General Fund, the expenditures are to be changed as follows:

Account	Description	Increase/ Debit	Decrease/ Credit
10.3120.001	Tax Refunds - Waterside	3,909	
Total		\$3,909	

This will result in a net decrease of \$3909 in the revenues of the General Fund. To provide funding for the above, the following revenue budgets will be increased. These additional revenues have already been received.

Account	Description	Decrease/ Debit	Increase/ Credit
10.3010.161	2016 Ad Valorem Tax		3,909
Total			\$3,909

Section I:

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, March 04, 2019

Budget Amendment #

26

Subject:

Unrecognized Revenue in Lakeside Park CPO

Memorandum:

As per discussions held in previous council meetings pertaining to the subject, the following budget amendment is essential in order to appropriate the necessary funds.

Proposed Action:

BE IT ORDAINED by the Governing Board of the Town of Valdese, North Carolina that the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2018:

Section I:

To amend the General Fund, the expenditures are to be changed as follows:

Account	Description	Increase/ Debit	Decrease/ Credit
53.6200.151	Other Improvements	26,467	
Total		\$26,467	

This will result in a net increase of \$26,467 in the expenditures of the Lakeside Park Fund. To provide funding for the above, the following revenue budgets will be increased. These additional revenues have already been received.

Account	Description	Decrease/ Debit	Increase/ Credit
53.3970.022	Donations		25,000
53.3970.003	Donations-Kellex		1,467
Total			\$26,467

Section I:

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 New Hires

[illegible]

TOWN OF VALDESE
VALDESE, NORTH CAROLINA

Financial Statements, Supplemental Schedules,
Independent Auditors' Report, and Compliance Reports
For the Year Ended June 30, 2018

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

**TOWN OF VALDESE
VALDESE, NORTH CAROLINA**

**Town Officials
June 30, 2018**

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

Jerry LaMaster

Roy Sweezy

Susan Stevenson

Apryl Hardin

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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**TOWN OF VALDESE
VALDESE, NORTH CAROLINA**

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TOWN OF VALDESE
VALDESE, NORTH CAROLINA

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VALDESE, NORTH CAROLINA**

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Financial 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

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, 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, 2018, and the related notes to the financial statements, which collectively comprise the Town of Valdese, North Carolina'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, 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 June 30, 2018, 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 Post Employment Benefits Schedule of Changes in Total OPEB Liability and Related Ratios, Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) 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 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.

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 combining and 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 February 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.



Morganton, North Carolina
February 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, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

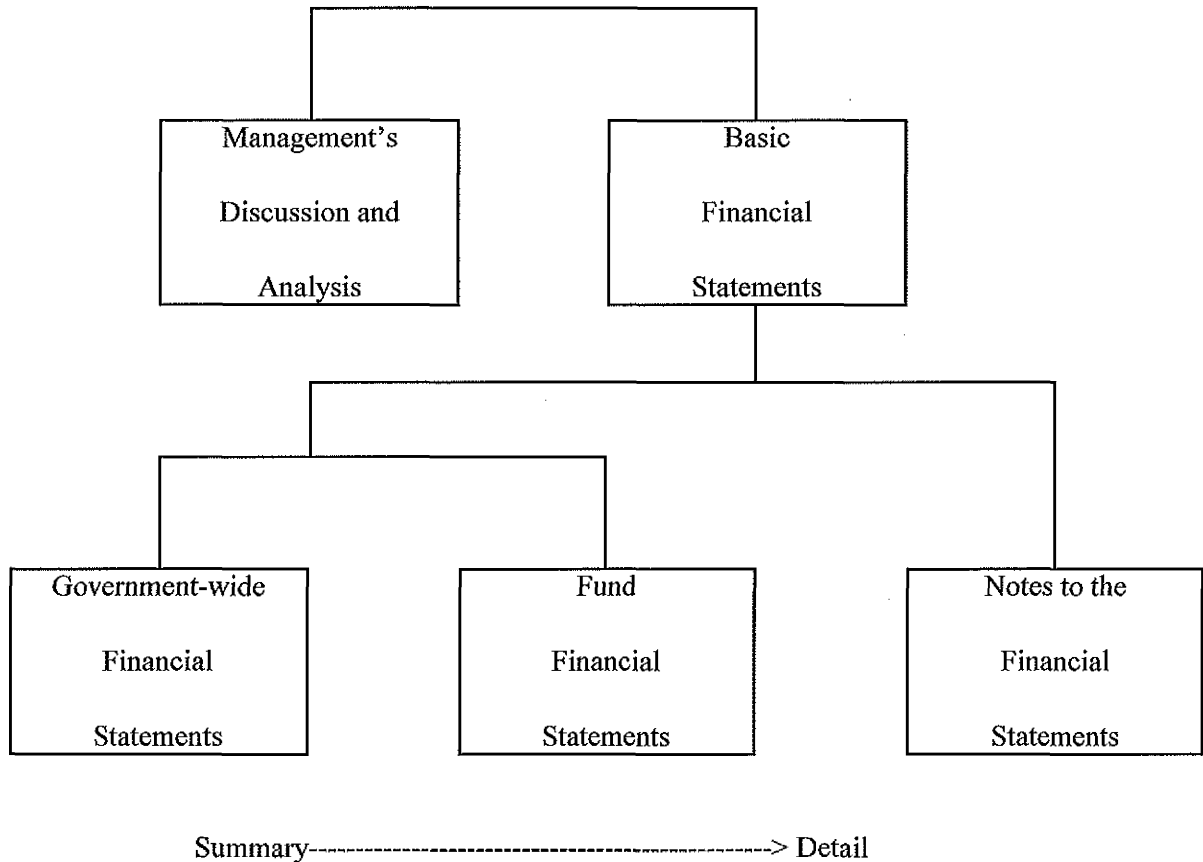
Financial Highlights

- The assets of the Town of Valdese exceeded its liabilities at the close of the fiscal year by \$28,456,272 (net position).
- The government's total net position increased by \$1,279,515.
- As of the close of the current fiscal year, the Town of Valdese's governmental funds reported combined ending fund balances of \$5,593,507, with a net decrease of \$44,628, in fund balance. Approximately 78.43 percent of this total amount, or \$4,387,346, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,357,475, or 20.90 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$6,040,391	\$6,017,970	\$ 2,088,842	\$ 2,553,792	\$ 8,129,232	\$ 8,571,763
Capital assets	6,646,194	4,793,399	20,809,528	20,584,971	27,455,722	25,378,370
Deferred outflows of resources	452,794	628,633	149,078	260,701	601,872	889,334
Total assets and deferred outflows of resources	<u>13,139,379</u>	<u>11,440,002</u>	<u>23,047,447</u>	<u>23,399,464</u>	<u>36,186,825</u>	<u>34,839,466</u>
Long-term liabilities outstanding	4,788,039	4,105,353	2,497,585	2,760,552	7,285,624	6,865,905
Other liabilities	110,222	199,415	283,953	552,490	394,175	751,905
Deferred inflows of resources	36,902	32,918	13,851	11,980	50,753	44,898
Total liabilities	<u>4,935,163</u>	<u>4,337,686</u>	<u>2,795,391</u>	<u>3,325,022</u>	<u>7,730,552</u>	<u>7,662,708</u>
Net position:						
Net investment in capital assets	3,504,042	2,202,773	18,692,988	18,218,413	22,197,030	20,421,186
Restricted	746,910	914,816	-	-	746,910	914,816
Unrestricted	<u>3,953,264</u>	<u>3,984,727</u>	<u>1,559,068</u>	<u>1,856,028</u>	<u>5,512,332</u>	<u>5,840,755</u>
Total net position	<u>\$8,204,216</u>	<u>\$7,102,316</u>	<u>\$20,252,056</u>	<u>\$20,074,441</u>	<u>\$28,456,272</u>	<u>\$27,176,757</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 \$28,456,272 as of June 30, 2018. The Town's net position increased by \$1,279,515 for the fiscal year ended June 30, 2018. However, the largest portion 78.00% 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 \$746,910 (2.62%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,512,332 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 96.39%
- 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
Changes in Net Position**

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 701,158	\$ 683,208	\$ 4,675,456	\$ 4,633,657	\$ 5,376,614	\$ 5,316,865
Operating grants and contributions	556,663	263,558	-	-	556,663	263,558
Capital grants and contributions	1,321,941	495,930	909,142	-	2,231,083	495,930
General revenues:						
Property taxes	2,194,177	1,941,748	-	-	2,194,177	1,941,748
Other taxes	1,695,834	1,609,853	-	-	1,695,834	1,609,853
Other	293,474	70,027	16,919	6,958	310,393	76,985
Total revenues	6,763,247	5,064,324	5,601,517	4,640,615	12,364,764	9,704,939
Expenses:						
General government	1,304,120	1,248,685	-	-	1,304,120	1,248,685
Public safety	1,827,730	1,549,373	-	-	1,827,730	1,549,373
Transportation	750,751	902,997	-	-	750,751	902,997
Environmental protection	231,403	220,941	-	-	231,403	220,941
Economic and physical development	329,773	731,165	-	-	329,773	731,165
Culture and recreation	1,607,968	1,426,464	-	-	1,607,968	1,426,464
Interest on long-term debt	86,388	133,460	-	-	86,388	133,460
Water and sewer	-	-	4,544,064	5,390,251	4,544,064	5,390,251
Total expenses	6,138,133	6,213,085	4,544,064	5,390,251	10,682,197	11,603,336
Increase (decrease) in net position before transfer	625,114	(1,148,761)	1,057,453	(749,636)	1,682,567	(1,898,396)
Transfers	815,348	585,000	(815,348)	(585,000)	-	-
Increase (decrease) in net position	\$ 1,440,463	\$ (563,761)	\$ 242,104	\$ (1,334,636)	\$ 1,682,567	\$ (1,898,396)
Net position - July 1, previously reported	\$ 7,102,316	\$ 7,817,935	\$ 20,074,441	\$ 21,409,079	\$27,176,757	\$ 29,227,014
Restatement	(338,563)	(151,859)	(64,488)	-	(403,051)	(151,859)
Net position - July1, restated	6,763,753	7,666,076	20,009,953	21,409,079	26,773,706	29,075,155
Increase (decrease) in net position	1,440,463	(563,760)	242,104	(1,334,636)	1,682,567	(1,898,396)
Net position - June 30	\$ 8,204,216	\$ 7,102,316	\$ 20,252,056	\$ 20,074,441	\$28,456,272	\$ 27,176,757

Governmental Activities - Governmental activities increased the Town's net position by \$1,440,463. 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 lower and expenditures higher than anticipated.
- Unanticipated large maintenance items.

Business-type Activities - Business-type activities increased the Town of Valdese's net position by \$242,104. 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.
- Unanticipated maintenance and replacement of capital equipment.

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 \$1,357,475, while the total fund balance reached \$2,166,052. The Town currently has an available fund balance of 20.90 percent of General Fund expenditures, while the total fund balance represents 33.34 percent of that same amount.

At June 30, 2018, the governmental funds of the Town of Valdese reported a combined fund balance of \$5,593,507, an .80 percent decrease from last year. Included in this change in fund balance are decreases in the fund balance in the General Fund and an increase 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 \$1,559,068. The total change in net position was an increase of \$242,104. 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, 2018, totals \$27,455,722 (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.
- Investment in downtown streetscape beautification.

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

Figure 4

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$1,870,979	\$ 563,782	\$ 322,980	\$ 322,980	\$ 2,193,959	\$ 886,762
Buildings	3,463,823	3,587,195	-	-	3,463,823	3,587,195
Plant and distribution systems	-	-	15,945,957	16,735,874	15,945,957	16,735,874
Equipment	403,822	474,476	216,707	121,372	620,529	595,848
Vehicles and motorized equipment	907,570	167,946	143,888	133,892	1,051,458	301,838
Construction in progress	-	-	4,179,994	3,270,852	4,179,994	3,270,852
Total	<u>\$6,646,194</u>	<u>\$4,793,399</u>	<u>\$20,809,528</u>	<u>\$20,584,971</u>	<u>\$27,455,722</u>	<u>\$25,378,370</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, 2018 the Town of Valdese had total bonded debt outstanding of \$5,258,691.

The Town of Valdese's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds	\$3,142,152	\$2,590,626	\$1,627,791	\$1,708,576	\$4,769,943	\$4,299,202
State loans and bonds	-	-	488,748	657,982	488,748	657,982
Total	<u>\$3,142,152</u>	<u>\$2,590,626</u>	<u>\$2,116,539</u>	<u>\$2,366,558</u>	<u>\$5,258,691</u>	<u>\$4,957,184</u>

The Town of Valdese's total debt increased by \$301,507 (6.08%) 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 \$23,690,181.

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%.
- 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 continue next fiscal year.
- 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, 2019

Governmental Activities - In light of the continuing local economic pressures, the Town of Valdese adopted a conservative budget for the fiscal year beginning July 1, 2018.

The property tax rate will probably remain the same at \$0.545 per one hundred dollars (\$100) valuation. Also, some small increases in revenues will be realized due to residential development. Revenues from permits and fees should show a modest increase. Along with the additional capital needs, the Town will use these increases in revenues to finance employee benefits and programs currently in place.

Budget expenditures for the General Fund are expected to increase. Budgeted expenditures in the General Fund (excluding the previous year's one time capital expenditures and transfers) are expected to increase. This increase is primarily due to an increased cost of additional capital needs, employee compensation, benefits, and inflation.

Business-type Activities - The water and sewer rates in the Town will probably be held at the same level on the residential, commercial, and industrial customer's base rate. The Town has determined that sufficient revenues will be generated from these rates to cover the needs of the Utilities.

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

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TOWN OF VALDESE, NORTH CAROLINA

Exhibit 1

Statement of Net Position

June 30, 2018

	Primary Government			Town of Valdese ABC Board
	Governmental Activities	Business- type Activities	Total	
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 4,865,913	\$ 468,680	\$ 5,334,593	\$ 40,799
Restricted cash and investments	151,314	68,864	220,178	-
Taxes receivable, net	272,911	-	272,911	-
Accounts receivable, net	56,061	1,319,585	1,375,646	-
Interest receivable	63,751	-	63,751	-
Due from other governmental agencies	345,591	-	345,591	-
Note receivable from component unit	162,775	-	162,775	-
Prepaid expenses	33,059	-	33,059	-
Inventories	89,016	231,712	320,728	147,618
Total current assets	<u>6,040,391</u>	<u>2,088,842</u>	<u>8,129,232</u>	<u>188,417</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable assets and construction in progress	1,870,979	4,502,975	6,373,954	-
Other capital assets, net of depreciation	<u>4,775,215</u>	<u>16,306,553</u>	<u>21,081,768</u>	<u>90,081</u>
Total capital assets	<u>6,646,194</u>	<u>20,809,528</u>	<u>27,455,722</u>	<u>90,081</u>
Total non-current asset	<u>6,646,194</u>	<u>20,809,528</u>	<u>27,455,722</u>	<u>90,081</u>
Total assets	<u>12,686,585</u>	<u>22,898,369</u>	<u>35,584,953</u>	<u>278,499</u>
Deferred outflows of resources	<u>452,794</u>	<u>149,078</u>	<u>601,872</u>	<u>-</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and other current liabilities	110,222	215,109	325,331	73,702
Customer deposits	-	68,844	68,844	-
Long-term liabilities				
Due within one year	334,990	225,684	560,674	-
Due in more than one year	<u>4,453,049</u>	<u>2,271,901</u>	<u>6,724,950</u>	<u>162,775</u>
Total liabilities	<u>4,898,261</u>	<u>2,781,540</u>	<u>7,679,799</u>	<u>236,477</u>
Deferred inflows of resources	<u>36,902</u>	<u>13,851</u>	<u>50,753</u>	<u>-</u>
<u>Net Position</u>				
Net investment in capital assets	3,504,042	18,692,988	22,197,030	(35,809)
Restricted for stabilization by state statute	686,502	-	686,502	-
Restricted for town revitalization	24,880	-	24,880	-
Restricted for streets	35,528	-	35,528	-
Unrestricted	<u>3,953,264</u>	<u>1,559,068</u>	<u>5,512,332</u>	<u>77,831</u>
Total net position	<u>\$ 8,204,216</u>	<u>\$ 20,252,056</u>	<u>\$ 28,456,272</u>	<u>\$ 42,022</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,304,120	\$ 92,513	\$ -	\$ -
Public safety	1,827,730	2,046	1,041	-
Transportation	750,751	-	146,610	28,904
Environmental protection	231,403	226,587	-	-
Cultural and recreational	1,607,968	380,012	409,012	1,293,037
Economic and physical development	329,773	-	-	-
Interest on long-term debt	86,388	-	-	-
Total governmental activities	<u>6,138,133</u>	<u>701,158</u>	<u>556,663</u>	<u>1,321,941</u>
Business-type activities:				
Water and sewer	<u>4,544,064</u>	<u>4,675,456</u>	<u>-</u>	<u>909,142</u>
Total business-type activities	<u>4,544,064</u>	<u>4,675,456</u>	<u>-</u>	<u>909,142</u>
Total primary government	<u>10,682,197</u>	<u>5,376,614</u>	<u>556,663</u>	<u>2,231,083</u>
Component unit:				
ABC Board	<u>1,000,882</u>	<u>1,050,371</u>	<u>-</u>	<u>-</u>
Total component unit	<u>972,225</u>	<u>1,015,607</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			
		Business-		
Functions/Programs	Governmental	type	Total	Town of Valdese
	Activities	Activities		ABC Board
Governmental activities:				
General government	\$ (1,211,607)	\$ -	\$ (1,211,607)	\$ -
Public safety	(1,824,643)	-	(1,824,643)	-
Transportation	(575,237)	-	(575,237)	-
Environmental protection	(4,816)	-	(4,816)	-
Cultural and recreational	474,093	-	474,093	-
Economic and physical development	(329,773)	-	(329,773)	-
Interest on long-term debt	(86,388)	-	(86,388)	-
Total governmental activities	(3,558,371)	-	(3,558,371)	-
Business-type activities:				
Water and sewer	-	1,040,534	1,040,534	-
Total business-type activities	-	1,040,534	1,040,534	-
Total primary government	(3,558,371)	1,040,534	(2,517,837)	-
Component unit:				
ABC Board	-	-	-	49,489
Total component unit	-	-	-	49,489
General revenues:				
Taxes:				
Property taxes	2,194,177	-	2,194,177	-
Local option sales tax	1,173,574	-	1,173,574	-
Franchise tax	403,121	-	403,121	-
Other taxes and licenses	119,139	-	119,139	-
Unrestricted investment and earnings	20,522	5,561	26,083	-
Miscellaneous	272,952	11,358	284,310	51
Transfers	815,348	(815,348)	-	-
Total general revenues, special items and transfers	4,998,833	(798,429)	4,200,404	51
Change in net position	1,440,463	242,104	1,682,568	49,540
Net position - previously reported	7,102,316	20,074,441	27,176,757	(7,519)
Restatement	(338,563)	(64,488)	(403,051)	-
Net position - beginning restated	6,763,753	20,009,953	26,773,706	(7,519)
Net position - ending	\$ 8,204,216	\$ 20,252,056	\$ 28,456,272	\$ 42,022

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds			
	General	Lakeside Park Capital Project	Total Non-Major	Total Governmental
<u>Assets</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Cash and investments	\$ 1,438,458	\$ 32,364	\$ 3,395,091	\$ 4,865,912
Restricted cash and investments	151,314	-	-	151,314
Taxes receivable, net	272,911	-	-	272,911
Accounts receivable, net	56,061	-	-	56,061
Loan receivable	162,775	-	-	162,775
Due from other governmental agencies	345,591	-	-	345,591
Prepaid expenses	33,059	-	-	33,059
Inventories	89,016	-	-	89,016
Total assets	<u>\$ 2,549,184</u>	<u>\$ 32,364</u>	<u>\$ 3,395,091</u>	<u>\$ 5,976,639</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and other				
current liabilities	\$ 110,222	\$ -	\$ -	\$ 110,222
Total liabilities	<u>110,222</u>	<u>-</u>	<u>-</u>	<u>110,221</u>
Deferred inflows of resources:				
Property taxes receivable	<u>272,911</u>	<u>-</u>	<u>-</u>	<u>272,911</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	33,059	-	-	33,059
Inventories	89,016	-	-	89,016
Restricted:				
Stabilization by State Statute	686,502	-	-	686,502
Town revitalization	-	-	24,880	24,880
Streets	35,528	-	-	35,528
Committed:				
USDA reserve	115,786	-	-	115,786
Assigned:				
Capital projects	-	32,364	3,370,211	3,402,575
Unassigned	<u>1,206,161</u>	<u>-</u>	<u>-</u>	<u>1,206,161</u>
Total fund balances	<u>2,166,052</u>	<u>32,364</u>	<u>3,395,091</u>	<u>5,593,507</u>
Total liabilities and fund balances	<u>\$ 2,549,184</u>	<u>\$ 32,364</u>	<u>\$ 3,395,091</u>	<u>\$ 5,976,639</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, 2018**

Total governmental fund balances	\$ 5,593,507
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.	6,646,194
Deferred outflows of resources related to pensions are not reported in the funds	413,170
Deferred outflows of resources related to OPEB are not reported in the funds	39,624
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	336,662
Deferred inflows of resources related to pensions are not reported in the funds	(36,059)
Deferred inflows of resources related to OPEB are not reported in the funds	(843)
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>(4,788,039)</u>
Net position of governmental activities	<u><u>\$ 8,204,216</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, 2018

	Major Fund			
	General	Lakeside Park Capital Project	Total Non-Major	Total Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues:				
Ad valorem taxes	\$ 2,037,931	\$ -	\$ -	\$ 2,037,931
Other taxes and licenses	1,131,380	-	-	1,131,380
Unrestricted intergovernmental revenues	582,924	-	-	582,924
Restricted intergovernmental revenues	146,610	961,659	-	1,108,269
Sales and services	678,724	-	-	678,724
Investment earnings	11,611	-	8,911	20,522
Other revenues	136,215	405,000	9,017	550,232
Total revenues	<u>4,725,397</u>	<u>1,366,659</u>	<u>17,928</u>	<u>6,109,984</u>
Expenditures:				
Current:				
General government	1,221,551	-	-	1,221,551
Public safety	2,513,838	-	-	2,513,838
Environmental protection	237,996	-	-	237,996
Transportation	686,622	-	-	686,622
Cultural and recreational	1,422,028	1,354,670	-	2,776,698
Economic and physical development	-	-	329,773	329,773
Debt service:				
Principal	298,474	-	-	298,474
Interest and other charges	86,388	-	-	86,388
Total expenditures	<u>6,466,899</u>	<u>1,354,670</u>	<u>329,773</u>	<u>8,151,340</u>
Revenues over (under) expenditures	<u>(1,741,501)</u>	<u>11,989</u>	<u>(311,845)</u>	<u>(2,041,356)</u>
Other Financing Sources (Uses):				
Proceeds from long term debt	850,000	-	331,378	1,181,378
Operating transfers - in	744,388	20,375	136,800	901,563
Operating transfers - out	(28,375)	-	(57,840)	(86,215)
Total other financing sources (uses)	<u>1,566,013</u>	<u>20,375</u>	<u>410,338</u>	<u>1,996,726</u>
Net change in fund balances	<u>(175,488)</u>	<u>32,364</u>	<u>98,492</u>	<u>(44,628)</u>
Fund balances, beginning	<u>2,341,540</u>	<u>-</u>	<u>3,296,599</u>	<u>5,638,139</u>
Fund balances, ending	<u>\$ 2,166,052</u>	<u>\$ 32,364</u>	<u>\$ 3,395,091</u>	<u>\$ 5,593,507</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, 2018**

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

Net changes in fund balances - total governmental funds	\$ (44,628)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,852,795
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	171,708
OPEB benefit payments and administrative cost made in the current fiscal year are not included on the Statement of Activities	17,689
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.	(156,246)
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.	(551,526)
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 Pension expense Compensated absences	(11,722) 150,199 12,194
Total changes in net position of governmental activities	<u>\$ 1,440,463</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, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,972,584	\$ 2,056,584	\$ 2,037,931	\$ (18,653)
Other taxes and licenses	1,094,837	1,104,837	1,131,380	26,543
Unrestricted intergovernmental revenues	545,128	585,128	582,924	(2,204)
Restricted intergovernmental revenues	145,258	145,258	146,610	1,352
Sales and services	684,920	675,915	678,724	2,809
Investment earnings	11,300	16,300	11,611	(4,689)
Other revenues	35,187	175,567	136,215	(39,352)
Total revenues	<u>4,489,214</u>	<u>4,759,589</u>	<u>4,725,397</u>	<u>(34,193)</u>
Expenditures:				
Current:				
General government	1,250,583	1,392,983	1,221,551	171,432
Public safety	1,573,445	1,637,445	2,513,838	(876,393)
Transportation	114,573	719,511	686,622	32,889
Environmental protection	247,728	253,728	237,996	15,732
Cultural and recreational	1,106,033	1,554,707	1,422,028	132,679
Debt service:				
Principal	378,612	380,400	298,474	81,926
Interest and other charges	86,388	84,600	86,388	(1,788)
Total expenditures	<u>4,757,362</u>	<u>6,023,374</u>	<u>6,466,899</u>	<u>(443,523)</u>
Revenues over (under) expenditures	<u>(268,148)</u>	<u>(1,263,785)</u>	<u>(1,741,501)</u>	<u>(477,716)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	43,675	-	(43,675)
Proceeds from long term debt	-	354,522	850,000	495,478
Operating transfers - in (out)	268,148	865,588	716,013	(149,575)
Total other financing sources (uses)	<u>268,148</u>	<u>1,263,785</u>	<u>1,566,013</u>	<u>302,228</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(175,488)</u>	<u>\$ (175,488)</u>
Fund balance, beginning			<u>2,341,540</u>	
Fund balance, ending			<u>\$ 2,166,052</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, 2018

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
<u>Assets</u>	
Current assets:	
Cash and investments	\$ 468,680
Accounts receivable, net	1,319,585
Inventories	231,712
Restricted cash and cash equivalents	68,864
Total current assets	<u>2,088,842</u>
Non current assets:	
Capital assets:	
Land and improvements	322,980
Buildings and improvements	20,008,947
Distribution systems	19,011,436
Furniture and maintenance equipment	1,535,339
Vehicles	814,104
Construction in progress	4,179,995
Less accumulated depreciation	<u>(25,063,274)</u>
Capital assets, net	<u>20,809,528</u>
Total noncurrent assets	<u>20,809,528</u>
Total assets	<u>22,898,369</u>
Deferred Outflows of Resources	<u>149,078</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other current liabilities	215,109
Customer deposits	68,844
General obligation bonds payable - current	56,451
Loans payable - current	<u>169,233</u>
Total current liabilities	509,637
Noncurrent liabilities:	
General obligation bonds payable	1,571,340
Loans payable	319,516
Net pension liability	187,804
Other postemployment benefits liability	128,850
Accrued compensated absences	<u>64,391</u>
Total liabilities	<u>2,781,540</u>
Deferred Inflows of Resources	<u>13,851</u>
<u>Net Position</u>	
Net investment in capital assets	18,692,988
Unrestricted	<u>1,559,068</u>
Total net position	<u>20,252,056</u>
Net position of business-type activities	<u>\$ 20,252,056</u>
<i>The notes to the financial statements are an integral part of this statement.</i>	

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, 2018

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
Operating Revenues:	
Charges for services	\$ 4,002,285
Other operating revenues	673,171
Total operating revenues	<u>4,675,456</u>
Operating Expenses:	
Administration	841,116
Water supply and treatment	844,745
Wastewater treatment	1,109,887
Water and sewer maintenance	808,488
Depreciation	856,470
Total operating expenses	<u>4,460,705</u>
Operating income (loss)	<u>214,751</u>
Nonoperating Revenues (Expenses):	
Rent	810
Investment earnings	5,561
Interest expense	(83,359)
Other	10,548
Nonoperating revenues (expenses), net	<u>(66,441)</u>
Income (loss) before operating transfers and capital contributions	148,310
Capital contributions	909,142
Transfers (to) from other funds:	
General fund	(694,148)
Capital project funds	<u>(121,200)</u>
Change in net position	<u>242,104</u>
Total net position - beginning, as previously reported	20,074,441
Restatement	<u>(64,488)</u>
Total net position- beginning, restated	<u>20,009,953</u>
Total net position- ending	<u>\$ 20,252,056</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, 2018

	<u>Enterprise Fund</u>
	<u>Utility</u>
	<u>Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 4,715,863
Cash paid for goods and services	(3,561,962)
Cash paid to employees	<u>(275,596)</u>
Net cash provided (used) by operating activities	<u>878,305</u>
Cash Flows From Noncapital Financing Activities:	
Operating transfers out	<u>(815,348)</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(984,876)
Principal paid on bonds	(250,018)
Interest paid on bonds	(83,359)
Other	<u>11,358</u>
Net cash provided (used) for capital and related financing activities	<u>(1,306,895)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>5,561</u>
Net cash provided (used) by investing activities	<u>5,561</u>
Net increase (decrease) in cash and cash equivalents	(1,238,377)
Cash and cash equivalents at beginning of year	<u>1,775,921</u>
Cash and cash equivalents at end of year	<u><u>\$ 537,544</u></u>
	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, 2018

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 214,751
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	856,470
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in receivables	46,046
(Increase) decrease in deferred outflows of resources - pension	112,132
(Increase) decrease in deferred outflows of resources - OPEB	(509)
Increase (decrease) in inventories	(6,478)
Increase (decrease) in net pension liability	(80,108)
Increase (decrease) in payables	(272,266)
Increase (decrease) in accrued vacation pay and other postemployment benefits	2,671
Increase (decrease) in deferred inflows of resources - pension	(5,769)
Increase (decrease) in deferred inflows of resources - OPEB	7,640
Increase (decrease) in customer deposits	3,725
Total adjustments	<u>663,554</u>
Net cash provided (used) by operating activities	<u>\$ 878,305</u>

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

TOWN OF VALDESE, NORTH CAROLINA

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of 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, 2018

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.

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

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 Lake Rhodhiss Plant.

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

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, 2018

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, 2018

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, 2018**

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, 2018

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

\$ 35,528

USDA

115,786

Total governmental activities

151,314

Business-type activities

Water and sewer fund

Customer deposits

68,864

Total restricted cash

\$220,178

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017. 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, 2018

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, 2018**

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, 2018**

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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, 2018

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

For the fiscal year ended June 30, 2018, the expenditures made by the Town's General Fund exceeded the authorized appropriations made by the governing board for the fire department by \$826,010. This over-expenditure occurred due the purchase of a fire truck during the 2017/2018 fiscal year. The proceeds from the financing and the expenditure for the truck were not included in the final budget for the year.

TOWN OF VALDESE, NORTH CAROLINA

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

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 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, 2018, the Town's deposits had a carrying amount of \$4,795,397 and a bank balance of \$4,980,572. Of the bank balance, \$500,000 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 \$40,799 and the bank balance was \$50,249. 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, 2018

2. Investments

At June 30, 2018, the Town had \$759,374 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 6/30/18</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust Government Portfolio	Amortized Cost	<u>\$759,374</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 as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:				
General	\$ 56,061	\$ 444,612	\$345,591	\$ 846,264
Other governmental	-	-	-	-
Total	<u>56,061</u>	<u>444,612</u>	<u>345,591</u>	<u>846,264</u>
Allowance for doubtful accounts	<u>-</u>	<u>(107,950)</u>	<u>-</u>	<u>(107,950)</u>
Total - governmental activities	<u>\$ 56,061</u>	<u>\$ 336,662</u>	<u>\$345,591</u>	<u>\$ 738,314</u>
Business-type activities:				
Utility fund	\$506,592	\$ -	\$812,993	\$1,319,585
Allowance for doubtful accounts	-	-	-	-
Total - business-type activities	<u>\$506,592</u>	<u>\$ -</u>	<u>\$812,993</u>	<u>\$1,319,585</u>

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

Sales tax and utility franchise tax	\$ 345,591
Grants	<u>812,993</u>
	<u>\$1,158,584</u>

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>\$107,950</u>

TOWN OF VALDESE, NORTH CAROLINA

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

4. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2018 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	\$ 563,782	\$1,307,197	\$ -	\$1,870,979
Total capital assets not being depreciated	<u>563,782</u>	<u>1,307,197</u>	<u>-</u>	<u>1,870,979</u>
Capital assets being depreciated:				
Buildings	6,886,251	1,190	-	6,887,441
Equipment	1,816,437	8,450	-	1,824,887
Vehicles and motorized equipment	<u>1,922,691</u>	<u>859,311</u>	<u>-</u>	<u>2,782,002</u>
Total capital assets being depreciated	<u>10,625,379</u>	<u>868,951</u>	<u>-</u>	<u>11,494,330</u>
Less accumulated depreciation for:				
Buildings	3,299,056	124,562	-	3,423,618
Equipment	1,341,961	79,104	-	1,421,065
Vehicles and motorized equipment	<u>1,754,745</u>	<u>119,687</u>	<u>-</u>	<u>1,874,432</u>
Total accumulated depreciation	<u>6,395,762</u>	<u>323,353</u>	<u>-</u>	<u>6,719,115</u>
Total capital assets being depreciated, net	<u>4,229,617</u>	<u>545,598</u>	<u>-</u>	<u>4,775,215</u>
Governmental activity capital assets, net	<u>\$4,793,399</u>	<u>\$1,852,795</u>	<u>\$ -</u>	<u>\$6,646,194</u>

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

General government	\$ 85,290
Public safety	150,826
Transportation	27,646
Cultural and recreational	<u>59,591</u>
Total depreciation expense	<u>\$323,353</u>

TOWN OF VALDESE, NORTH CAROLINA

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

	<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>3,270,852</u>	<u>909,142</u>	-	<u>4,179,994</u>
Total capital assets not being depreciated	<u>3,593,832</u>	<u>909,142</u>	-	<u>4,502,974</u>
Capital assets being depreciated:				
Plant and distribution systems	39,020,383	-	-	39,020,383
Equipment	1,416,534	118,805	-	1,535,339
Vehicles	<u>761,026</u>	<u>53,079</u>	-	<u>814,105</u>
Total capital assets being depreciated	<u>41,197,943</u>	<u>171,884</u>	-	<u>41,369,828</u>
Less accumulated depreciation for:				
Plant and distribution systems	22,284,509	789,917	-	23,074,426
Equipment	1,295,162	23,470	-	1,318,632
Vehicles	<u>627,134</u>	<u>43,083</u>	-	<u>670,217</u>
Total accumulated depreciation	<u>24,206,805</u>	<u>856,470</u>	-	<u>25,063,275</u>
Total capital assets being depreciated, net	<u>16,991,138</u>	<u>(684,586)</u>	-	<u>16,306,553</u>
Utility fund capital assets, net	<u>\$20,584,971</u>	<u>\$ 224,556</u>	<u>\$ -</u>	<u>\$20,809,528</u>

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2018, 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	\$ -	\$ -	\$ 37,935
Leasehold improvements	156,914	-	-	156,914
Computers	<u>3,083</u>	-	-	<u>3,083</u>
Total capital assets being depreciated	<u>197,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>197,932</u>
Less accumulated depreciation for:				
Furniture and equipment	20,321	\$ 5,038	\$ -	25,359
Leasehold improvements	69,067	10,461	-	79,528
Computers	<u>2,912</u>	<u>52</u>	-	<u>2,964</u>
Total accumulated depreciation	<u>92,300</u>	<u>\$15,551</u>	<u>\$ -</u>	<u>107,851</u>
ABC capital assets, net	<u>\$105,632</u>			<u>\$ 90,081</u>

TOWN OF VALDESE, NORTH CAROLINA

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

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2018 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$110,222
Other	<u>-</u>
Total - governmental activities	<u>\$110,222</u>
Business-type activities:	
Water and Sewer	\$215,109
Total - business-type activities	<u>\$215,109</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, 2018

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, 2018 was 8.25% of compensation for law enforcement officers and 7.59% 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 \$235,238 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Town reported a liability of \$695,572 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term

TOWN OF VALDESE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.04553% which was a decrease of 0.00126% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$235,763. At June 30, 2018, 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	\$ 40,071	\$ 19,689
Change in assumptions	99,337	-
Net difference between projected and actual earnings on pension plan investments	168,886	-
Changes in proportion and differences between the Town contributions and proportionate share of contributions	6,745	3,315
Town contributions subsequent to the measurement date	<u>235,217</u>	<u>-</u>
Total	<u>\$550,256</u>	<u>\$ 23,004</u>

\$235,217 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 ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ 38,342
2020	201,734
2021	103,009
2022	<u>(51,049)</u>
	<u>\$292,036</u>

TOWN OF VALDESE, NORTH CAROLINA

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

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2018

<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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town'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 7.20 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	<u>\$2,088,124</u>	<u>\$695,572</u>	<u>\$(466,769)</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, 2018

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2014 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, 2018, the Town reported a total pension liability of \$175,301. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$15,669.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$17,531
Changes of assumptions	11,483	4,155
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$11,483</u>	<u>\$21,686</u>

TOWN OF VALDESE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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

Year ended June 30:	
2019	\$ (1,823)
2020	(1,823)
2021	(1,823)
2022	(1,823)
2023	(1,823)
Thereafter	(1,088)

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

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	<u>\$195,318</u>	<u>\$175,301</u>	<u>\$157,085</u>

Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$ 164,871
Service cost	11,128
Interest on the total pension liability	6,364
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	(20,472)
Changes of assumptions or other inputs	13,410
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 175,301</u>

TOWN OF VALDESE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$235,763	\$15,669	\$251,432
Pension liability	695,572	175,301	870,873
Proportionate share of the net pension liability	0.04553%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	40,071	-	40,071
Changes of assumptions	99,337	11,483	110,820
Net difference between projected and actual earnings on plan investments	168,886	-	168,886
Changes in proportion and differences between contributions and proportionate share of contributions	6,745	-	6,745
Benefit payments and administrative costs paid subsequent to the measurement date	235,217	-	235,217
Deferred inflows of resources			
Differences between expected and actual experience	19,689	17,531	37,220
Changes of assumptions	-	4,155	4,155
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,315	-	3,315

TOWN OF VALDESE, NORTH CAROLINA

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

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, 2018 were \$30,993, which consisted of \$25,076 from the Town and \$5,917 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, 2018

Total OPEB Liability

The Town's total OPEB liability of \$945,586 was measured as of June 30, 2017 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	3.56 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 Municipal Bond 20 Index as of the measurement date.

Changes in the Total OPEB Liability

Balance at July 1, 2016	<u>\$931,631</u>
Changes for the year	
Service Cost	57,631
Interest	27,725
Changes of benefit terms	-
Differences between expected and actual experience	3,578
Changes in assumptions or other inputs	(53,731)
Benefit payments	<u>(21,248)</u>
Net changes	<u>13,955</u>
Balance at June 30, 2017	<u>\$945,586</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

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 (2.56 percent) or 1-percentage-point- higher (4.56 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	<u>(2.56%)</u>	<u>(3.56%)</u>	<u>(4.56%)</u>
Total OPEB liability	<u>\$1,045,640</u>	<u>\$945,586</u>	<u>\$855,640</u>

TOWN OF VALDESE, NORTH CAROLINA

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

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>\$820,425</u>	<u>\$945,586</u>	<u>\$1,093,838</u>

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$79,771. At June 30, 2018, 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	\$19,588	\$ -
Changes of assumptions	-	6,063
Benefit payments and administrative costs made subsequent to the measurement date	<u>20,545</u>	<u>-</u>
Total	<u>\$40,133</u>	<u>\$6,063</u>

\$20,545 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended June 30:

2019	\$1,758
2020	1,758
2021	1,758
2022	1,758
2023	1,758
Thereafter	4,736

TOWN OF VALDESE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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	\$235,217
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	20,545
Changes of assumptions	110,820
Difference between expected and actual experience	59,659
Net difference between projected and actual earnings on pension plan investments	168,886
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,745
Total	<u>\$601,872</u>

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

Taxes receivable, less penalties (General Fund)	\$272,911
Differences between expected and actual experience	37,220
Changes of assumptions	10,218
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,315
Total	<u>\$323,664</u>

TOWN OF VALDESE, NORTH CAROLINA

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

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, 2018, 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 material 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, 2018**

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

The Town's general obligation debt serviced by the governmental funds were issued for the acquisition of equipment and Town Hall. Those general obligations debt 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. Principal and interest requirements are appropriated when due.

The Town's indebtedness at June 30, 2018 is comprised of the following individual issues:

Serviced by the General Fund:

\$350,000 USDA loan with annual payments of \$26,908, including interest at 4.50%, final payment due March 2025	\$ 143,648
\$256,899 bank note payable with annual payments of \$53,743, including interest at 2.30%, final payment due February 2021	154,086
\$130,000 bank note payable with annual payments of \$45,210, including interest at 2.15%, final payment due September 2018	44,258
\$1,826,500 USDA loan with annual payments of \$88,878, including interest at 3.75%, final payment due November 2050	1,666,248
\$473,274 bank note payable with annual payments of \$121,856, including interest at 2.00%, final payment due September 2019	236,590
\$850,000 USDA loan with annual payments of \$52,761, including interest at 2.75%, with a final payment due November 2038	850,000
\$139,198 bank note payable with annual payments of \$48,268, including interest at 2.00%, final payment due June 2019	47,322

TOWN OF VALDESE, NORTH CAROLINA

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

Serviced by the Utility Fund:

\$379,000 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	\$ 37,900
\$3,005,661 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 2020	450,849
\$1,280,000 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	1,121,000
\$230,913 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	207,822
\$501,000 note payable with annual payments of \$36,855. Includes interest at 3.997%, due January 29, with a final payment due January 2028	<u>298,969</u>
Total	<u>\$5,258,692</u>

At June 30, 2018 the Town of Valdese had a legal debt margin of \$23,690,181.

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>
2019	\$ 334,990	\$ 102,633	\$ 225,684	\$ 76,232
2020	249,639	94,506	226,679	73,662
2021	134,187	88,103	209,765	63,389
2022	84,593	83,954	61,558	57,356
2023	87,641	80,907	63,678	55,071
2024-2028	381,114	361,219	351,811	237,952
2029-2033	409,167	299,020	219,728	181,772
2034-2038	480,287	227,907	233,637	138,746
2039-2043	377,191	149,566	245,000	91,376
2044-2048	357,058	87,333	279,000	35,658
2049-2052	<u>246,285</u>	<u>18,636</u>	<u>-</u>	<u>-</u>
Total	<u>\$3,142,152</u>	<u>\$1,593,784</u>	<u>\$2,116,540</u>	<u>\$1,011,214</u>

TOWN OF VALDESE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

b. Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
General obligation debt	\$ 2,590,626	\$ 850,000	\$298,474	\$ 3,142,152	\$334,990
Total OPEB liability	805,014	11,722	-	816,736	-
Net pension liability (LGERS)	725,129	-	217,361	507,768	-
Total pension liability (LEO)	164,871	10,430		175,301	
Compensated absences	<u>158,276</u>	<u>-</u>	<u>12,194</u>	<u>146,082</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 4,443,916</u>	<u>\$ 872,152</u>	<u>\$528,029</u>	<u>\$ 4,788,039</u>	<u>\$334,990</u>
Business-type activities:					
General obligation debt	\$ 1,708,576	\$ -	\$ 80,785	\$ 1,627,791	\$ 56,451
Total OPEB liability	126,617	2,233	-	128,850	-
Net pension liability (LGERS)	267,912	-	80,108	187,804	-
State revolving loans	657,982	-	169,234	488,748	169,233
Compensated absences	<u>63,953</u>	<u>438</u>	<u>-</u>	<u>64,391</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 2,825,040</u>	<u>\$ 2,671</u>	<u>\$330,127</u>	<u>\$ 2,497,584</u>	<u>\$225,684</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 \$592,391 at June 30, 2018.

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

c. Discretely Presented Component Unit

Debt obligation for the ABC Board for the year ended June 30, 2018 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%. Effective rate at June 30, 2018 was 8.75%. The total amount outstanding on this line of credit at June 30, 2018 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 will be \$162,775. The note bears interest at a rate of 4.0% with interest to be paid annually. The principal on the note is to be paid in seven consecutive equal annual payments with the first annual payment being due November 15, 2019.

Debt Summary

Total debt	\$162,775
Less: Current maturities	_____
Total long-term debt	<u>\$162,775</u>

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

Years ending June 30,	
2019	\$ 18,968
2020	18,968
2021	18,968
2022	18,908
2023	18,908
2024-2026	<u>67,935</u>
Total	<u>\$162,775</u>

Interest expense for the year ended June 30, 2018 was \$6,533.

TOWN OF VALDESE, NORTH CAROLINA

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

C. Interfund Balances and Activities

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2018 consist of the following:

From the Capital Project Fund to the General Fund - for project expenses	\$ 57,840
From the General Fund to the Capital Projects Fund - to fund future grants	8,000
From the General Fund to the Lakeside Park Capital Project Fund - for project expenses	20,375
From the Utility Fund to the Capital Projects Fund - to fund future projects	128,800
From the Utility Fund to the General Fund - transfer in lieu of taxes and services	<u>686,548</u>
Total	<u>\$901,563</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 \$2,903 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, 2018. 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	\$2,166,052
Less:	
Inventories	89,016
Prepaids	33,059
Stabilization by State Statute	686,502
USDA Reserve	115,786
Streets-Powell Bill	<u>35,528</u>
Remaining Fund Balance	<u>\$1,206,161</u>

TOWN OF VALDESE, NORTH CAROLINA

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

F. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$6,646,194	\$20,809,528
Less long-term debt	3,142,152	2,116,540
Add: unexpended debt proceeds	<u>-</u>	<u>-</u>
Net investment in capital asset	<u>\$3,504,042</u>	<u>\$18,692,988</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, 2018. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$45,800 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 \$2,221 during the fiscal year ended June 30, 2018.

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, 2018**

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 28% of the total Utility Sales to all customers for fiscal year 2018. Loss of these customers could have a significant impact on the Town's Utility Fund.

IX. Subsequent Event

Management has evaluated subsequent events through February 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental and business-type activities decreased \$338,563 and \$64,488, respectively.

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Required Supplemental Financial Data

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TOWN OF VALDESE, NORTH CAROLINA
Schedule 1-1
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 57,631
Interest	27,725
Changes in benefit terms	-
Difference between expected and actuarial experience	3,578
Changes in assumptions and other inputs	(53,731)
Benefit payments	<u>(21,248)</u>
Net change in total OPEB liability	13,955
Total OPEB liability, beginning	<u>931,631</u>
Total OPEB liability, ending	<u><u>\$ 945,586</u></u>
 Covered payroll	 \$2,711,425
Total OPEB liability as a percentage of covered payroll	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>
2018	3.56%

TOWN OF VALDESE, NORTH CAROLINA
Schedule 1-2

Town of Valdese's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years*
Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Valdese's proportion of the net pension liability (asset) (%)	0.04553%	0.04679%	0.04626%	0.04793%	0.04780%
Valdese's proportion of the net pension liability (asset) (\$)	\$ 695,572	\$ 993,041	\$ 207,612	\$ (282,665)	\$ 576,174
Valdese's covered employee payroll	\$ 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	22.83%	34.71%	7.58%	(10.23%)	21.46%
Plan fiduciary net position as a percentage of the total pension liability (asset)**	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 Five Fiscal Years
Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 235,238	\$ 227,315	\$ 195,576	\$ 195,093	\$ 196,239
Contributions in relation to the contractually required contribution	<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>
Valdese's covered-employee payroll	<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	7.69%	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 Two Fiscal Years**

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 164,871	\$ 151,859
Service cost	11,128	13,364
Interest	6,364	5,421
Changes in benefit terms	-	-
Difference between expected and actuarial experience	(20,472)	-
Changes in assumptions and other inputs	13,410	(5,773)
Benefit payments	-	-
Other changes	-	-
	<hr/>	<hr/>
Ending balance of the total pension liability	<u><u>\$ 175,301</u></u>	<u><u>\$ 164,871</u></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 Two Fiscal Years**

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 175,301	\$ 164,871
Covered payroll	479,954	534,204
Total pension liability as a percentage of covered payroll	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**

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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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,971,584	\$ 1,945,306	\$ (26,278)
Prior years	89,000	97,894	8,894
Penalties and interest	13,000	15,519	2,519
Discounts	(17,000)	(20,788)	(3,788)
Total ad valorem taxes	<u>2,056,584</u>	<u>2,037,931</u>	<u>(18,653)</u>
Other taxes and licenses:			
Unrestricted local option sales tax	1,052,000	1,080,647	28,647
Cable TV franchise tax	<u>52,837</u>	<u>50,734</u>	<u>(2,103)</u>
Total other taxes and licenses	<u>1,104,837</u>	<u>1,131,380</u>	<u>26,543</u>
Unrestricted intergovernmental revenues:			
Payments in lieu of taxes -			
Valdese Housing Authority	20,000	18,471	(1,529)
Franchise tax	409,128	403,121	(6,007)
Alcohol/beverage tax	21,000	19,365	(1,635)
Occupancy taxes	50,000	49,040	(960)
Sales tax refunds	<u>85,000</u>	<u>92,927</u>	<u>7,927</u>
Total unrestricted intergovernmental revenues	<u>585,128</u>	<u>582,924</u>	<u>(2,206)</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2

Page 2 of 11

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues (Continued):			
Restricted intergovernmental revenues:			
"State Street - Aid" allocation	\$ 145,258	\$ 146,610	\$ 1,352
Total restricted intergovernmental revenues	<u>145,258</u>	<u>146,610</u>	<u>1,352</u>
Sales and services:			
Refuse collection fees	196,000	201,697	5,697
Recycling fees	25,000	24,890	(110)
Jail fees	1,100	2,046	946
Rent and miscellaneous fees	69,344	70,079	735
Valdese Community Center	304,495	305,326	831
Valdese Tourism Commission	1,000	1,811	811
Rock School fees	60,976	60,899	(78)
Community affairs	<u>18,000</u>	<u>11,976</u>	<u>(6,024)</u>
Total sales and services	<u>675,915</u>	<u>678,724</u>	<u>2,809</u>
Investment earnings:			
Interest on investments	<u>16,300</u>	<u>11,611</u>	<u>(4,689)</u>
Total investment earnings	<u>16,300</u>	<u>11,611</u>	<u>(4,689)</u>
Other revenues:			
Sale of fixed assets	61,490	75,945	14,455
Grants	18,905	28,904	9,999
Other	<u>95,172</u>	<u>31,365</u>	<u>(63,807)</u>
Total other revenues	<u>175,567</u>	<u>136,215</u>	<u>(39,352)</u>
Total revenues	<u>4,759,589</u>	<u>4,725,397</u>	<u>(34,194)</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
Page 3 of 11

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and wages	\$ -	\$ 18,300	\$ -
FICA tax expense	-	866	-
Group insurance	-	28,649	-
Travel	-	151	-
Insurance and bonds	-	2,849	-
Professional services	-	70	-
Supplies	-	251	-
Miscellaneous	-	112	-
Total governing body	<u>62,209</u>	<u>51,248</u>	<u>10,961</u>
Administration:			
Salaries and wages	-	480,201	-
Professional services	-	67,036	-
FICA tax expense	-	33,375	-
Group insurance	-	60,229	-
Retirement	-	33,628	-
Telephone and postage	-	18,879	-
Utilities	-	8,521	-
Travel	-	9,618	-
Maintenance and repair - buildings and grounds	-	1,704	-
Maintenance and repair - equipment	-	4,179	-
Maintenance and repair - autos and trucks	-	151	-
Advertising	-	2,125	-
Auto supplies	-	174	-
Supplies and materials	-	20,525	-
Dues and subscriptions	-	14,615	-
Printing expense	-	4,711	-
Insurance and bonds	-	6,941	-
Contracted services	-	28,109	-
			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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Administration (continued):			
Burke County Public Library	\$ -	\$ 50,000	\$ -
Economic development grants	-	10,000	-
Wellness program	-	6,899	-
Industrial development	-	30,099	-
Meridian incentive	-	180,000	-
Debt service	-	88,878	-
Miscellaneous	-	9,516	-
Insurance runoff	-	91,617	-
Utility fund reimbursement	-	(481,251)	-
Total administration	<u>885,379</u>	<u>780,479</u>	<u>104,900</u>
Planning and zoning:			
Salaries and wages	-	31,891	-
Professional services	-	26,120	-
FICA tax expense	-	2,236	-
Group insurance	-	5,177	-
Travel	-	232	-
Advertising	-	201	-
Auto supplies	-	64	-
Supplies and materials	-	2,564	-
Maintenance and repair	-	5,026	-
Insurance bonds	-	1,587	-
Contracted services	-	5,880	-
Whisnant street	-	72,319	-
Miscellaneous	-	119	-
Total planning and zoning	<u>175,153</u>	<u>153,415</u>	<u>21,738</u>
Public works:			
Salaries and wages	-	317,554	-
Professional services	-	2,913	-
FICA tax expense	-	23,131	-
Group insurance	-	57,284	-
Retirement	-	23,155	-
Telephone and postage	-	1,971	-
Utilities	-	8,644	-

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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Public works (continued):			
Travel	\$ -	\$ 150	\$ -
Maintenance and repair - buildings and grounds	-	19,658	-
Maintenance and repair - equipment	-	4,276	-
Maintenance and repair - autos and trucks	-	957	-
Auto supplies	-	11,382	-
Supplies and materials	-	21,308	-
Chemicals	-	1,636	-
Uniforms	-	4,498	-
Insurance and bonds	-	12,926	-
Contracted services	-	12,570	-
Arbor beautification	-	4,798	-
Miscellaneous	-	(2,947)	-
Utility fund reimbursement	-	(200,576)	-
Total public works	<u>359,120</u>	<u>325,287</u>	<u>33,833</u>
 Total general government	 <u>1,481,861</u>	 <u>1,310,429</u>	 <u>171,432</u>
 Public safety:			
Police department:			
Salaries and wages	-	555,997	-
FICA tax expense	-	41,812	-
Group insurance	-	92,354	-
Retirement	-	44,210	-
Deferred compensation	-	24,737	-
Professional services	-	1,972	-
Telephone and postage	-	3,834	-
Utilities	-	6,274	-
Travel	-	783	-
Maintenance and repair - buildings and grounds	-	2,799	-
Maintenance and repair - equipment	-	3,564	-
Maintenance and repair - auto and trucks	-	7,857	-
Auto supplies	-	28,026	-
Supplies and materials	-	21,192	-
Uniforms	-	9,518	-

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Police department (continued):			
Insurance and bonds	\$ -	\$ 21,063	\$ -
Dues and subscriptions	-	355	-
Capital outlay	-	20,000	-
Printing	-	269	-
Contracted services	-	13,497	-
Debt service	-	36,000	-
Total police department	<u>944,508</u>	<u>936,113</u>	<u>8,395</u>
Fire department:			
Salaries and wages	-	398,360	-
FICA tax expense	-	29,302	-
Group insurance	-	51,579	-
Retirement	-	26,699	-
Professional services	-	5,460	-
Telephone and postage	-	496	-
Utilities	-	10,226	-
Travel	-	9,602	-
Maintenance and repair - buildings and grounds	-	48,611	-
Maintenance and repair - equipment	-	7,598	-
Maintenance and repair - autos and trucks	-	14,962	-
Auto supplies	-	4,382	-
Supplies and materials	-	37,130	-
Uniforms	-	4,202	-
Insurance and bonds	-	29,867	-
Dues and subscriptions	-	3,375	-
Printing	-	575	-
Capital outlay - equipment	-	859,310	-
Fire safety expense	-	5,822	-
Contracted services	-	66,168	-
Debt service	-	72,118	-
Total fire department	<u>859,833</u>	<u>1,685,843</u>	<u>(826,010)</u>
Total public safety	<u>1,804,341</u>	<u>2,621,956</u>	<u>(817,615)</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Environmental protection:			
Sanitation department:			
Salaries and wages	\$ -	\$ 34,457	\$ -
FICA tax expenses	-	2,631	-
Group insurance	-	9,979	-
Retirement	-	2,615	-
Professional services	-	873	-
Maintenance and repair - equipment	-	76	-
Maintenance and repair - autos and trucks	-	702	-
Auto supplies	-	3,926	-
Supplies and materials	-	334	-
Uniforms	-	999	-
Contracted services	-	175,794	-
Insurance bonds	-	5,609	-
Total sanitation department	<u>253,728</u>	<u>237,996</u>	<u>15,732</u>
Total environmental protection	<u>253,728</u>	<u>237,996</u>	<u>15,732</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Transportation:			
Street department:			
Salaries and wages	\$ -	\$ 99,886	\$ -
FICA tax expense	-	7,509	-
Group insurance	-	19,953	-
Retirement expense	-	7,581	-
Professional services	-	14,427	-
Insurance bonds	-	11,512	-
Utilities	-	78,069	-
Maintenance and repair - buildings and grounds	-	399,345	-
Maintenance and repair - equipment	-	(11,771)	-
Maintenance and repair - autos and trucks	-	9,353	-
Auto supplies	-	13,897	-
Supplies and materials	-	7,402	-
Chemicals	-	1,573	-
Uniforms	-	1,790	-
Contracted services	-	139	-
Capital outlay	-	19,640	-
Debt service	-	53,743	-
Total street department	<u>749,851</u>	<u>734,048</u>	<u>15,803</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Powell Bill:			
Supplies and materials	\$ -	\$ 811	\$ -
Maintenance and repair	-	3,084	-
Snow and ice removal	-	2,422	-
Debt service	-	121,856	-
Total Powell Bill	<u>145,258</u>	<u>128,173</u>	<u>17,085</u>
Total transportation	<u>895,109</u>	<u>862,221</u>	<u>32,888</u>
 Cultural and recreational:			
Recreation:			
Salaries and wages	-	429,346	-
FICA tax expense	-	32,329	-
Group insurance	-	43,891	-
Retirement	-	15,555	-
Telephone and postage	-	3,171	-
Utilities	-	105,190	-
Travel	-	868	-
Maintenance and repair - buildings and grounds	-	263,806	-
Maintenance and repair - equipment	-	16,741	-
Maintenance and repair - autos and trucks	-	198	-
Printing	-	174	-
Auto supplies	-	595	-
Supplies and materials	-	28,724	-
Chemicals	-	8,879	-
Purchases for resale	-	35,686	-
Dues and subscriptions	-	4,841	-
Insurance and bonds	-	16,200	-
Swim team	-	800	-
Triathlon	-	1,853	-
Contracted services	-	38,882	-
Advertising	-	676	-
Capital outlay	-	30,000	-
Debt service	-	12,268	-
Professional services	-	7,615	-
Total recreation	<u>1,165,163</u>	<u>1,098,286</u>	<u>66,877</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Community affairs:			
Salaries and wages	\$ -	\$ 134,140	\$ -
FICA tax expense	-	10,163	-
Group insurance	-	20,954	-
Retirement expense	-	9,278	-
Printing	-	4,855	-
Utilities	-	39,705	-
Supplies and materials	-	(3,588)	-
Professional services	-	2,440	-
Telephone and postage	-	5,375	-
Maintenance and repair	-	70,605	-
Auto supplies	-	122	-
Advertising	-	4,876	-
Contracted services	-	111,418	-
Insurance and bonds	-	11,687	-
Dues and subscriptions	-	904	-
Building reuse and facade	-	5,025	-
Main Street program	-	2,709	-
Valdese Tourism Commission	-	48,558	-
Rock School Arts Foundation	-	37,675	-
Festival	-	19,249	-
Concession stand trailer	-	2,716	-
Miscellaneous	-	4,329	-
Utility fund reimbursement	-	(207,187)	-
Total community affairs	<u>423,173</u>	<u>336,010</u>	<u>87,163</u>
			cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2, cont.

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

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Total cultural and recreational	\$ 1,588,335	\$ 1,434,296	\$ 154,039
Total expenditures	<u>6,023,374</u>	<u>6,466,899</u>	<u>(443,525)</u>
Revenues over (under) expenditures	<u>(1,263,785)</u>	<u>(1,741,501)</u>	<u>(477,718)</u>
Other Financing Sources (Uses):			
Proceeds from long term debt	354,522	850,000	495,478
Operating transfers - in (out)			
Capital project funds	49,840	29,465	(20,375)
Enterprise fund	815,748	686,548	(129,200)
Appropriated fund balance	<u>43,675</u>	<u>-</u>	<u>(43,675)</u>
Total other financing sources (uses)	<u>1,263,785</u>	<u>1,566,013</u>	<u>302,228</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(175,488)</u>	<u>\$ (175,488)</u>
Fund balance, July 1		<u>2,341,540</u>	
Fund balance, June 30		<u>\$ 2,166,052</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 3
Page 1 of 2

Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>	
	<u>Facade Grant Fund</u>	<u>Public Art Fund</u>	<u>Total</u>	<u>Water Plant Capital Project Fund</u>	<u>Capital Project Fund</u>
<u>Assets</u>					
Current assets:					
Cash and investments	\$ 17,858	\$ 7,022	\$ 24,880	\$ 676,624	\$ 591,087
Total assets	<u>\$ 17,858</u>	<u>\$ 7,022</u>	<u>\$ 24,880</u>	<u>\$ 676,624</u>	<u>\$ 591,087</u>
<u>Liabilities and Fund Balances</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:					
Restricted:					
Town revitalization	17,858	7,022	24,880	-	-
Assigned:					
Capital projects	-	-	-	676,624	591,087
Total fund balance	<u>17,858</u>	<u>7,022</u>	<u>24,880</u>	<u>676,624</u>	<u>591,087</u>
Total liabilities and fund balances	<u>\$ 17,858</u>	<u>\$ 7,022</u>	<u>\$ 24,880</u>	<u>\$ 676,624</u>	<u>\$ 591,087</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 3
Page 2 of 2Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Capital Project Funds				Total Nonmajor Governmental Funds
	Capital Outlay Fund	Downtown Park Capital Project Fund	Lake Rhodhiss Capital Project Fund	Police Dept. Capital Project Fund	Total
<u>Assets</u>					
Current assets:					
Cash and investments	\$759,374	\$ 1,605	\$ 1,338,327	\$ 3,194	\$3,370,211
Total assets	<u>\$759,374</u>	<u>\$ 1,605</u>	<u>\$ 1,338,327</u>	<u>\$ 3,194</u>	<u>\$3,370,211</u>
<u>Liabilities and Fund Balances</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:					
Restricted:					
Town revitalization	-	-	-	-	24,880
Assigned:					
Capital projects	759,374	1,605	1,338,327	3,194	3,370,211
Total fund balance	<u>759,374</u>	<u>1,605</u>	<u>1,338,327</u>	<u>3,194</u>	<u>3,370,211</u>
Total liabilities and fund balances	<u>\$759,374</u>	<u>\$ 1,605</u>	<u>\$ 1,338,327</u>	<u>\$ 3,194</u>	<u>\$ 3,395,091</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, 2018

	Special Revenue Funds			Capital Project Funds	
	Facade Grant Fund	Public Art Fund	Total	Water Plant Capital Project Fund	Capital Project Fund
Revenues:					
Other local revenues:					
Town of Drexel	\$ -	\$ -	\$ -	\$ -	\$ -
Burke County	-	-	-	-	-
Miscellaneous	-	4,012	4,012	-	-
Investment earnings:					
Interest earned	-	-	-	-	-
Total revenues	<u>-</u>	<u>4,012</u>	<u>4,012</u>	<u>-</u>	<u>-</u>
Expenditures:					
Economic and physical development	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>4,012</u>	<u>4,012</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Loan proceeds	-	-	-	-	-
From (to) General Fund	-	-	-	-	(49,840)
From (to) Utility Fund	-	-	-	-	128,800
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,960</u>
Revenues and other sources over (under) expenditures and other uses	-	4,012	4,012	-	78,960
Fund balances (deficit), beginning of year	<u>17,858</u>	<u>3,010</u>	<u>20,868</u>	<u>676,624</u>	<u>512,127</u>
Fund balances (deficit), end of year	<u>\$ 17,858</u>	<u>\$ 7,022</u>	<u>\$ 24,880</u>	<u>\$ 676,624</u>	<u>\$ 591,087</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4

Page 2 of 2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2018

	Capital Project Funds				Total Nonmajor Governmental Funds
	Capital Outlay Fund	Downtown Park Capital Project Fund	Lake Rhodhiss Capital Project Fund	Police Dept. Capital Project Fund	Total
Revenue:					
Other local revenues:					
Town of Drexel	\$ -	\$ -	\$ 2,201	\$ -	\$ 2,201
Burke County	-	-	1,763	-	1,763
Miscellaneous	-	-	-	1,041	1,041
Investment earnings:					
Interest earned	8,911	-	-	-	8,911
Total revenues	8,911	-	3,963	1,041	13,916
Expenditures:					
Economic and physical development	-	329,773	-	-	329,773
Total expenditures	-	329,773	-	-	329,773
Revenues over (under) expenditures	8,911	(329,773)	3,963	1,041	(315,857)
Other Financing Sources (Uses):					
Loan proceeds	-	331,378	-	-	331,378
From (to) General Fund	-	-	-	-	(49,840)
From (to) Utility Fund	-	-	-	-	128,800
Total other financing sources (uses)	-	331,378	-	-	410,338
Revenues and other sources over (under) expenditures and other uses	8,911	1,605	3,963	1,041	94,480
Fund balances (deficit), beginning of year	750,463	-	1,334,364	2,153	3,275,732
Fund balances (deficit), end of year	\$ 759,374	\$ 1,605	\$ 1,338,327	\$ 3,194	\$ 3,370,211

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, 2018

	<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	7,400	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>448,250</u>	<u>454,265</u>	<u>-</u>	<u>454,265</u>
Revenues over (under) expenditures	<u>(366,750)</u>	<u>(239,265)</u>	<u>-</u>	<u>(239,265)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>366,750</u>	<u>257,123</u>	<u>-</u>	<u>257,123</u>
Total other financing sources (uses)	<u>366,750</u>	<u>257,123</u>	<u>-</u>	<u>257,123</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 17,858</u>	<u>-</u>	<u>\$ 17,858</u>
Fund balance (deficit), beginning of year			<u>17,858</u>	
Fund balance (deficit), end of year			<u>\$ 17,858</u>	

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, 2018

	<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>	

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, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 10,000	\$ 239	\$ 4,012	\$ 4,251
Grants	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>20,000</u>	<u>239</u>	<u>4,012</u>	<u>4,251</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>(13,590)</u>	<u>4,012</u>	<u>(9,578)</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>\$ 3,010</u>	4,012	<u>\$ 7,022</u>
Fund balance, beginning of year			<u>3,010</u>	
Fund balance, end of year			<u>\$ 7,022</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, 2018

	<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, 2018

	<u>Project</u>	<u>Prior</u>	<u>Actual</u>	<u>Total to</u>
	<u>Authorization</u>	<u>Years</u>	<u>Current</u>	<u>Date</u>
			<u>Year</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>289,987</u>	<u>78,960</u>	<u>289,987</u>
Total other financing sources (uses)	<u>732,000</u>	<u>289,987</u>	<u>78,960</u>	<u>289,987</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 512,127</u>	78,960	<u>\$ 512,127</u>
Fund balance, beginning of year			<u>512,127</u>	
Fund balance, end of year			<u>\$ 591,087</u>	

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ 275,000	\$ 8,911	\$ (266,089)
Expenditures	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	8,911	<u>\$ 8,911</u>
Fund balance, beginning of year		<u>750,463</u>	
Fund balance, end of year		<u>\$ 759,374</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, 2018

	<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	\$ 74,872	\$ 2,201	\$ 77,073
Burke County	<u>106,800</u>	<u>59,336</u>	<u>1,763</u>	<u>61,099</u>
Total other local revenues	240,200	134,209	3,963	138,172
Investment earnings	<u>-</u>	<u>513,868</u>	<u>-</u>	<u>513,868</u>
Total revenues	<u>240,200</u>	<u>648,077</u>	<u>3,963</u>	<u>652,041</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>634,362</u>	<u>3,963</u>	<u>638,326</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
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>-</u>	<u>700,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,334,364</u>	3,963	<u>\$ 1,338,327</u>
Fund balance, beginning of year			<u>1,334,364</u>	
Fund balance, end of year			<u>\$ 1,338,327</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, 2018

	<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	\$ 6,869	\$ 1,041	\$ 7,910
Investment earnings:				
Interest earned	<u>-</u>	<u>404</u>	<u>-</u>	<u>404</u>
Total revenues	<u>10,000</u>	<u>7,273</u>	<u>1,041</u>	<u>8,314</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>(75,880)</u>	<u>1,041</u>	<u>(74,839)</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>\$ 2,153</u>	1,041	<u>\$ 3,194</u>
Fund balance, beginning of year			<u>2,153</u>	
Fund balance, end of year			<u>\$ 3,194</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, 2018

	<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	408,600	408,600	-	408,600
Total revenues	658,600	658,611	-	658,611
Expenditures:				
Buildings and grounds	5,000	4,163	546	4,709
Professional services	32,550	-	1,158	1,158
Architect/Engineering fees	110,755	120,950	1,211	122,161
Community building	837,550	627,428	222,532	849,960
Equipment	100,000	38,338	61,658	99,996
Advertising	603	604	-	604
Contingencies	41,142	4,750	42,668	47,418
Total expenditures	1,127,600	796,233	329,773	1,126,006
Revenues over (under) expenditures	(469,000)	(137,622)	(329,773)	(467,395)
Other Financing Sources:				
Loan proceeds	469,000	137,622	331,378	469,000
Total other financing sources	469,000	137,622	331,378	469,000
Revenues and other sources over (under) expenditures	\$ -	\$ -	1,605	\$ 1,605
Fund balance, beginning of year			-	
Fund balance, end of year			\$ 1,605	

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, 2018

	<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	28,400	26,773	-	26,773
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>	

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, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 390,200	\$ -	\$ 405,000	\$ 405,000
Grants	<u>973,246</u>	<u>-</u>	<u>961,659</u>	<u>961,659</u>
Total revenues	<u>1,363,446</u>	<u>-</u>	<u>1,366,659</u>	<u>1,366,659</u>
Expenditures:				
Site planning and design	40,000	-	78,600	78,600
Land	1,348,446	-	1,276,070	1,276,070
Equipment	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,403,446</u>	<u>-</u>	<u>1,354,670</u>	<u>1,354,670</u>
Revenues over (under) expenditures	<u>(40,000)</u>	<u>-</u>	<u>11,989</u>	<u>11,989</u>
Other Financing Sources:				
From General Fund	<u>40,000</u>	<u>-</u>	<u>20,375</u>	<u>20,375</u>
Total other financing sources	<u>40,000</u>	<u>-</u>	<u>20,375</u>	<u>20,375</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	32,364	<u>\$ 32,364</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 32,364</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5

Utility Fund

Statement of Revenues - Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water charges	\$ 2,341,651	\$ 2,202,424	\$ (139,227)
Wastewater charges	1,075,296	1,012,082	(63,214)
Contract sales	777,437	787,779	10,342
Total charges for services	<u>4,194,384</u>	<u>4,002,285</u>	<u>(192,099)</u>
Other operating revenues:			
Tap and connection fees	20,100	8,825	(11,275)
Long term monitoring fees	14,573	14,399	(174)
Sprinkler service charges	1,005	-	(1,005)
Utility bill penalties	50,250	49,636	(614)
Meter usage charge	629,000	576,223	(52,777)
Reconnection fees	<u>27,135</u>	<u>24,088</u>	<u>(3,047)</u>
Total other operating revenues	<u>742,063</u>	<u>673,171</u>	<u>(68,892)</u>
Total operating revenues	<u>4,936,447</u>	<u>4,675,456</u>	<u>(260,991)</u>
Nonoperating revenues:			
Interest on investments	4,000	5,561	1,561
Rent-nonoperating property	1,080	810	(270)
Miscellaneous	2,000	10,548	8,548
Proceeds of long-term debt	8,439	-	(8,439)
Retained earnings appropriated	<u>230,981</u>	<u>-</u>	<u>(230,981)</u>
Total nonoperating revenues	<u>246,500</u>	<u>16,919</u>	<u>(229,581)</u>
Total revenues	<u>\$ 5,182,947</u>	<u>\$ 4,692,374</u>	<u>\$ (490,573)</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Administration:			
General Fund - administrative services:			
Reimbursement	\$ 903,791	\$ 904,716	\$ (925)
Total administration	<u>903,791</u>	<u>904,716</u>	<u>(925)</u>
Water and supply treatment:			
Salaries and wages	-	280,581	-
Professional services	-	75,671	-
FICA tax expense	-	20,771	-
Group insurance	-	55,700	-
Retirement	-	21,217	-
Telephone and postage	-	11,014	-
Utilities	-	222,549	-
Travel	-	1,145	-
Maintenance and repair - building and grounds	-	41,867	-
Maintenance and repair - equipment	-	23,136	-
Maintenance and repair - autos and trucks	-	59	-
Auto and truck supplies	-	3,347	-
Supplies and materials	-	3,881	-
Chemicals	-	60,597	-
Uniforms	-	3,068	-
Contracted services	-	8,113	-
Dues and subscriptions	-	11,282	-
Laboratory supplies	-	10,046	-
Water testing	-	13,891	-
Insurance and bonds	-	10,852	-
Printing expense	-	164	-

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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Water and supply treatment (continued):			
Safety	\$ -	\$ 1,848	\$ -
Economic incentives	-	12,500	-
Total water and supply treatment	<u>975,075</u>	<u>893,300</u>	<u>81,775</u>
Waste water treatment:			
Salaries and wages	-	394,806	-
Professional services	-	2,403	-
FICA tax expense	-	29,765	-
Group insurance	-	72,697	-
Retirement	-	28,030	-
Telephone and postage	-	10,873	-
Utilities	-	247,822	-
Travel	-	6,868	-
Maintenance and repair - buildings and grounds	-	95,133	-
Maintenance and repair - equipment	-	9,770	-
Maintenance and repair - autos and trucks	-	1,526	-
Auto and truck supplies	-	4,912	-
Laboratory supplies	-	8,771	-
Advertising	-	93	-
Insurance bonds	-	27,912	-
Supplies and materials	-	11,912	-
Chemicals	-	53,156	-
Uniforms	-	3,774	-
Contracted services	-	18,269	-
Long term monitoring	-	18,344	-
Dues and subscriptions	-	8,153	-
Printing	-	128	-
Wood chips	-	30,100	-
Safety	-	1,996	-
Economic incentives	-	12,500	-
Total waste water treatment	<u>1,141,980</u>	<u>1,099,714</u>	<u>42,266</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Water and sewer maintenance:			
Salaries and wages	\$ -	\$ 310,247	\$ -
Professional services	-	66,993	-
Travel expense	-	850	-
FICA tax expense	-	23,013	-
Group insurance	-	55,634	-
Retirement	-	23,247	-
Maintenance and repair - buildings and grounds	-	53,105	-
Maintenance and repair - equipment	-	11,366	-
Maintenance and repair - autos and trucks	-	4,951	-
Auto and truck supplies	-	15,875	-
Supplies and materials	-	63,798	-
Advertising	-	122	-
Contracted services	-	34,902	-
Postage	-	98	-
Utilities	-	24,499	-
Uniforms	-	5,801	-
Insurance and bonds	-	21,642	-
Meters	-	32,320	-
Miscellaneous expense	-	(7,937)	-
Total water and sewer maintenance	<u>831,457</u>	<u>740,527</u>	<u>90,930</u>
Budgetary appropriations:			
Capital outlay-waste water treatment plant	18,000	11,177	6,823
Capital outlay-water supply and treatment	70,900	62,637	8,263
Capital outlay-water and sewer maintenance	105,520	98,070	7,450
Payment on debt principal	236,876	250,018	(13,142)
Interest and fees	84,000	83,359	641
Transfer to (from) other funds	815,348	815,348	-
Total budgetary appropriations	<u>1,330,644</u>	<u>1,320,609</u>	<u>10,035</u>
Total expenditures	<u>\$ 5,182,947</u>	<u>\$ 4,958,865</u>	<u>\$ 224,082</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, 2018**

	<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		\$ 4,692,374	
Total expenditures on Schedule 5-1		<u>4,958,865</u>	
Revenues over (under) expenditures		(266,491)	
Budgetary appropriations (above):			
Payment of debt principal		250,018	
Adjustment for contributed capital		972,742	
Capital outlay		171,884	
Increase (decrease) in inventory		6,479	
(Increase) decrease in accrued vacation pay		(438)	
(Increase) decrease in other postemployment benefits		(2,233)	
Increase (decrease) in deferred outflows - OPEB		509	
(Increase) decrease in deferred inflows - OPEB		(7,640)	
(Increase) decrease in net pension liability		80,108	
Increase (decrease) in deferred outflows - pension		(112,132)	
(Increase) decrease in deferred inflows - pension		5,769	
Depreciation		<u>(856,470)</u>	
Change in net position (Exhibit 9)		<u>\$ 242,104</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, 2018

	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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Professional services	-	6,907	-	6,907
Engineering	-	17,957	-	17,957
Advertising	-	46	-	46
Capital outlay - other improvements	-	256,247	-	256,247
Contracted services	<u>125,000</u>	<u>960</u>	<u>-</u>	<u>960</u>
Total expenditures	<u>125,000</u>	<u>282,117</u>	<u>-</u>	<u>282,117</u>
Revenues over (under) expenditures	(125,000)	(282,117)	-	(282,117)
Other Financing Sources (Uses):				
Transfer from Utility Fund	<u>125,000</u>	<u>257,913</u>	<u>-</u>	<u>257,913</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (24,204)</u>	<u>\$ -</u>	<u>\$ (24,204)</u>

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, 2018

		Actual		
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>	<u>Date</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Professional services	50,000	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	450,000	491,753	-	491,753
Revenues over (under) expenditures	(450,000)	(491,753)	-	(491,753)
Other Financing Sources (Uses):				
Appropriated fund balance	50,000	-	-	-
Transfer from Utility Fund	400,000	664,391	-	664,391
Total other financing sources (uses)	450,000	664,391	-	664,391
Unexpended revenues and receipts	\$ -	\$ 172,639	\$ -	\$ 172,639

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, 2018

	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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Professional services	<u>-</u>	<u>2,565</u>	<u>-</u>	<u>2,565</u>
Revenues over (under) expenditures	<u>-</u>	<u>(2,565)</u>	<u>-</u>	<u>(2,565)</u>
Unexpended revenues and receipts	<u><u>\$ -</u></u>	<u><u>\$ (2,565)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,565)</u></u>

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, 2018

	<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	\$ 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>-</u>	<u>-</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (79,232)</u>	<u>\$ -</u>	<u>\$ (79,232)</u>

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, 2018

	<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>

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, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:	\$ 12,650	\$ 18,256	\$ -	\$ 18,256
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	27,000	26,095	-	26,095
Contracted services	-	3,249	-	3,249
Postage	-	514	-	514
Debt service	24,178	14,178	-	14,178
Advertising	-	8,551	-	8,551
Total expenditures	1,294,178	1,303,399	-	1,303,399
Revenues over (under) expenditures	(1,281,528)	(1,285,143)	-	(1,285,143)
Other Financing Sources (Uses):				
Local contributions	1,528	-	-	-
Proceeds from bonds	1,280,000	1,280,000	-	1,280,000
Total other financing sources (uses)	1,281,528	1,280,000	-	1,280,000
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (5,143)	\$ -	\$ (5,143)

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, 2018**

		Actual		
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>	<u>Date</u>
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>-</u>	<u>-</u>
Total revenues	<u>657,500</u>	<u>636,536</u>	<u>-</u>	<u>636,536</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>\$ -</u>	<u>\$ (15,919)</u>

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, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
CDBG	\$ 1,000,000	\$ 37,198	\$ 909,142	\$ 946,340
IDF grant	<u>898,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,898,425</u>	<u>37,198</u>	<u>909,142</u>	<u>946,340</u>
Expenditures:				
Architectural and engineering	276,000	27,812	117,359	145,172
Administration and environmental	55,000	9,385	38,279	47,664
Construction	<u>1,866,900</u>	<u>-</u>	<u>753,504</u>	<u>753,504</u>
Total expenditures	<u>2,197,900</u>	<u>37,198</u>	<u>909,142</u>	<u>946,340</u>
Revenues over (under) expenditures	(299,475)	-	-	-
Other Financing Sources (Uses):				
Town contribution	<u>299,475</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Town of Valdese	\$ 254,400	\$ 286,200	\$ 63,600	\$ 349,800
Total revenues	<u>254,400</u>	<u>286,200</u>	<u>63,600</u>	<u>349,800</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>\$ 286,200</u>	<u>\$ 63,600</u>	<u>\$ 349,800</u>

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, 2018**

	<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 Capital Reserve	<u>5,718</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (14,274)</u>	<u>\$ -</u>	<u>\$ (14,274)</u>

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, 2018

<u>Fiscal Year</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>June 30, 2018</u>
2017 - 2018	\$ -	\$ 2,048,523	\$ 1,974,578	\$ 73,945
2016 - 2017	115,344	-	46,699	68,645
2015 - 2016	18,647	41,464	21,278	38,833
2014 - 2015	15,889	31,615	8,747	38,757
2013 - 2014	32,981	47,688	9,536	71,133
2012 - 2013	3,099	48,724	18,640	33,183
2011 - 2012	28,763	3,707	8,109	24,361
2010 - 2011	13,597	2,262	-	15,859
2009 - 2010	-	16,145	-	16,145
2008 - 2009	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 228,320</u>	<u>\$ 2,240,128</u>	<u>\$2,087,587</u>	380,861
Less allowance for uncollectibles				<u>(107,950)</u>
Balance				<u>\$ 272,911</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund (Schedule 2)				\$ 2,037,931
Discounts				20,788
Amount written off per statute of limitation				14,567
Other adjustments				<u>29,820</u>
Subtotal				2,103,106
Less penalties and interest collected				<u>(15,519)</u>
Total collections and credits				<u>\$ 2,087,587</u>

TOWN OF VALDESE, NORTH CAROLINA
Schedule 7
Schedule of Analysis of Current Year Tax Levy
June 30, 2018

	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	\$ 361,711,743	0.545	\$ 1,971,329	\$ 1,815,440	\$ 155,889
Discoveries	13,830,275	0.545	75,375	75,375	-
Late lists	<u>-</u>		<u>1,819</u>	<u>1,819</u>	<u>-</u>
Total	<u>\$ 375,542,018</u>		<u>2,048,523</u>	<u>1,892,634</u>	<u>155,889</u>
Net levy			2,048,523	1,892,634	155,889
Less uncollected taxes at June 30, 2018			<u>73,945</u>	<u>73,945</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,974,578</u>	<u>\$ 1,818,689</u>	<u>\$ 155,889</u>
Current levy collection percentage			<u>96.39</u>	<u>96.09</u>	<u>100.00</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, 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, 2018, 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 February 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. 2018-001.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2018-001.

Town of Valdese, North Carolina's Response to Findings

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

Purpose of this Report

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

Lowsmith Church & Co., L.L.P.

Morganton, North Carolina
February 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 Federal 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
Town of Valdese, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Valdese, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Valdese, North Carolina's major federal programs for the year ended June 30, 2018. Town of Valdese, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Valdese, North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards 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 federal 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 federal program. However, our audit does not provide a legal determination of the Town of Valdese, North Carolina's compliance.

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2018.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town 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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

Low Smith Church & Co., L.L.P.

Morganton, North Carolina
February 7, 2019

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

121 N. Sterling Street
Morganton, North Carolina 28655
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**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
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, 2018. 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 Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the Audit Manual For Governmental Auditors in North Carolina, 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, 2018.

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.

Lowmire, Champ & Co., L.L.P.

Morganton, North Carolina
February 7, 2019

TOWN OF VALDESE, NORTH CAROLINA

Page 1 of 3, cont.

**Schedule of Findings and Responses
For the Year Ended June 30, 2018**

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? _____ X yes

_____ 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:

CFDA Numbers**Names of Federal Program or Cluster**

10.766

Community Facilities Program Loan

14.228

Community Development Block Grant

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, 2018**

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

Clean Water Management Trust Fund

Section II. Financial Statement Findings**Finding: 2018-001**

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Town expended \$826,010 more for the fire department than appropriated in the final budget ordinance. In addition, the final budget did not include loan proceeds of \$850,000.

Effect: Moneys were spent that had not been appropriated.

Cause: The Town borrowed \$850,000 for the purchase of a fire truck. The original budget included the proceeds for the loan and the expenditures for the fire truck purchase, but during the year, amendments were made to remove the original budgeted amounts.

Recommendation: Budget amendments should be adopted when revenues are received that exceed estimated revenues in the budget ordinance and also for expenditures that exceed the budget ordinance.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to the corrective action plan on page 115.

TOWN OF VALDESE, NORTH CAROLINA

Page 3 of 3, cont.

**Schedule of Findings and Responses
For the Year Ended June 30, 2018**

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, 2018

Section II. Financial Statement Findings

Finding: 2018-001

Name of contact person: Seth Eckard, Town Manager

Corrective Action: The Town will utilize a software driven encumbrance system to regulate budget-to-actual expenditures. Budget amendments will be made as necessary.

Proposed Completion Date: The Town will implement the above procedure during the next fiscal year.

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, 2018**

None reported.

TOWN OF VALDESE, NORTH CAROLINA

Page 1 of 3

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018**

<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 Agriculture</u>					
Community Facilities Program Loan	10.766	XXXX	\$ 850,000	\$ -	\$ -
Community Facilities Program Loan	10.766	XXXX	<u>331,378</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,181,378</u>	<u>-</u>	<u>-</u>
<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	<u>909,142</u>	<u>-</u>	<u>-</u>
<u>Appalachian Regional Commission</u>					
Appalachian Area Development	23.002	NC-18649	<u>18,904</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>2,109,424</u>	<u>-</u>	<u>-</u>
State Grants:					
Cash Assistance:					
<u>N. C. Department of Natural and Cultural Resources:</u>					
Clean Water Management Trust Fund		2017-091	-	661,659	-
Park and Recreation Trust Fund		2014-782	<u>-</u>	<u>300,000</u>	<u>-</u>
Total N. C. Department of Natural and Cultural Resources			<u>-</u>	<u>961,659</u>	<u>-</u>
<u>N. C. Department of Transportation:</u>					
Powell Bill		38570	<u>-</u>	<u>128,173</u>	<u>-</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA

Page 2 of 3

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018**

<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>Pass-through to Subrecipients</u>
Total assistance - State programs			\$ -	\$1,089,832	\$ -
Total assistance			\$2,109,424	\$1,089,832	\$ -

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, 2018. 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 principles 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.

cont.

TOWN OF VALDESE, NORTH CAROLINA
Page 3 of 3, cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018**

Note 4: Loans Outstanding

Town of Valdese, North Carolina had the following loan balance outstanding at June 30, 2018 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2018 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Community Facilities Program	10.766	XXXX	850,000

COUNCIL AGENDA MEMO

To: Town Clerk
From: Bo D. Weichel / Finance Director
Date: 2/26/2019
Agenda: 3/04/2019

REQUEST

Accept and approve the audit contract for FY19 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, 2019 is \$15,960. This price remains consistent with the prior year.

Funds will be included in the FY19-20 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

☒**LIST THE EXPENDITURE CODE:**

LGC-205

CONTRACT TO AUDIT ACCOUNTS

Rev. 10/2018

The of and	Governing Board
	Town Council
	Primary Government Unit
	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
	06/30/19	10/31/19

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).

County and Multi-County Health Departments: The Office of State Auditor will require Auditors of these Governmental Units to perform agreed upon procedures (AUPs) on eligibility determination on certain programs. Both Auditor and Governmental Unit agree that Auditor shall complete and report on these AUPs on

eligibility determination as required by OSA and in accordance with the instructions and timeline provided by OSA.

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*, 2011 revisions, 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. 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. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.

9. 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, 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 12).

10. 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.

11. 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.

12. 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.

13. The Auditor shall submit the report of audit in PDF format to LGC Staff 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.

If the OSA designates certain programs to be audited as major programs, as discussed in Item 2, a turnaround document and a representation letter addressed to the OSA shall be submitted to LGC Staff.

14. 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.

15. 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). 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.

16. 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 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 26 of this contract. Engagement letters containing indemnification clauses shall not be accepted by LGC Staff.

17. Special provisions should be limited. Please list any special provisions in an attachment.

18. 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.

19. The contract shall be executed, pre-audited (pre-audit requirement does not apply to charter schools), and physically signed by all parties including Governmental Unit(s) and the Auditor, then submitted in PDF format to the Secretary of the LGC.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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).

27. 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/slg/Pages/Audit-Forms-and-Resources.aspx>.

28. 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.

FEES FOR AUDIT SERVICES

For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and *Governmental Auditing Standards* (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. 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. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

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, 9, and 12 for details on other allowable and excluded fees.

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 audit fee. Should the 75% cap provided below conflict with the cap calculated by LGC staff based on the prior year audit fee on file with the LGC, the LGC calculation prevails.

20 NCAC 03 .0505: 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.

PRIMARY GOVERNMENT FEES

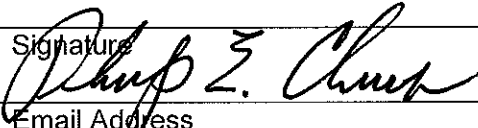
Primary Government Unit	Town of Valdese
Audit	\$ 11170
Writing Financial Statements	\$ 4790
All Other Non-Attest Services	\$ -0-
75% Cap for Interim Invoice Approval	\$ 11,970.00

DPCU FEES (if applicable)

Discretely Presented Component Unit	
Audit	\$
Writing Financial Statements	\$
All Other Non-Attest Services	\$
75% Cap for Interim Invoice Approval	\$

SIGNATURE PAGE

AUDIT FIRM

Audit Firm Lowdermilk Church & Co., LLP	
Authorized Firm Representative (typed or printed) Phillip E Church	Signature 
Date 2-14-19	Email Address phil.church@lowdermilkchurchcpa.com

GOVERNMENTAL UNIT

Governmental Unit Town of Valdese	
Date Primary Government Unit Governing Board Approved Audit Contract (Ref: G.S. 159-34(a) or G.S. 115C-447(a))	
Mayor/Chairperson (typed or printed) John F Black, Mayor	Signature
Date	Email Address

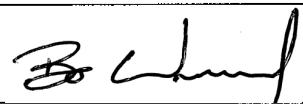
Chair of Audit Committee (typed or printed, or "NA") N/A	Signature
Date	Email Address

GOVERNMENTAL UNIT – PRE-AUDIT CERTIFICATE

(Pre-audit certificate not required for charter schools)

Required by G.S. 159-28(a1) or G.S. 115C-441(a1)

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) Bo Weichel	Signature 
Date of Pre-Audit Certificate 2/26/2019	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
(Pre-audit certificate not required for charter schools)

Required by G.S. 159-28(a1) or G.S. 115C-441(a1)

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

February 8, 2019

We are pleased to confirm our understanding of the services we are to provide Town of Valdese for the year ended June 30, 2019. We will audit 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, 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, 2019. 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 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. The objective also includes reporting on—

- Internal control over financial reporting and compliance with the provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.
- Internal control over compliance related to major programs and an opinion (or a disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The Government Auditing Standards report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) 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 or on compliance, and (2) 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 Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Town Council of 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 may withdraw from this engagement.

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 or noncompliance 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 or major programs. 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. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any 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. 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. 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; schedule of expenditures of federal and State awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

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.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

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, Government Auditing Standards, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Town of Valdese's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures 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.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of Town of Valdese's major programs. The purpose of these procedures will be to express an opinion on Town of Valdese's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal and State awards, and related notes of Town of Valdese in conformity with U.S. generally accepted accounting principles and the Uniform Guidance 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 statements, schedule of expenditures of federal and State awards, and related notes services previously defined. We, in our sole judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal and State awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) 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, schedule of expenditures of federal and State awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

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) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) 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 confirming to us in the management 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 the 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. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal and State awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal and State awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal and State awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal and State awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal and State awards 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 schedule of expenditures of federal and State awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal and State awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (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 schedule of expenditures of federal and State awards.

You are also responsible for the preparation of the other 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 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, schedule of expenditures of federal and State awards, 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, schedule of expenditures of federal and State awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal and State awards, 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.

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.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal and State awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

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, pass-through entity, 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(s). 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 a 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 2015 external peer review report which accompanies this letter.

We appreciate the opportunity to be of service to 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,



Phillip E. Church
Partner

RESPONSE:

This letter correctly sets forth the understanding of Town of Valdese.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

System Review Report

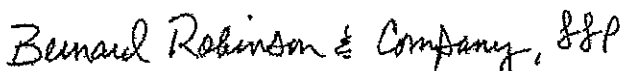
September 24, 2015

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, 2015. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

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, 2015, 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.

Office of the Mayor
Town of Valdese
North Carolina

Proclamation

ARBOR DAY 2019 PROCLAMATION

WHEREAS, in 1872, J. Sterling Morton proposed to the Nebraska Board of Agriculture that a special day be set aside for the planting of trees; and

WHEREAS, the holiday, called Arbor Day, was first observed with the planting of more than a million trees in Nebraska; and

WHEREAS, 2019 is the 147th Anniversary of the holiday and Arbor Day is now observed throughout the nation and the world; and

WHEREAS, trees can reduce the erosion of our precious topsoil by wind and water, cut our heating and cooling costs, moderate the temperature, clean the air, produce life-giving oxygen and provide habitat for wildlife; and

WHEREAS, trees are a renewable resource giving us paper, wood for our homes, fuel for our fires, and beautify our community; and

WHEREAS, trees, wherever they are planted, are a source of joy and spiritual renewal; and

WHEREAS, the Town of Valdese has received the prestigious Tree City USA award for the past 31 years.

NOW, THEREFORE, I, John F. Black, Jr., Mayor of the Town of Valdese, North Carolina, do hereby proclaim Friday, March 22, 2019, as the 147th Anniversary celebration of

"Arbor Day 2019"

in the Town of Valdese and the Town will hold an Arbor Day Event in conjunction with Valdese Elementary School at Valdese Town Hall on Friday, March 22, 2019, 1:30 p.m., with the Arbor Day Tree planting and I urge all citizens to celebrate Arbor Day and to support efforts to protect our trees and woodlands; and

FURTHER, I urge all citizens to plant trees to gladden the heart and promote the well-being of this and future generations.

This 4th day of March, 2019.

John F. Black, Jr., Mayor

Arbor Day

The Town of Valdese proclaims March 22, 2019 as Arbor Day.



The Town of Valdese, in conjunction w/ Valdese Elementary School, would like to invite you to an Arbor Day ceremony on March 22, 2019 in front of Valdese Town Hall. The program will begin at 1:30 P.M. Come join us in the celebration of Arbor Day.

****See Below****

Site – Valdese Town Hall

1 – Welcome

2- Thanks to Valdese Elementary

3- Planting of Arbor Day Tree and Explanation of Importance

4 – Presentation of trees to Fourth Graders of Valdese Elementary



TOWN OF VALDESE

NORTH CAROLINA'S FRIENDLY TOWN

P.O. BOX 339

VALDESE, NORTH CAROLINA 28690-0339

PHONE (828) 879-2124

FAX (828) 879-2139

OFFICE OF THE PLANNING DIRECTOR

Memorandum

To: John Black, Mayor
Town Council

From: Larry Johnson, Planning Director
Hunter Nestor, Technical Assistance Planner

Date: February 21, 2019

Subject: Zoning Ordinance Text Amendment #01-02-19

The Valdeese Planning Board would like to present to Town Council, for review and consideration, text amendments to the Valdeese Zoning Ordinance. The Valdeese Planning Board recommends Town Council approval of various amendments to the Valdeese Zoning Ordinance for the following articles: Definitions, General Provisions, Use by Districts, Special Requirements for Certain Uses and Sign Regulations.

Proposed amendments will limit the size of accessory buildings, allow light manufacturing in a commercial district, and redefine retail establishments. Also, Planning Board recommends approval to allow flag signs in two zoning districts, as well as, clarify sign language in the Central Business District.

The Planning Board met on January 28 for final review of the proposed amendments. Following review and discussion, the board voted unanimously to recommend Town Council approval of the amendments. The amendments are attached for your review.

9-3039 Location of Accessory Buildings

- (a) On any residential lot, except as hereafter provided, accessory buildings shall not be located in any front or side yard, shall not cover more than thirty percent (30%) of any rear yard and shall be at least five (5) feet from any other building on the same lot and at least twenty (20) feet from any buildings used for human habitation on adjoining lots. **In addition, the size of the footprint of any accessory structure shall not exceed the size of the total footprint of the principle structure, and the footprint of the accessory structure shall not be greater than 1,000 square feet.** All parts of the building, including the footings and roof overhang, shall be a minimum of ten (10) feet from any lot line; and further provided that in the case of corner lots such buildings or structures shall be set back at least twenty (20) feet from any side line right-of-way line. Exception: residential accessory buildings located in the B-1 Zoning District which shall be a minimum of five (5) feet from **any** lot line.
- (b) Residential carports may be permitted in the side yard of a single-family dwelling provided such carports meet the side yard setback of a principal structure for the applicable zoning district. For the purposes of this section a residential carport shall be defined as an accessory building consisting of a roof where the side walls are open and where the purpose of such a structure is to provide covered parking for non-commercial (passenger) motor vehicles. The storage of materials or equipment, other than motor vehicles, in a residential carport is prohibited if the carport is not located in the rear yard.

A detached garage may be permitted in the side yard of a single-family dwelling provided such garage meets all of the side yard setbacks of the principal structure for the applicable zoning district and that it meets the general requirements/conditions for a detached garage as outlined in Section 9-3060.

A residential property owner may apply for a conditional use permit to build a detached garage within the front yard subject to meeting all of the conditions set forth in Section 9-3060.

- (c) Residential accessory buildings may be located in a front or side yard provided the lot is used for single-family purposes and is greater than five (5) acres in size (area). In such a case, the residential accessory building shall be set back from the front property line a minimum of 200 feet and shall meet all other applicable setbacks. In addition, the size of the footprint of any accessory structure shall not exceed the size of the total footprint of the principle structure, and the footprint of the accessory structure shall not be greater than 1,000 square feet.

9-3042 Permitted Accessory Uses in All Districts and Structures

The following accessory uses are permitted ~~in all districts~~:

- (a) Accessory uses and structures that are clearly related to and incidental to the permitted principal use or structure on the lot (9-3039).

9-3045 Home Occupations

- (a) In a zoning district in which a home occupation is permitted, the A home occupation is permitted accessory to any dwelling unit (except manufactured — housing) in accordance with must meet the following requirements:

9-3055 Central Business District (B-1)

9-3055.1 Permitted Uses

- (45) Retail, **Sales and Services** establishments such as department, clothing, fabric, shoe, variety, notion, drug, hardware, furniture, appliance, music, art, antique, jewelry, sporting goods, toy, hobby, book, and stationary stores, but not excluding similar retail establishments

9-3056 General Business District (B-2)

- (57) Retail, Sales and Services establishments such as department, clothing, fabric, shoe, variety, notion, drug, hardware, furniture, appliance, music, art, antique, jewelry, sporting goods, toy, hobby, book, and stationary stores, but not excluding similar retail establishments
- (d) Uses permitted with Special Use Requirements
- (1) Kennels
 - (2) Artisan Food and Beverage
 - (3) Manufacturing and Production

9-3012 Definitions

Manufacturing and Production: Establishments engaged in the mechanical or chemical transformation of materials or substances into new products, including the assembling of component parts, the creating of products, and the blending of materials, such as oils, plastics, resins, or liquors. Products are generally made for the wholesale market. Manufacturing of goods to be sold primarily on-site and to the general public are classified as Retail Sales and Service.

Retail Sales: Stores selling, leasing or renting consumer, home and business goods including antiques, appliances, art, art supplies, bicycles, book, butcher, clothing, dry goods, electronic equipment, fabric, food sales, furniture, garden supplies, gifts, groceries, hardware, hobby, home improvement products, household products, jewelry, music, pets, pet food, pharmaceuticals, plants, printed material, stationary, sales or leasing of consumer vehicles including passenger vehicles, motorcycles, light and medium trucks and other recreational vehicles, shoes, sporting goods, toy, variety, videos, and including similar sale establishments.

Retail Services: Establishments providing services, as opposed to products, to the general public for personal or household use, including attorney, finance, insurance, and real estate offices; galleries, hotels, motels, restaurants, and health educational and social services, and including similar service establishments.

9-3060 Special Requirements For Certain Uses

9-3063 Manufacturing and Production

Manufacturing and Production in the B-2 General Business District is subject to the following requirements:

- (A) All activities shall be conducted entirely within an enclosed building.
- (B) Outdoor storage of goods and materials used in assembly, fabrication, or processing is prohibited.
- (C) Total floor area shall not be more than 10,000 square feet per zoning lot.
- (D) Business shall not employ more than 20 employees.
- (E) Parking and loading requirements shall be in accordance with Article F of the zoning ordinance.
- (F) Shall meet all North Carolina State environmental standards.

9-3097 Permanent On-Premise Signs Requiring a Permit

9-3097.1 On-Premise Signs are allowed, as indicated in the chart below

ANY BUILDING TYPE IN A MIXED USE DISTRICT EXCEPT A SINGLE-FAMILY HOUSE

(B-1, O-I, FP)

Wall Mounted Sign

For single-story buildings, 1 square foot of sign surface area for every linear foot of building frontage up to a maximum of 50 square feet

For multi-story buildings, 1.5 square feet of sign surface area for every linear foot of building frontage up to a maximum of 75 square feet

Ground Mounted Sign

~~(Only Monument Style Permitted in B-1)~~

Maximum Number: 1 per street front

Maximum Area: 32 square feet

Maximum Height: 8 feet

Setback: Must be setback at least 10 feet from any right-of-way or property line.

~~Note: Ground mounted signs are not permitted in the B-1 Central Business District~~

9-3098 Temporary Signs Requiring a Permit

The following temporary signs shall be allowed subject to the standards below, in lieu of on-site real estate or construction signs.

Temporary Planned Development Signs, provided:

- a) Only one primary sign and two secondary signs shall be allowed per street front of development.
 - b) The maximum sign face area of a primary sign shall not exceed 32 square feet; height of ground mounted signs shall not exceed 6 feet.
 - c) The maximum sign face area of secondary signs shall not exceed 12 square feet; height of ground mounted signs shall not exceed 6 feet.
 - d) Only one permit shall be required for all temporary planned development signs for each planned development. Permits shall be valid until a project is completed or two years, whichever comes first. Completion shall be evidenced by the issuance of all certificates of occupancy for a development by the Building Inspections Department. If a project is not completed in two years, a new permit must be obtained. However, in no instance shall more than 2 permits be issued for a development. Additional permits shall not allow secondary signs. All secondary signs shall be removed when the first permit issued expires.
 - e) Temporary directional signs within a planned development, but not visible from the road(s) fronting the overall development, shall be permitted so long as such signs do not exceed 12 square feet in sign area, 6 feet in height, and are removed upon completion of the portion of the project to which the signs are giving direction.
- 2) Flag signs shall be allowed in the B-2 General Business and M-1 General Manufacturing Districts providing:
- a) One (1) sign shall be permitted per property
 - b) Signs can be erected for up to 14 days per calendar year
 - c) The sign cannot be located inside any public right-of-way

TOWN OF VALDESE
NOTICE OF PUBLIC HEARING ON PROPOSED AMENDMENT TO THE
TOWN OF VALDESE ZONING ORDINANCE

Notice is hereby given that a public hearing will be held at a meeting of the Valdese Town Council in the Council Chambers of the Valdese Town Hall, at 102 Massel Avenue SW, Valdese, North Carolina, on Monday, March 4, 2019, 6:00 p.m., upon the question of amending the Zoning Ordinance (Text Amendment Application 01-2-19) of the Town of Valdese as follows:

Text Amendment #01-2-19 Application

The Valdese Planning Board recommends Town Council approval of various amendments to the Valdese Zoning Ordinance for the following articles:
Definitions, General Provisions, Use by Districts, Special Requirements for
Certain Uses and Sign Regulations.

At the hearing, all interested persons may be heard and voice any objections to the proposed amendment to the Zoning Ordinance of the Town of Valdese. Notice is further given that complete copies of the proposed amendment and of this notice are now and will remain on file in the Office of the Planning Department at Valdese Town Hall for the inspection of all interested citizens, until the time of the public hearings. For information regarding the above listed items, contact the Planning Department at (828) 879-2124.

Interested parties are invited to attend this hearing and present comments. Request for accommodations by persons with disabilities should contact Courtney Kennedy at (828) 879-2120 at least 48 hours prior to the scheduled meeting time.

PUBLISH: February 21, 2019 and February 28, 2019

**Legal Advertisement
Affidavit Requested**



TOWN OF VALDESE

NORTH CAROLINA'S FRIENDLY TOWN

P.O. BOX 339

VALDESE, NORTH CAROLINA 28690-0339

PHONE (828) 879-2124

FAX (828) 879-2139

OFFICE OF THE PLANNING DIRECTOR

Memorandum

To: John Black, Mayor
Town Council Member

From: Larry Johnson, Planning Director
Lisa Helton, WPCOG

Date: February 26, 2019

Subject: NC Department of Commerce
Rural Economic Development Division
CDBG- Neighborhood Revitalization Program

Staff respectfully requests Town Council approval of the required documents related to the CDBG Neighborhood Revitalization Program Grant Application.

If you recall, the Town of Valdese submitted an application to rehabilitate twelve (12) homes scattered through-out Valdese. The town received award notification in December 2018 and has received official grant documents from the North Carolina Department of Commerce for release of funds. The town must now approve and sign the following documents.

1. Grant Agreement (2 copies)
2. Funding Approval (2 copies)
3. Performance Based Contract Implementation Schedule (2 copies)
4. Signatory Form and Certification (3 copies)

Additional documents for the project will be presented during the April Council agenda. Meanwhile, if you have comments or questions, please contact me.



**North Carolina Department of Commerce
Rural Economic Development Division
Community Development Block Grant Program**

**Grant Agreement
Neighborhood Revitalization Program**

Upon execution of this grant agreement, the North Carolina Department of Commerce (DOC) agrees to provide to the **Town of Valdese**, (the “Recipient” and collectively with DOC, the “Parties”), Community Development Block Grant (CDBG) assistance under Title I of the Housing and Community Development Act of 1974, (P.L. 93-383), as amended, authorized (and subject to Recipient’s compliance with) the DOC funding approval, the North Carolina Community Development Block Grant administrative rules, other applicable laws, rules, regulations, and all other requirements of DOC now or hereafter in effect. The grant agreement is effective on the date the grant agreement and funding approval are signed by the Recipient. The grant agreement consists of the program guidelines and the approved application, including the certifications, maps, schedules and other submissions in the application, any subsequent amendments to this document or the approved application and funding approval and the following general terms and conditions:

1. **Definitions.** Except to the extent modified or supplemented by the agreement, any term defined in the North Carolina Community Development Block Grant Administrative Rules, 4 NCAC 19L, shall have the same meaning when used herein.
 - (a) Agreement means this grant agreement, as described above and any amendments or supplements thereto.
 - (b) Recipient means the **Town of Valdese**, the entity designated as a recipient for grant assistance in the grant agreement and funding approval.
 - (c) Certifications mean the certifications submitted with the grant application pursuant to the requirements of Paragraph (e) of Rule .0407 of the North Carolina Community Development Block Grant Administrative Rules, 4 NCAC 19L.
 - (d) “Assistance” or “Grant” means the grant funds provided under this Agreement from funds allocated to the State of North Carolina from the Federal Treasury through the CDBG and supporting laws, rules, requirements and regulations, in the amount of **\$350,600** except as modified.
 - (e) Program means the community development program, project, or other activities, including the administration thereof, for which assistance is being provided under this Agreement and which is

described in the Recipient's approved application, as may be modified.

- (f) The date for receiving the grant means the date of the REDD Director's signature on the Grant Agreement and Funding Approval.
- 2. Timely Execution. Due to the need to expedite the use and expenditure of CDBG funds, Recipient's failure to execute and return a copy of the Agreement within 60 days of the date of the REDD Director's signature on the Grant Agreement and Funding Approval may be deemed by DOC to determine the funds are available for reallocation to other subrecipients.
- 3. Obligations of the Recipient. The recipient shall perform the Program as specified in the application approved by DOC as may be amended with DOC approval. The Recipient hereby certifies that it will comply with all applicable federal and state laws, regulations, rules and Executive Orders, pursuant to Paragraph (e) of Rule .0407 of the North Carolina Community Development Block Grant Administrative Rules, 4 NCAC 19L. The Recipient shall also comply with all other lawful requirements of DOC, all applicable requirements of the General Statutes of the State of North Carolina specifically N. C. G. S. 87-1-87-15.9 and any other applicable laws, rules, regulations, requirements, and Executive Orders currently or hereafter in force. Recipient is prohibited from any fraud, waste and abuse of CDBG funds by any person or entity. The rules contained in 4 N.C.A.C. 19L (as well as applicable federal rules and regulations) are part of the Agreement, except where specifically modified by applicable law, rule, regulation, DOC, the CDBG HUD Program Requirements and any subsequent amendments, regulations or clarifications to any of the foregoing.

Additionally, Recipient agrees to ensure compliance with respect to the Program and the Grant (and any of its proceeds) with all applicable federal and state laws, rules, regulations and requirements, including but not limited to the following (as each may be modified or amended): (1) the CDBG HUD Program Requirements; (2) Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 *et seq*), (3) existing CDBG laws, rules, regulations and requirements, as may be amended, including those set forth in 24 C.F.R., Part 570; (4) North Carolina laws, rules, regulations and requirements; (5) DOC guidance and requirements regarding CDBG now or hereafter in effect, including but not limited to: DOC's CDBG Guidelines and Application Instructions, and DOC bulletins or other guidance documents; and (6) Recipient's own approved CDBG application to DOC, as may be amended with DOC approval.

- 4. Obligations of Recipient with Respect to Certain Third Party Relationships. Recipient is responsible to **DOC** for ensuring compliance with the provisions of this Agreement and all applicable laws, rules, regulations and requirements, even when the recipient designates a third party or parties to undertake all or any part of the Program. The Recipient shall comply with all lawful requirements of DOC necessary to ensure that the program is carried out in accordance with the Recipient's certifications including but not limited to the certification of assumption of environmental responsibilities under Rule .1004 of the North Carolina Community Development Block Grant Administrative Rules, 4 NCAC 19L. If the Recipient contracts with or designates a third party to undertake all or part of the Program, the Recipient's contract with the third party must require the third party to comply with this Agreement, all applicable laws, rules, regulations and requirements, including but not limited to the procurement standards set forth in 4 N.C. Administrative Code 19L .0908 as may be applicable.

Recipient shall likewise ensure that all subrecipient contracts regarding Grant funds or relating to the Program include all required contractual elements in order to be in compliance with all Federal, State and local laws, including but not limited to the provisions contained in 24 C.F.R. § 570.503, 24 C.F.R. § 85.37, and other provisions described throughout this Agreement, where applicable. In any event, the Recipient is liable to DOC and HUD for any improper expenditures, damage, loss or harm resulting from the failure of any person or entity to comply with any applicable law, rule, regulation or requirement regarding the Grant funds and/or the Program, including but not limited to an act or omission by a subrecipient or other third party. The Recipient agrees to periodically and rigorously monitor and audit its subrecipients and other third parties to ensure compliance with all applicable requirements.

Any subcontracts or subrecipient agreements entered into by the Recipient with Grant funds shall be subject to all terms and conditions of this Agreement. Payment of all subcontractors and subrecipients shall be the sole responsibility of the Recipient, and DOC shall not be obligated to pay for any work performed by any subcontractor or subrecipient. The Recipient shall be responsible for the performance of all subcontractors and subrecipients and shall not be relieved of any of the duties and responsibilities of this Agreement as a result of entering into subcontracts or subrecipient agreements.

5. Changes to Agreement. Recipient agrees that DOC may supplement or modify this Agreement as may be necessary to implement additional or modified Federal or State guidance regarding implementation of the CDBG program.
6. Conflict of Interest. Recipient agrees to comply with all applicable conflict of interest provisions, including but not limited to those found at 4 N.C.A.C. 19 L .0908 and .0914, N.C. Gen. Stat. § 14-234, 24 C.F.R. § 85.36, 24 C.F.R. § 570.489 (g) and (h), and 24 C.F.R. § 570.611, where applicable, copies of which may be obtained from DOC.

Except for eligible administrative or personnel costs, the general rule is that no persons described in the following sentence who exercise or have exercised any functions or responsibilities with respect to grant activities assisted under this Agreement or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a Grant-assisted activity, or have an interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

The conflict of interest summary in the sentence above generally applies to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the state, or of a unit of general local government, or of any designated public agencies, or Recipient or applicable third parties which are receiving CDBG grant funds.

Recipient agrees to include these same prohibitions in all such contracts or subcontracts with any subrecipients or other third parties relating to the Program.

In any event, the Assistance provided under this Agreement shall not be used in the payment of any bonus or commission for the purpose of obtaining DOC approval of the application for such assistance, or DOC approval of applications for additional assistance, or any other approval or concurrence of DOC required under this Agreement, or the North Carolina Community Development Block Grant Administrative Rules, with respect thereto; provided, however, that reasonable fees or bona fide technical, consultant, managerial or other such services, other than actual solicitation, are not prohibited if otherwise eligible as program costs and allowed by applicable law.

Additionally, certain limited exceptions to the conflict of interest rules listed in 24 C.F.R. § 570.489 may be granted in writing by HUD and/or DOC upon written request and the provision of information specified in 24 C.F.R. § 570.489(h)(ii)(4).

7. Reimbursement to DOC for Improper Expenditures. The Recipient will reimburse DOC for any amount of Grant assistance improperly expended, either deliberately or non-deliberately, by any person or entity. Additionally, a contract for administrative services shall include a clause holding the administrator organization responsible for reimbursement to the Recipient for any improperly expended grant funds that had to be returned to DOC.
8. Recordkeeping Requirements. Recipient will maintain any and all records and comply with all responsibilities as may be required under typical CDBG recordkeeping (for example, records and responsibilities set forth in 4 N.C.A.C. 19L.0911 (“Recordkeeping”), 24 C.F.R. 570.490 (“Recordkeeping Requirements”), 24 C.F.R. § 570.506 (“Records to be maintained”) and 24 C.F.R. § 85.42 (“Retention and Access Requirements for Records”) as each may be modified by HUD or DOC) as well as records and responsibilities related to CDBG or specifically to CDBG funds. Recipient agrees to comply with any additional record-keeping requirements now or hereinafter set forth by DOC, HUD or any other federal or state entity.
9. Access to Records. The Recipient shall provide any duly authorized representative of DOC, the State of North Carolina, the federal Department of Housing and Urban Development (HUD), and the Comptroller General, the Inspector General and other authorized parties at all reasonable times access to and the right to inspect, copy, monitor, and examine all of the books, papers, records, and other documents relating to the grant for a period of five years following the completion of all close-out procedures. All original files shall be maintained at the Local Government offices for access purposes.
10. Release of Personal, Financial and Identifying Information. To ensure and document compliance with CDBG income requirements as well as other matters, Recipient shall obtain and retain personal, income-related, financial, tax and/or related information from individuals and families that are benefitting from Grant or Program funds. Additionally, Recipient is obligated to provide access to any and all information relating to the Program to DOC, HUD or some other appropriate federal or state monitoring entity, upon DOC’s request. This obligation includes, but is not limited to, the personal, financial and identifying information of individuals assisted by the Program. As such, Recipient shall obtain any releases or waivers from all individuals or entities necessary to ensure that this information

can be properly and legally provided to appropriate federal and state entities, including DOC and HUD, without issue or objection by the individual or entity.

11. Project Savings. The Recipient is obligated to contribute 100 percent of its pledged **cash** contribution to the CDBG project even if the project experiences a savings after authorized activities are completed. Any project savings accrue to the CDBG program. **Substitution of in-kind contributions for cash is not allowed.**
12. Expenditure of Non-CDBG Funds. The recipient must ensure that non-CDBG funds are expended along with CDBG funds, following the implementation schedule described in the approved application and modified by the Performance Contract (or otherwise with DOC approval), and shall report on non-CDBG expenditures with each Annual Performance Report, consistent with Section .1100 PERFORMANCE of the program regulations (4NCAC 19L) as well as any other applicable reporting requirements.
13. Method of Payment. The Department of Commerce uses the Office of State Controller (OSC) to make CDBG payments to units of local government. The Electronic Payment Form from OSC must be completed for funds to be electronically transferred. Arrangements must be made with the Finance Officer in the Rural Economic Development Division if a Recipient does not want to use the electronic funds transfer.
14. Fair Housing. Recipients of CDBG funds are required to comply with fair housing and non-discrimination laws and regulations. Recipients should consult Section .1001 of the CDBG administrative rules for further information on equal opportunity requirements. Recipients are required to submit a fair housing plan for its jurisdiction. Recipients with 10,000 persons or more will be required to complete an Analysis to Impediments to Fair Housing Choice Study. For each grant year that a CDBG project is active, a Recipient must describe the actions it will take in the areas of enforcement, education and removal of barriers and impediments to affirmatively further fair housing. Guidance for developing a Fair Housing Plan can be found in REDD Bulletin 93-4 and the CDBG Implementation Notebook.
15. Equal Employment and Procurement Opportunity. A Recipient must describe the actions it will take annually while the grant is open in the areas of enforcement, education and removal of barriers and impediments that affirmatively further equal access in employment and procurement. This includes a description of steps to be taken in the areas of advertisement, compliance and complaint tracking.
16. Local Economic Benefit (Section 3 Regulation). For each year that a CDBG is active, the Recipient must describe a strategy whereby opportunities in employment and procurement arising out of a CDBG assisted project are identified and made available to low-income residents within the CDBG assisted area to the greatest extent feasible. This strategy must include (1) identification of training and technical assistance resources to prepare low-income residents for employment and procurement opportunities, (2) attempts to reach the numerical targets for new hires set forth in the Section 3 regulation, which applies to Recipients receiving \$200,000 or more in non-administrative line items expended for construction contracts and (3) education of low-income residents within the CDBG assisted area about the components and opportunities of the program.

In addition, Recipients will be required to coordinate additional activities as it relates to Section 3 with the DOC CDBG Compliance Office.

17. Section 504 and ADA. Recipients must complete the Section 504 Survey and Transition Plan. This plan will not satisfy all the requirements of the Americans with Disabilities Act, but it will meet the minimum requirements for a CDBG assisted project.
18. Environmental Review. Recipients of CDBG funds are required to complete the document entitled "Environmental Review Procedures for the CDBG Program." Once the Environmental Review Record (ERR) is received, REDD will review for completeness and submit selected CDBG ERRs if required to the State Clearinghouse for other State agencies to review and comment. Recipients cannot conduct any program activities until REDD issues an environmental clearance.
19. Language Access Plan (LAP). Recipients of Federal financial assistance have an obligation to reduce language barriers that can preclude meaningful access by Limited English Proficient (LEP) persons to important government programs, services, and activities. Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000(d) and its implementing regulations require that Recipients take responsible steps to ensure meaningful access by LEP persons. Recipients will be required to submit a language access plan using the approved template from REDD. The plan will address the LAP policy, translation of required vital documents, and requirements for citizen participation.
20. Procurement Standards. Where applicable, Recipient shall follow the procurement standards established in the "Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments" (24 C.F.R., Part 85) and HUD implementing regulations contained in 24 C.F.R. § 570.489(g), which explicitly prohibit cost plus a percentage of cost and percentage of construction cost methods of contracting. 4 N.C.A.C. 19L.0908.
21.
 - a. Any Recipient or Subrecipient shall follow other applicable procurement standards set forth in 4 N.C.A.C. 19L.0908, and the relevant laws cited therein, including but not limited to, laws related to conflicts of interest (N.C.G.S. §14-234), public building contracts (N.C.G.S. § 148-128 to 135), and payment and performance bonds (N.C.G.S. § 44A-25 through 35); acquisition and relocation (4 N.C.A.C. 19L.1003); property management standards (4 N.C.A.C. 19L.0909); equal opportunity (4 N.C.A.C. 19L.1001); and labor standards (4 N.C.A.C. 19L.1006).
 - b. Recipient shall likewise follow all other applicable federal and state procurement rules, guidelines and procedures, including those set forth in Office of Management and Budget Circular No. A-87 ("Cost Principles for State and Local Governments").

In any event, per 24 C.F.R. 570.489(g), all purchase orders and contracts shall include any clauses required by Federal statutes, executive orders and implementing regulations.

Additionally, Recipient acknowledges and agrees that, in its conduct under this Agreement and in connection with any and all expenditures of Grant funds made by it, Recipient, its officers, agents and employees shall be and are subject to the provisions of the North Carolina General Statutes and the North Carolina Administrative Code relating to and governing procurement, public contracts, suspension and debarment. Recipient further acknowledges and agrees that, in the event that it grants any of the Grant funds awarded hereunder to one or more subrecipients or other applicable entities, Recipient shall, by

contract, ensure that the provisions of all applicable laws relating to and governing procurement, public contracts, suspension and debarment are made applicable to and binding upon any and all subrecipients and/or other applicable entities.

22. Labor Standards. Recipient shall follow all applicable laws, rules and regulations concerning the payment of wages, contract work hours, safety, health standards, and equal opportunity for CDBG-R programs, including but not limited to the rules set forth in 4 N.C.A.C 19L.1006, 24 C.F.R. § 570.603 and the following (as may be applicable to CDBG-R projects):
- a. Davis-Bacon Act (40 U.S.C.A. 276a). Among other provisions, this act requires that prevailing local wage levels be paid to laborers and mechanics employed on certain construction work assisted with CDBG funds.
 - b. Contract Work Hours and Safety Standards Act (40 U.S.C.A. 327 through 333). Under this act, among other provisions, laborers and mechanics employed by contractors and subcontractors on construction work assisted with CDBG funds must receive overtime compensation at a rate not less than one and one-half the basic rate of pay for all hours worked in excess of forty hours in any workweek. Violators shall be liable for the unpaid wages and in addition for liquidated damages computed in respect to each laborer or mechanic employed in violation of the act.
 - c. Fair Labor Standards Act (29 U.S.C. 201 et seq.), requiring among other things that covered employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed work-week.
 - d. Federal anti-kickback laws (18 U.S.C. 874 and 40 U.S.C. 276), which, among other things, outlaws and prescribes criminal penalties for "kickbacks" of wages in federally financed or assisted construction activities. Weekly statements of compliance and weekly payrolls must be provided by all contractors and subcontractors.

Recipient agrees to maintain records regarding compliance with the laws and regulations cited in 4 N.C.A.C. 19L.1006 (including the citations listed above) in accordance with 4 N.C.A.C. 19L.0911.

All contracts between Recipient and third parties shall contain labor standards provisions as required in 4 N.C.A.C. 19L.1006.

23. Architectural Barriers. Per 4 N.C.A.C.19L.1007, 24 C.F.R. §§ 570.487 and 570.614 and other applicable law, all applicable buildings or facilities designed, constructed or altered with CDBG Grant funds shall be made accessible and useable to the physically handicapped as may be required by applicable laws, rules, regulations or requirements. Additionally, Recipient must comply with the following (as may be applicable to CDBG projects):
- a. Architectural Barriers Act of 1968 (P.L. 90-480). This act requires Recipient to ensure that certain buildings constructed or altered with CDBG funds are readily accessible to the physically handicapped.
 - b. Minimum Guidelines and Requirements for Accessible Design 36 C.F.R. Part 1190. These regulations establish guidelines for implementing the federal acts described in 4 N.C.A.C.19L.1007(1)(a). The regulations provide technical standards which must be met by Recipient.
 - c. Americans with Disabilities Act ["ADA"] and the ADA Accessibility Guidelines for Buildings and Facilities or the Uniform Federal Accessibility Standards.

- d. North Carolina Building Code, Volume I, Chapter 11-X. These provisions describe minimum standards Recipient must meet in constructing or altering building and facilities, to make them accessible to and useable by the physically handicapped.
24. Change of Use of Real Property. Recipient agrees not to change the use or planned use of any property acquired with CDBG funds from that for which the acquisition or improvement was made, in accordance with this Agreement and applicable law, rule, regulation or requirement, unless (i) the DOC grants explicit written approval and (ii) the requirements of 24 C.F.R. § 570.489(j), 24 C.F.R. § 570.505 and other applicable requirements are followed, as modified (or as may be modified) by HUD or DOC.
24. Obligation of Recipient With Regard to Vacant Units. The recipient shall ensure that all vacant units being rehabilitated will be occupied by a low or moderate income person by the time close-out occurs.
25. Utility Assessments or Fees: Assessments or fees to recover the CDBG funded portion of a utility project may be charged to properties not owned and occupied by low and moderate income persons. Such assessments are program income and, as such, must be used for eligible CDBG activities that meet a CDBG national objective.
26. False or Misleading Information. Recipient is advised that providing false, fictitious or misleading information with respect to CDBG funds may result in criminal, civil, or administrative prosecution under 18 U.S.C. § 1001, 18 U.S.C. § 1343, 31 U.S.C. § 3729, 31 U.S.C. § 3801, or another applicable statute. Recipient shall promptly refer to DOC and HUD's Office of the Inspector General any credible evidence that a principal, employee, agent, contractor, sub-grantee, subcontractor, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving CDBG funds.
27. Disputes with DOC. If Recipient has any disagreement or dispute with any action or inaction by DOC, Recipient shall inform DOC by letter addressed to Iris Payne, Director, Department of Commerce – Rural Economic Development Division, 4346 Mail Service Center, Raleigh, NC 27699-4346. The Rural Economic Development Division ["REDD"] will endeavor to respond in writing to said letter within 30 days from receipt. Recipient shall not be entitled to a hearing under Chapter 150B for matters described in N.C. Gen. Stat. § 150B(c)(8), added by N.C. Senate Bill 960, including matters related to "contracts, disputes, protests, and/or claims arising out of or relating to the implementation of the [CDBG]." This includes actions arising out of or related to this Agreement or the Program.
28. Disputes or Complaints by Subrecipients or Other Entities. Recipient is responsible for developing, implementing and utilizing its own dispute resolution procedures with respect to disputes and/or complaints between and among Recipient, a Subrecipient, a contractor and/or any other person or entity (other than DOC). This includes (but is not limited to) procedures relating to procurement disputes or protests discussed in 24 C.F.R. 85.36. In the event of a dispute between and among Recipient, any Subrecipient, contractor and/or any other persons or entities (not including DOC), Recipient shall make every effort to resolve the dispute pursuant to its own dispute resolution procedures and shall issue a final decision on the matter as soon as is reasonably practicable. Recipient's dispute resolution procedure shall provide that, in the event that any party to such a dispute or complaint is dissatisfied with the final decision or other resolution provided by Recipient, the dissatisfied party shall appeal to

the North Carolina Superior Court in an appropriate County for a trial de novo, to the extent that jurisdiction is proper pursuant to N.C. Gen. Stat. § 7A-240 and other applicable law.

29. Schedules

- (a) Schedule for Release of Conditions and Completion Activities. The Recipient must satisfy all Funding Approval Conditions to release CDBG funds within 3 months (May 13, 2019) from the date the Grant Agreement and Funding Approval were signed by the REDD Director. The recipient must draw down all CDBG funds, expend all local non-CDBG funds and complete all project activities in conformance with the activities implementation schedule in the application as modified by the Performance Based Contract.
- (b) The Recipient must obligate all funds within 27 months (May 13, 2021) from the date the Grant Agreement and Funding Approval are signed by REDD Director.
- (c) All funds are to be expended within 30 months (August 13, 2021) from the date the Grant Agreement and Funding Approval are signed by REDD Director. Any remaining funds will be de-obligated.
- (d) All closeout documents must be returned to REDD by (November 13, 2021).
- (e) Schedule for Submission of Compliance Documents. The Recipient must submit the following compliance documents within the specified number of months from the date the Grant Agreement and the Funding Approval were signed by the REDD Director:
 - **Environmental – 4 months (June 13, 2019)**
 - **Equal Employment and Procurement Plan – 4 months (June 13, 2019)**
 - **Section 3 Plan – 4 months (June 13, 2019)**
 - **Section 504 Plan – 4 months (June 13, 2019)**
 - **Language Access Plan – 4 months (June 13, 2019)**
 - **Analysis of Impediments- 4 months (June 13, 2019)**
 - **Request for Release of Funds – 5 months (July 13, 2019)**
- (f) Timely Draw down of Funds. Recipient is expected make timely drawdowns so that funds are expended in a timely manner.

30. Quarterly Progress Report. Per Bulletin 09-1, Recipient shall ensure that a quarterly progress report that reflects approved CDBG program activity progress and CDBG financial status is presented to Recipient's elected board and a copy of that report, endorsed by the Chief Elected Official or the county/city/town manager will be provided to DOC not later than the tenth (10th) day of the month following the ending month of the reporting period.

31. Performance Measures

The CPD Performance Measurement System is HUD's response to the standards set by the Government Performance and Results Act (GPRA) of 1993. This act holds all Federal agencies accountable for establishing goals and objectives and measuring achievements.

- (a) The recipient must ensure that all activities in the funded project(s) meet the appropriate objectives, outcomes, and indicators established by HUD and selected by DOC. CDBG funds cannot be used to pay for any activity that does not meet the above requirement.

- (b) The recipient must also assist DOC, when requested, in collecting indicators and any other data necessary to fulfill the requirements of the CPD Performance Measures System, which includes data for the Integrated Disbursement and Information System (IDIS).

Upon execution of this agreement by DOC and the Recipient, the Recipient hereby accepts the assistance on the terms of this grant agreement effective on the date indicated below, and further certifies that the official signing this document has been duly authorized by the recipient's governing body to execute this Grant Agreement.

Secretary of the Department of Commerce

Date: 2/13/19

☒ By: 
Assistant Secretary
Rural Economic Development Division

Date: _____

Name of Recipient

☒ By: _____
Signature of Authorized Official

(Title)



Rural Economic Development Division

Community Development Block Grant Program

Funding Approval

1. Name and Address of Recipient

Town of Valdese
Post Office Box 339
Town, North Carolina 28690

2. Grant Number and Funding Approval Date

Grant Number(s): 17-C-2986

Date of Original Funding Approval: 2/13/19

Date of Amended Funding Approval:

3. Approved Projects**Approved Amount**

C1	2017 CDBG NR Project	\$350,600.00
Total Grant Award		\$350,600.00

4. Funding Approval Conditions

The following conditions must be removed in writing by Rural Economic Development Division (REDD) in order for all funds to be released for the approved project(s) listed in item (3), above:

A. Environmental Condition:

No funds may be obligated or expended in any project activity except for the administration activity in the C-1 project until the recipient has complied with the Environmental Review Procedures for the N.C. CDBG Program and the CDBG regulations contained in 4 NCAC 19L.1004.

B. Citizen Participation and Compliance Condition:

No funds may be obligated or expended in any project activity except for the administration activity until REDD is provided with the following documentation of compliance with citizen participation requirements in the application process [4NCA 19L.1002(b)]: publisher's affidavits of notices for and minutes signed by the town (or the county as applicable) clerk of the two required public hearings.

C. Administration Contracts/Inter-local agreements Condition:

No funds may be obligated or expended in any project activity except the administration activity until the recipient has submitted either a copy of the contract awarded for administration of this grant or a statement signed by the CEO stating that the contract will be administered internally.

D. Use of Experienced CDBG Administrator:

No funds may be obligated or expended for the administration activity until the recipient has submitted a statement signed by the CEO stating that they will be using an experienced CDBG administrator or local government staff. This person should be one who has actually administered more than one (1) CDBG project. Please note that if issues result from the CDBG administrator, the local government will be subject to 4 NCAC 19L.

5. Signature of Authorized Official

Keith

2/13/19

6. Signature of Authorized Local Official

Name of Grantee:

Grant Number:

First quarter begins on the date of REDD Director's signature on the Grant Agreement and Funding Approval.

List goals to be accomplished each Quarter.

[illegible]

Name of Grantee:

Grant Number:

First quarter begins on the date of REDD Director's signature on the Grant Agreement and Funding Approval.

List goals to be accomplished each Quarter. Activities should correspond to those on the Budget and Benefit: Low and Moderate Income forms in the application approved for funding.

[illegible]

Performance Based Contract: Implementation Schedule

Name of Grantee:

Grant Number:

[illegible]

9. Signature of Authorized Local Official

Name _____

Signature _____

Title _____

_____ Date

10. Signature of Authorized REDD Official

Name _____ Iris Payne

Director, Rural Economic Development Division
Title _____

_____ Date

Memo

To: Courtney
From: Doug Knight
cc: Town Council
Date: March 1, 2019
Re: Amendment to No Smoking Resolution

Please add this agenda item:

Amendment to No Smoking Resolution:

We are asking the Council to Amend the Town's No Smoking Ordinance.

The amended ordinance states:

Smoking and the use of tobacco products and E-cigarettes are prohibited in the following locations:

1. Town Buildings;
2. Town Grounds;
3. Town Vehicles; and
4. Town Parks and Sports Facilities.

This essentially means that citizens can only smoke in their own private vehicles while on Town owned property. This eliminates any ambiguity or interpretation of the 50' rule and gives the entire Town a consistent ordinance to enforce and assures that citizens will be protected from second hand smoke while on Town owned property.

RESOLUTION ADOPTING AMENDMENT TO THE TOWN
SMOKING AND E-CIGARETTE ORDINANCE

WHEREAS, Sections 8-5006 through 8-5010 of the Valdese Town Code regulate smoking and the use of e-cigarettes in town buildings and vehicles and in town parks and sports facilities; and

WHEREAS, the town council desires to amend Sections 8-5006 and 8-5007 to prohibit smoking and the use of e-cigarettes on Town Grounds;

NOW, THEREFORE, IT IS ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF VALDESE AS FOLLOWS:

Section 8-5006 of the Valdese Town Code is amended to read as follows:

“Section 8-5006 Definitions.

- (a) “E-cigarette” shall mean any noncombustible product that employs a heating element, battery, or electronic circuit regardless of shape or size and that can be used to heat a liquid nicotine solution contained in a vapor cartridge. The term includes an electronic cigarette, electronic cigar, electronic cigarillo and electronic pipe. The term does not include any product regulated by the United States Food and Drug Administration under Chapter V of the federal Food, Drug and Cosmetic Act.
- (b) “Smoking” shall mean the use or possession of a lighted cigarette, lighted cigar, lighted pipe, or any other lighted tobacco product.
- (c) “Tobacco product” shall mean any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component part of accessory of a tobacco product, including but not limited to cigarettes, cigars, little cigars, cheroots, stogies, periques, granulated, plug cut, crump cut, ready rubbed, and other smoking tobacco, snuff, snuff flour, Cavendish, plug and twist tobacco, fine-cut and other chewing tobacco, shorts, refuse scraps, clippings, cutting and sweepings of tobacco, and other kinds and forms of tobacco. A tobacco product excludes any product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and being marketed and sold solely for such an approved purpose.
- (d) “Town Building” shall mean a building owned or leased by the Town of Valdese and occupied, managed or controlled by the town including, but not limited to, the Old Rock School building and the Valdese Community Center.
- (e) “Town Grounds” shall mean all unenclosed areas owned, leased, or occupied by the Town.
- (f) “Town Park or Sports Facility” shall mean a park or a sports facility owned, leased or operated by the Town of Valdese including, but not limited to, Valdese Community Center, McGalliard Falls Park, Children’s Park, Fletcher Ball Park, the track and football facility located behind the Old Rock School including Joe Temple Field and Michael Jeffrey Morse Field House, Valdese Family Splash Park, and Lakeside Park.

- (g) "Town Vehicle" shall mean a passenger carrying vehicle owned, leased or otherwise controlled by the Town of Valdese and assigned permanently or temporarily to town employees, agencies, institutions, or facilities for official town business.
- (h) "Universal "No-Smoking and Use of Tobacco Products Prohibited" Symbol" shall mean a symbol consisting of a pictorial representation of a burning cigarette and tobacco product enclosed in a red circle with a red bar across it.

Section 8-5007 of the Valdese Town Code is amended to read as follows:

"Section 8-5007 Areas Where Smoking and the Use of Tobacco Products and E-cigarettes are prohibited.

Smoking and the use of tobacco products and E-cigarette are prohibited in the following locations:

- (1) Town Buildings;
- (2) Town Grounds;
- (3) Town Vehicles; and
- (4) Town Parks and Sports Facilities."

This ordinance shall take effect upon its adoption.

THIS, the 4th day of February, 2019.

TOWN OF VALDESE

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

ATTEST:

Town Clerk