

AGENDA

Town of Valdese
Town Council Meeting
Monday, February 5, 2018

Meeting Time: 6:00 p.m.

Place: Valdese Town Hall
102 Massel Avenue, SW

- I. Call Meeting to Order
- II. Invocation
- III. Pledge of Allegiance
- IV. Informational Items:
 - A. Communication Notes
 - B. Reading Material
- V. Open Forum/Public Comment
 - A. Resolution of Appreciation for Timothy D. Williams
- VI. 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 VII.
 - A. Approval of Regular Minutes – January 2, 2018
 - B. Approval of Special Meeting Minutes – January 8, 2018 and January 23, 2018
 - C. Approval of Request to Sell Wine at Edict of Emancipation Celebration, Into the Woods, and April Craft Market
 - D. Approval of Lease Agreement with Old World Baking Company
 - E. Approval to Withdraw from Interlocal Agreement with Burke County for Consolidated 911 Service
- VII. Item(s) Removed from Consent Agenda
- VIII. New Business:
 - A. Audit Report Presentation – FY 16-17 – Lowdermilk Church & Co., LLP
 - B. Approval of FY 17-18 Audit Contract – Lowdermilk Church & Co., LLP
 - C. Public Art Commission Request for Funding for 125th Commemorative Public Art Project
 - D. Continuation of Public Hearing – Intent to Close a Section of Whisnant Street
 - E. McGalliard Falls and Children’s Park Updates Presentation
- IX. Mayor and Council Comments
- X. Manager’s Report:
 - A. Council Workshop to Discuss Streetscape Project scheduled for Tuesday, February 13, 2018 at 6:00 p.m.
 - B. Next Regular Council Meeting is Monday, March 5, 2018
 - C. First Free Movie at Old Rock School was on Friday, January 26, 2018
- XI. Adjournment

COMMUNICATION NOTES

To: Mayor Black
Town Council

From: Seth Eckard, Town Manager

Date: January 31, 2018

Subject: Monday, February 5, 2018 Council Meeting

VII. Consent Agenda:

A. Approval of Regular Minutes – January 2, 2018

B. Approval of Special Meeting Minutes – January 8, 2018 and January 23, 2018

C. Approval of Request to Sell Wine at Edict of Emancipation Celebration, Into the Woods, and April Craft Market

Enclosed in the agenda packet are three (3) requests from Waldensian Heritage Wines to sell wine at the Edict of Emancipation Celebration & Falo event on Saturday, February 17, 2018; Old Colony Players Production of Into the Woods on March 9, 10, 11, 16, 17, 18, 23, 24, 25, 2018; and the April Craft Market event on April 14, 2018. All events are being held at the Old Rock School.

D. Approval of Lease Agreement with Old World Baking Company

Enclosed in the agenda packet is a lease agreement with Old World Baking Company, authorizing the storage of their garbage dumpster on the former town hall property.

E. Approval to Withdraw from Interlocal Agreement with Burke County for Consolidated 911 Service

Enclosed in the agenda packet is a copy of the Interlocal Agreement with Burke County for Consolidated 911 Service which was entered into in 2011. Section N. of the Agreement states that a participating governmental entity may withdraw from this agreement at the end of a fiscal year by giving a six (6) month written notice of withdrawal by the party's manager. Valdese duly provided such notice by letter on December 13, 2017, signed by both the town manager and mayor. Morganton sent a similar letter.

IX. New Business:

A. Audit Report Presentation – FY 16-17 – Lowdermilk Church & Co., LLP

Enclosed in the agenda packet is a copy of the FY 16-17 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.

B. Approval of FY 17-18 Audit Contract – Lowdermilk Church & Co., LLP

Enclosed in the agenda packet is a contract with Lowdermilk Church & Co., LLP, to audit the town's accounts for FY 2017-2018, in the amount of \$15,960.

Requested Action: Staff recommends that Council approve the FY 17-18 audit contract in the amount of \$15,960.

C. Public Art Commission Request for Funding for 125th Commemorative Public Art Project

The Valdese Public Art Commission has been working on a public art project to commemorate the 125th Celebration. At the last meeting artist, Greg Mastin presented the commission with the project idea in model form. The PAC has committed \$25,000 for the project and is requesting that the Town match their contribution. The installation will depict the original 29 settlers arriving in 1893 at the depot location across from Town Hall.

Requested Action: Staff is requesting Council approve the request from the Public Art Commission.

D. Continuation of Public Hearing – Intent to Close a Section of Whisnant Street

Enclosed in the agenda packet is a copy of the Resolution of Intent to close a section of Whisnant Street which called for a public hearing to be held on December 4, 2017. The public hearing was opened and continued to the January 2, 2018 and then the February 5, 2018 meeting at which time construction of the project was expected to be complete, allowing staff to proceed with the closing and dedication of a portion of Whisnant Street. However, the property owner who was to purchase this property has concerns about the project. Staff is requesting the public hearing to be continued again.

Requested Action: Staff is requesting a continuance of the public hearing at the March 5, 2018 Council meeting.

E. McGalliard Falls and Children's Park Updates Presentation

Parks and Recreation Director Doug Knight will provide a presentation to update Council on the Parks Improvement Project.

READING MATERIAL

Surplus Personal Property Report for Valdese Town Council
February 5, 2018
(August 1, 2017-January 31, 2018)

<u>Date</u>	<u>Dept</u>	<u>Item(s)</u>	<u>Method of Disposal</u>	<u>Sold To</u>	<u>Selling Price</u>
10/27/2017	Public Works	John Deere Tractor/Mower	GovDeals	Ricky Plunkett Company	\$591.00
10/30/2017	Public Works	1984 Chevrolet D10 Military Blazer 4WD VIN# 1G8ED18J1EF181329	GovDeals	Vicki Sewell	\$1,400.00
10/31/2017	Public Works	Broken Parts from Trash Truck- Rear Sweeper Blade Cylinder & Rear Flipper		Blue Ridge Sanitation	\$200.00
11/02/2017	Public Works	John Deere AMT 5 Wheeler VIN# 812003	GovDeals	Thorton Tipps	\$570.69
11/03/2017	Public Works	(75) Green Trash Carts		Blue Ridge Sanitation	\$200.00
11/07/2017	Public Works	Sewer Rodding Machine VIN#812003	GovDeals	Bobby Idles	\$275.00
11/09/2017	Public Works	1987 Chevrolet R30 Scottsdale 2WD (122,000 miles) VIN#1GBGR34K9HS183744	GovDeals	Jack Shoun	\$2,550.00
11/13/2017	Public Works	1992 Ford F-150 S Reg. Cab Long Bed 2WD (157,000 Miles) VIN# 1FTDF15Y6NNA71850	GovDeals	John Flores	\$933.36

11/17/2017	Public Works	93 Model JCB Loader/Backhoe 215 (5,838 hours) VIN#21500CPE408837	GovDeals	Dick Smith Equipment Inc.	\$8,525.00
11/28/2017	Parks and Recreation	(75) Old Picnic Tables from Children's Park and McGalliard Falls Park		Sold to interested parties – remainder were recycled	\$75.00
11/28/2017	Parks and Recreation	Damaged/Unsafe Equipment - Cybex Bench Serial # 543791VO77352, Stair Master 3800 Serial # 38300030820007, StairMaster Stratus System Serial # 393000914005, Stair Master Treadmill Serial # 45700152777	Recycled	n/a	\$0.00

Office of the Mayor
Town of Valdese
North Carolina

Resolution
OF APPRECIATION FOR
TIMOTHY D. WILLIAMS

WHEREAS, Captain Timothy D. Williams for the past 30 years has served the Town of Valdese with distinction as a committed and dedicated public servant with the Valdese Fire Department; and

WHEREAS, Captain Timothy D. Williams' 30 years of service have been marked by exemplary dedication, compassion and integrity to serve the best interests of the community, our citizens and the Valdese Fire Department; and

WHEREAS, Captain Timothy D. Williams has served the Fire Department in numerous positions and working his way up through the ranks of the department, obtained the rank of Captain at which he currently serves; and

WHEREAS, Captain Timothy D. Williams, while serving with the Valdese Fire Department, experienced the fire on Mineral Springs Mountain; worked tirelessly both during and after Hurricane Hugo and many other natural and man-made emergency incidents to ensure the safety of Valdese citizens; and

WHEREAS, Captain Timothy D. Williams has earned the admiration and high regard of those with whom he has worked with and the members of the public with whom he has served these past 30 years.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Valdese as we take this occasion to express honor, respect, and admiration to **Captain Timothy D. Williams** for his outstanding contributions to the Valdese Fire Department and the Town of Valdese.

BE IT FURTHER RESOLVED, that the Town Council of the Town of Valdese, North Carolina, hereby expresses its sincere appreciation and gratitude to **Captain Timothy D. Williams** for his service and leadership to the Valdese Fire Department and the Town of Valdese during the past 30 years and extends congratulations and best wishes upon his retirement.

Adopted this the 5th day of February, 2018.

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

**TOWN OF VALDESE
TOWN COUNCIL MEETING
JANUARY 2, 2018**

The Town of Valdese Town Council met on Tuesday, January 2, 2018, 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 Gary L. Delp, and Councilman Roy F. Sweezy. Also present were Town Manager Seth Eckard, Town Attorney Marc Mitchell, 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 the Pledge of Allegiance to the Flag.

OPEN FORUM/PUBLIC COMMENT:

BIG BROTHERS BIG SISTERS OF BURKE COUNTY PROCLAMATION Mayor Black presented the following proclamation to Dorian Palmer:

NATIONAL MENTORING MONTH

WHEREAS, the Big Brothers Big Sisters mentoring model is a proven, effective strategy that helps children and young adults by matching them with a caring, responsible adult role model who can provide guidance and direction, and build their confidence; and

WHEREAS, mentoring strengthens Western North Carolina's economic and social well-being by helping young people fulfill their potential, encouraging healthy family relationships, and promoting more vibrant communities; and

WHEREAS, Big Brothers Big Sisters has been making an impact on the lives of young people in the County of Burke since the year 1999 serving a total of 751 children, serving 51 in the 2017 year; and in Western North Carolina since 1982, serving 2,346 children in the 2017 calendar year.

WHEREAS, residents of Western North Carolina are making a profound difference in the lives of our young people by serving as mentors; and

WHEREAS, many of Western North Carolina's children are in need of a caring adult mentor in their lives, and closing this mentoring gap will take more investment, partnerships, and volunteers ready to make a difference in a child's life; and

WHEREAS, National Mentoring Month is an opportunity to raise public awareness of the importance of mentoring, recognize the dedicated individuals who serve as mentors, and encourage more citizens to help build a brighter future for Western North Carolina's youth through mentoring; and

WHEREAS, in honor of the mentors, volunteers and staff, the month of January is recognized nationally as Mentoring Month;

NOW, THEREFORE, BE IT RESOLVED that I, John F. Black, Jr., Mayor of the Town of Valdese, do hereby declare January 2018 as Mentoring Month in Valdese, and call upon all citizens, businesses, public and private agencies, as well as religious and educational institutions, to join the mentoring movement and be a part of Big Brothers Big Sisters of Burke County and Western North Carolina.

IN WITNESS WHEREOF I have hereunto set my hand this 2nd day of January 2018.

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

OATH OF OFFICE Deputy Town Clerk Courtney Kennedy administered Oath of Office to Councilman Roy F. Sweezy, Ward 3.

CONSENT AGENDA: (enacted by one motion)

APPROVAL OF REGULAR MINUTES OF DECEMBER 4, 2017

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

End Consent Agenda

ITEM REMOVED FROM CONSENT AGENDA: None.

INTRODUCTION OF NEW EMPLOYEE Water Resources Director Greg Padgett introduced Tyler Vick, Plant Maintenance Mechanic.

CENTURYLINK UNIFIED COMMUNICATIONS SOLUTION CONTRACT Planning Director Larry Johnson provided a brief presentation on a proposed contract with CenturyLink. The contract will provide a unified communications solution which will improve communications with the public and between departments. The cost of this project is \$77,098.82. Funds for this project have been allocated in the budget.

Councilman Ogle made a motion to approve the contract with CenturyLink in the amount of \$77,098.82, seconded by Councilwoman Hildebran. The vote was unanimous.

CONTINUATION OF PUBLIC HEARING - INTENT TO CLOSE A SECTION OF WHISNANT STREET Mayor Black informed Council that the project is not complete at this time. A notice calling for the public hearing to be held at the December 4, 2017, Council meeting was published and the public hearing was continued until this meeting; however, staff has requested that the public hearing be continued again at the next Council meeting.

Councilman Ogle made a motion to continue the public hearing at the February 5, 2018 Council meeting, seconded by Councilman Sweezy. The vote was unanimous.

PURCHASE OF TOWN VEHICLES Public Works Director Bryan Duckworth requested authorization to purchase a 2018 Ford F150 for public works in the amount of \$23,225.21, and a 2018 Ford Explorer for town hall in the amount of \$27,247.05; the total cost for these two vehicles purchased on state contract is \$50,472.26. Mr. Duckworth informed Council that these vehicles will replace a 2004 Chevy 1500 and 1996 Dodge Caravan, which will be used at other departments. Funds for these vehicles are allocated in the current budget, as identified in the Capital Improvements Plan.

Councilman Ogle made a motion to authorize the purchase of the two aforementioned vehicles, totaling \$50,472.26, seconded by Councilwoman Stevenson. The vote was unanimous.

LEASE AGREEMENT AT OLD ROCK SCHOOL WITH DR. KYLE BARNES Community Affairs Director Morrissa Angi informed Council that Dr. Kyle Barnes works with a current tenant, Dream Connections, Inc., assisting with care for clients enrolled in the adult day program service. Dr. Barnes would like to rent storage space that is underutilized at Old Rock School. Ms. Angi requested that Council approve a lease agreement for rental space at Old Rock School in the amount of \$50.00 per month.

Councilman Ogle made a motion to approve the lease with Dr. Kyle Barnes in the amount of \$50.00 per month, seconded by Councilwoman Stevenson. The vote was unanimous.

DOWNTOWN DEVELOPMENT PRESENTATION Community Affairs Director Morrissa Angi provided the following presentation to Council:

Main Street 2017

Valdese North Carolina

Downtown Development

Façade Grants

- Old World Baking Company & Talk of the Town– Completed waiting for approval for payout
- Los Compadres Mexican Restaurant - Completed
- UnitOne Fitness/Debbie Huffman Dance (2) – application and rendering received – waiting on building owner for cost estimates
- Elgie McGalliard – waiting for cost estimates
- Hoilman Electric – application given to building owner, waiting for submission
- The Stitchery – application given to building owner, waiting for submission
- Burke Oil Building – application given to building owner, waiting for submission



In result other building owners have made improvements also:

- Salon Di Bellezza & Mimosa Beauty Salon
- Retro Hair Salon (new location next to Myra's General Antiques)
- Old Rock School (new paint & woodwork repaired)
- Kelly Harmon Photography – new sign
- Purchase of vacant building across from Myra's – *plans to renovate are in the works*

Interior Improvements to:

- The Stitchery
- Debbie Huffman Dance Academy

Major Projects

Streetscape

- New flower bed surrounds from Italy Street to the Old Rock School
- New flower bed plantings (more still to come Spring 2018)
- Addition of arches to planter boxes for hanging baskets
- Purchase of 10 more planter boxes underway
- Stamped brick crosswalk with NCDOT – by Spring 2018

New Businesses (in downtown district)

- Provantage Home Solutions
- The Stitchery
- Los Compadres
- Old World Baking Company
- Kelly Harmon Photography Studio
- Debbie Huffman Dance (new location)
- Retro Hair Salon (new location)

How does Valdese...

- Increase investment in our downtown district?
- Become a destination for new business?
- How do we encourage local spending in the downtown district?
- Entice/encourage building owners to invest in their building?

Vacancy Ordinance

- Pass a building vacancy ordinance - An ordinance that forces building owners to bring their buildings up to modern building code before they are allowed to lease their building again. There have been at least a half dozen potential businesses that looked at downtown spaces this year who could not afford to bring the buildings up to code and took their business to a different community.

Building Reuse

- Bring back a reformed/funded town-initiated building reuse program. Our former program did not have enough accountability built into it.
- Due to lack of investment from building owners, the inventory of available buildings in the downtown district are in need of major rehab.
- Potential business owners are reluctant to lease a building that requires thousands of dollars for infrastructure renovations. Business owners are scared off when having to invest their dollars to bring a building up to code. They are willing to invest for use-specific needs and cosmetics.

Design Standards

- Pass reasonable design standards for new construction of commercial properties on Main Street
- Restrict metal buildings and inexpensive-looking facades that take away from the character and charm of Main Street

Zoning Ordinances

- Update our zoning ordinances to prevent drive-throughs, front parking lots, landscape buffers, setbacks greater than 50 ft from the sidewalks and gravel parking lots. These updates will keep Main Street walkable and help to retain its historic charm. This would be for new construction only. The planning board is currently studying these issues.
- Address issues such as boarded-up windows, broken windows and deteriorating facades

Council thanked Ms. Angi for her presentation.

BUDGET ORDINANCE AND AMENDMENTS

Valdese Town Council Meeting Tuesday, Jan 02, 2018

Budget Amendment No. 07

Subject: Phone System Updates

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.

Action Suggested:

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

Acct. No.		<u>Debit</u>	<u>Credit</u>
10.4900.330	Dept Supplies	7,600	
	Total	\$ 7,600	\$ 0
		=====	=====

This will result in a net increase of \$7,600 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.

Acct.		
<u>No.</u>		
10.3970.302	From Util Fund - Capital	7,600

Total		\$ 7,600
		=====

Section 2. 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
RECREATION CENTER
LAKESIDE PARK FUND
CAPITAL PROJECT BUDGET ORDINANCE

Be it ordained by the Town Council of the Town of Valdese that pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following project ordinance is hereby adopted.

Section 1. The project authorized is to establish a recreational park, off of Lovelady Road, next to the existing WWTP Access Road and is to be financed by The Town of Valdese contributions and the solicitation of donations, gifts and grants.

Section 2. The officers of this unit are hereby directed to proceed with the capital project within the terms of the program ordinance and the budget contained herein.

Section 3. The following revenues are anticipated to be available to contribute to this project:

Town Contributions	\$ 40,000	53,3970.001
Donations and Gifts	300,000	53,3970.002
Donations – Kellex	75,200	53,3970.003
Grant – Clean Water	673,246	53,3970.004
Grant – PART F	300,000	53,3970.005
Donations – Restricted	15,000	53,3970.021

	\$1,403,446	
	=====	

Section 4. The following amounts are appropriated for the project:

Professional Services	\$ 0	53.6200.040
Legal	0	53.6200.041
Other Improvements-Pump Track	15,000	53.6200.150
Advertising	0	53,6200.260
Site Planning & Design	40,000	53,6200.490
Capital Outlay – Land	1,348,446	3,6200.710

	\$ 1,403,446	
	=====	

Section 5. The finance officer is hereby directed to maintain within the Project Fund sufficient specific detailed accounting records to provide the accounting to town council required by the program procedures, loan agreement(s), grant agreement(s) and state regulations.

Section 6. Funds may be advanced from the General Fund for the purpose of making payments as due.

Section 7. The finance officer is directed to report quarterly on the financial status of each project element in Section 4 and on the total revenues received or claimed.

Section 8. The budget officer is directed to include a detailed analysis of the past and future cost and revenues on this project in every budget submission made to this board.

Section 9: Copies of this project ordinance shall be made available to the budget officer and the finance officer for direction in carrying out this project.

Adopted this 2nd day of January, 2018

/s/ Mayor John F. Black, Jr.

Councilwoman Hildebran made a motion to approve the aforementioned budget ordinance and amendment, seconded by Councilman Ogle. The vote was unanimous.

MAYOR AND COUNCIL COMMENTS: Councilman Delp thanked all of the people that participated in decorating the town during the holiday season. Mr. Delp shared that he received a lot of excellent comments. Many people were worried because we could not light the pole but with the excellent effort that was put into decorations this year, not many people missed the pole decorations. Mr. Delp finished by saying he looks forward to next year.

Councilwoman Hildebran shared the following update on the library: Burke County Public Library Director Jim Wilson informed Ms. Hildebran that a total of six RFQs for the project were received and will be reviewed within the next week. The demolition of the Cole House is complete and everything has been hauled away and filled in. During the demolition, an abandoned well was discovered in the basement, about 30 to 40 feet deep. After consulting with Burke County Environmental Health, the well was filled in and capped.

MANAGER'S REPORT: Mr. Eckard made the following announcements:

The Council Strategic Planning Workshop is scheduled for Monday, January 8, 2018, from 6 p.m. – 8 p.m. at WPCOG Offices.

Town Offices will be closed on Monday, January 15, 2018 in observance of Marking Luther King, Jr. Day.

The next Council meeting is scheduled for Monday, February 5, 2018.

Christmas decorations will be taken down next week.

Mr. Eckard was informed today that ICMA has granted him the status of credentialed manager.

ADJOURNMENT At 6:53 p.m., there being no further business to come before Council, Councilman Delp made a motion to adjourn, seconded by Councilwoman Stevenson. The vote was unanimous.

Town Clerk

Mayor

ck

**TOWN OF VALDESE
TOWN COUNCIL SPECIAL CALLED MEETING
MONDAY, JANUARY 8, 2018, 6:00 P.M.**

The Town of Valdese Town Council met on Monday, January 8, 2018, at 6:00 p.m., to participate in a goal setting and strategic planning session. Members of Council met at the Western Piedmont Council of Governments facility, 1880 2nd Avenue NW, Hickory, North Carolina. The following were present: Mayor John F. "Chip" Black, Jr., Councilman Keith Ogle, Councilwoman Frances Hildebran, Councilwoman Susan Stevenson, Councilman Gary L. Delp, and Councilman Roy F. Sweezy. Also present were Town Manager Seth Eckard, Deputy Town Clerk Courtney Kennedy, and WPCOG Executive Director Anthony W. Starr.

Absent: None.

A quorum was present.

At 6:00 p.m., Mayor Black called the meeting to order. He said this was a special called Council meeting for the purpose of goal setting and strategic planning for the town and there would be no action taken or public comment accepted.

STRATEGIC PLANNING DISCUSSION Town Manager Seth Eckard provided a brief two year review presentation, identifying the town's focus and accomplishments. Council reviewed and made recommendations for revisions to the draft mission statement for the town.

Executive Director Anthony Starr guided Council through an activity to identify and vote on various areas relevant to the town of Valdese. The following answers received the highest number of votes for each category:

What do you believe are the town's top accomplishments in last 2-3 years?

- Capital Improvements Plan - 3
- Retaining Meridian's operations in Valdese - 3
- Successfully obtaining grants for the water and wastewater facilities - 3
- Improvements in parks and recreation - 2
- Voting for a tax increase - 2
- Success of Main Street Program - 2
- Hiring a good town manager - 1
- Downtown streetscape improvements - 1
- Issues with The Settings ending – 1

What challenges, obstacles, and concerns do you have for the town?

- Century-old infrastructure replacements needed - 5
- Lack of affordable housing - 4
- Out-migration of youth - 4
- Availability of resources for senior care needs (housing, transportation, etc) – 4
- Need for business and economic development – 4
- Employee turnover in finance department – 2
- Lack of quality jobs in Valdese that offer a good pay rate – 2
- Need for a palatable code enforcement system – 2
- Lack of leadership in a department - 1

What opportunities, projects, and priorities can you identify for the town?

- Start on new park – 4
- Emphasize Valdese as an art mecca – 4
- Improvements to Main Street streetscape – 4
- Finish park and recreation projects in older parks – 3
- Street lights on Main Street – 3
- Improve amphitheater and outdoor drama – 3
- Transition to new staff in key positions – 3
- Establish a bed and breakfast or other overnight accommodations – 2
- Identify properties for construction with willing developers and banks – 1
- Host art in the park events four times a year – 1

- Establish commercial rail service in town – 1

This information will be used to create an action plan for the town.

At 8:34 p.m., Councilwoman Hildebran made a motion to adjourn the meeting, seconded by Councilwoman Stevenson. The vote was unanimous.

The next meeting is a special called Council meeting on Tuesday, January 23, 2018, 1:00 p.m., at Alray Tire to discuss the Whisnant Street Relocation Project.

Town Clerk

ck

Mayor

**TOWN OF VALDESE
TOWN COUNCIL SPECIAL CALLED MEETING
TUESDAY, JANUARY 23, 2018, 1:00 P.M.**

The Town of Valdese Town Council met on Thursday, January 23, 2018 at 1:00 pm with Mr. Neil Shatley of Alray Tire to discuss the Whisnant Street Relocation Project. Prior to the 1:00 pm meeting at 1101 Main Street East, a quorum of members of Council was present in the Town of Valdese Community Room at Valdese Town Hall. With a quorum being present at 12:30 pm, Mayor Black called the meeting to order. He stated the meeting was a special called Council Meeting to discuss the Whisnant Street Relocation Project. There would be no action taken or public comments accepted.

At 1:00 pm, the Town of Valdese Town Council met at Alray Tire with Mr. Neil Shatley, to discuss the Whisnant Street Relocation Project. The following were present: Mayor John F. (Chip) Black, Jr., Councilwoman Frances Hildebran, Councilwoman Susan Stevenson, Councilman Gary L. Delp, and Councilman Roy F. Sweezy. Also present were Town Manager Seth Eckard, Deputy Town Clerk Courtney Kennedy, Planning Director Larry Johnson, Public Works Director Bryan Duckworth, Police Chief Jack Moss, and West-Consultant Engineer David Poore.

Absent: Councilman Keith Ogle

A quorum was present.

WHISNANT STREET RELOCATION PROJECT Staff provided an overview and walk through of the Whisnant Street Relocation Project and discussed the project agreement that was signed in June 2017. Alray Tire Owner Neil Shatley voiced his concerns with the project. Council requested that Mr. Shatley provide his concerns in writing for Council to review; Mr. Shatley agreed to provide this list.

At 1:34 p.m., the meeting adjourned.

The next meeting is a regularly scheduled meeting on Monday, February 5, 2018, 6:00 p.m., Valdese Town Hall.

Town Clerk

ck

Mayor

Waldensian Heritage Wines
Dennis Powell
4940 Villar Lane NE
Valdese NC 28690

Town of Valdese,

Waldensian Heritage Wines respectfully requests to sell wine at the Edict of Emancipation Celebration & Falo held at the Old Rock School on February 17th from 5-8pm. All our wines are listed as North Carolina wines. Waldensian Heritage Wines does have a Special Event permit and will follow the guidelines enforced by the North Carolina ABC Commission.

Sincerely,

A handwritten signature in black ink that reads "Dennis Powell". The signature is written in a cursive style and is positioned above a horizontal line.

Dennis Powell
Waldensian Heritage Wines Board Chair

Waldensian Heritage Wines
Dennis Powell
4940 Villar Lane NE
Valdese NC 28690

Town of Valdese,

Waldensian Heritage Wines respectfully requests to sell wine at the Old Colony Players Production of *Into The Woods* held at the Old Rock School on 9, 10, 11, 16, 17, 18, 23, 24, 25. On Friday & Saturday nights of the show, we are requesting to sell wine from 6pm-9pm and on Sunday matinees from 2pm-5pm. All our wines are listed as North Carolina wines. Waldensian Heritage Wines does have a Special Event permit and will follow the guidelines enforced by the North Carolina ABC Commission.

Sincerely,



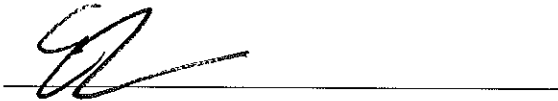
Dennis Powell
Waldensian Heritage Wines Board Chair

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 14, 2018 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!

A handwritten signature in black ink, appearing to be 'Eddie Zimmerman', is written over a horizontal line.

Eddie Zimmerman

LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into as of the _____ day of February, 2018, by and between the TOWN OF VALDESE, a North Carolina municipal corporation, (the Town), and OLD WORLD BAKING COMPANY, LLC, a North Carolina limited liability company, (Old World Baking).

WITNESSETH:

WHEREAS, the Town is the owner of the parcel of land on which the former Valdese town hall is located (the Property); and

WHEREAS, Old World Baking operates a baking and restaurant business that is adjacent to the Property; and

WHEREAS, Old World Baking is leasing a dumpster (the dumpster) that it uses for disposal of trash generated in connection its baking and restaurant business; and

WHEREAS, the dumpster is presently located on the Property, and Old World Baking has asked that the dumpster be allowed to remain on the Property; and

WHEREAS, the Town needs a dumpster for disposal of trash the Town accumulates in connection with the farmer's market, the police and fire departments and other Town activities; and

WHEREAS, the parties have agreed that in consideration of the Town being allowed to share in the use the dumpster, Old Work Baking may keep the dumpster on the Property under the terms and conditions hereafter set forth;

IT IS THEREFORE AGREED AS FOLLOWS:

1. During the term of this lease, Old World Baking shall be allowed to keep the dumpster on the Property at its present location or at such other location(s) upon which the parties might agree.
2. Old World Baking shall pay all rental fees and other costs associated with the dumpster.
3. In consideration of the Town allowing the dumpster to remain on the Property, both Old World Baking Company and the Town shall be allowed to use the dumpster.
4. This lease shall be a month-to-month lease that may be terminated at any time by a party giving the other party at least thirty (30) days prior written notice of termination.
5. Upon termination of this lease, Old World Baking shall cause the dumpster to be promptly removed from the Property.

IN WITNESS WHEREOF, the parties have caused this lease to be executed as of the day and year first above written.

TOWN OF VALDESE

By: _____
Seth Eckard, Town Manager

OLD WORLD BAKING COMPANY, LLC

By: _____
Theresa Pizzelanti, Manager

**BURKE COUNTY
NORTH CAROLINA**

**ADDENDUM TO INTERLOCAL AGREEMENT FOR THE
CONSOLIDATION OF 911 SERVICE AND THE CREATION OF A
JOINT AGENCY PURSUANT TO NORTH CAROLINA GENERAL
STATUTE § 160A-462 TO PROVIDE EMERGENCY PUBLIC
SAFETY COMMUNICATIONS SERVICES WITHIN BURKE
COUNTY, SAID ADDENDUM ESTABLISHING AN EMPLOYEE
TRANSITIONAL AGREEMENT**

THIS ADDENDUM TO THE INTERLOCAL AGREEMENT made and entered into on the 21st day of December, 2011 (the "**INTERLOCAL AGREEMENT**"), by and between **BURKE COUNTY**, a body politic and corporate of the State of North Carolina, hereinafter referred to as the "**COUNTY**," the **CITY OF MORGANTON**, hereinafter referred to as "**MORGANTON**," and the **TOWN OF VALDESE**, hereinafter referred to as "**VALDESE**," both being municipal corporations of the State of North Carolina, **MORGANTON** and **VALDESE** together with any further municipalities located within Burke County which may in the future become a party to this interlocal agreement being hereinafter referred to collectively as the "**CITIES**";

WITNESSETH:

WHEREAS, the **INTERLOCAL AGREEMENT** establishes the Burke County Emergency Communications Center (the "**BCECC**"); and

WHEREAS, Section K of the **INTERLOCAL AGREEMENT** calls for creation of an employee transitional agreement to establish the employment relationship between the BCECC and applicants for employment who have been employed in a similar capacity by **MORGANTON** or **VALDESE**;

NOW, THEREFORE, in consideration of the premises, and the mutual covenants and conditions contained herein, the parties hereto agree that this **ADDENDUM** to the **INTERLOCAL AGREEMENT** establishes the employee transitional agreement as follows:

1. A person completing the employment process for a BCECC full-time permanent position who filled a similar permanent full time employment position with either **MORGANTON** or **VALDESE** for an uninterrupted period of at least five (5) years as of the date employment begins with BCECC will be afforded the following employment benefits in accordance with the Burke County Personnel Policy:

- Verified Unused Sick Leave will transfer to the **COUNTY** (Available to employees with less than five (5) years of previous service as well.);
 - Prior service credit will be utilized to establish the employee's rate of vacation leave accrual, but not for establishment of longevity with the **COUNTY** (Available to employees with less than five (5) years of previous service as well.);
 - Post retirement benefits will be in accordance with the Burke County Personnel Policy, and costs will be shared between the previous employer and **COUNTY** in proportion to the years served with each employer;
 - For those employees with less than five (5) years service with either **MORGANTON** or **VALDESE**, then such prior employers would have no obligations for retirement benefits.
2. All employees of BCECC will be required to undergo training prior to the opening for operation of the new Communications Center. The training of prospective employees (including those employees of the **CITIES** who have been given conditional offers of employment by BCECC) will be conducted in accordance with schedules mutually agreed upon by the **COUNTY** and the **CITIES**, arranged in such a way that the **COUNTY** and the **CITIES** will be able to continue appropriate operations of their existing emergency communication centers until the new center is opened.

This the 17th day of September, 2013.



BURKE COUNTY

By: Maynard M. Taylor
Maynard M. Taylor, Chairman
Board of Commissioners

ATTEST:

Kay Honeycutt
Kay Honeycutt, Clerk to the Board

(additional signatures on following page)



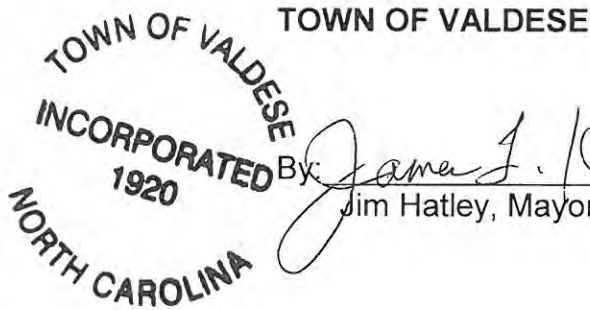
CITY OF MORGANTON

By: Mel L. Cohen
Mel L. Cohen, Mayor

ATTEST:

Sally W. Sandy
Sally W. Sandy, City Manager and Clerk

(SEAL)



TOWN OF VALDEESE

By: Jim Hatley
Jim Hatley, Mayor

ATTEST:

Thelda B. Rhoney
Thelda Rhoney, Town Clerk

BURKE COUNTY

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

Paul James
Finance Officer

(additional signatures on following page)

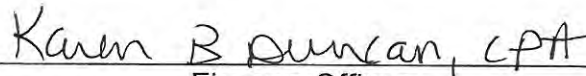
APPROVED AS TO FORM AND LEGAL SUFFICIENCY.



James R. Simpson II, COUNTY ATTORNEY

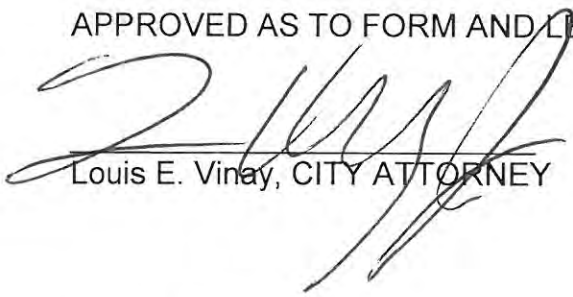
CITY OF MORGANTON

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.



Karen B Duncan, CPA
Finance Officer


APPROVED AS TO FORM AND LEGAL SUFFICIENCY.



Louis E. Vinay, CITY ATTORNEY

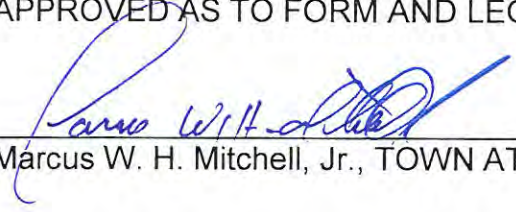
TOWN OF VALDESE

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.



Finance Officer

APPROVED AS TO FORM AND LEGAL SUFFICIENCY.



Marcus W. H. Mitchell, Jr., TOWN ATTORNEY

**BURKE COUNTY
NORTH CAROLINA**

**INTERLOCAL AGREEMENT FOR THE CONSOLIDATION OF
911 SERVICE AND THE CREATION OF A JOINT AGENCY
PURSUANT TO NORTH CAROLINA GENERAL STATUTE §
160A-462 TO PROVIDE EMERGENCY PUBLIC SAFETY
COMMUNICATIONS SERVICES WITHIN BURKE COUNTY**

THIS INTERLOCAL AGREEMENT, made and entered into 21th day of December, 2011, by and between **BURKE COUNTY**, a body politic and corporate of the State of North Carolina, hereinafter referred to as the "**COUNTY**," the **CITY OF MORGANTON**, hereinafter referred to as "**MORGANTON**," and the **TOWN OF VALDESE**, hereinafter referred to as "**VALDESE**," both being municipal corporations of the State of North Carolina, said city and town together with any further municipalities located within Burke County which may in the future become a party to this interlocal agreement being hereinafter referred to collectively as the "**CITIES**";

WITNESSETH:

WHEREAS, the **COUNTY** and the **CITIES** currently provide public safety communications services for their respective citizens which, although interrelated, function under separate organizational structures; and,

WHEREAS, the **COUNTY** and the **CITIES** recognize the benefits of working together to more closely share and coordinate the provision of public safety communications, telephone and data services;

WHEREAS, the **COUNTY** and the **CITIES** acknowledge receipt of a copy of the **GRANT AGREEMENT** related to consolidation of 911 services in Burke County and each party to this agreement acknowledges their understanding of the duties and responsibilities that result or may result from being a party to this **INTERLOCAL AGREEMENT** and the **GRANT AGREEMENT**; and,

WHEREAS, the Morganton City Council, the Valdese Town Council and the Burke County Board of Commissioners desire to establish a joint agency to operate a combined public safety communications system and center for the answering and dispatching of public safety calls to replace the current structure of three communications centers operating independently as call answering locations to serve the **COUNTY** and the **CITIES**.

NOW THEREFORE, in consideration of the mutual terms, covenants and conditions set forth herein, the **COUNTY** and the **CITIES** hereby agree as follows:

- A. Purpose.** The purpose of this interlocal agreement is to establish a joint agency pursuant to North Carolina General Statute § 160A-462 between the **CITIES** and the **COUNTY** to provide and maintain a consolidated public safety communications system within Burke County serving both the **CITIES** and the **COUNTY**. This system will promote the delivery of public safety services to the residents and taxpayers throughout the **CITIES** and the **COUNTY** in furtherance of the public health, safety, and general welfare of Burke County citizens and residents.
- B. Name of Joint Agency.** The name of the joint agency established by this interlocal agreement shall be "Burke County Emergency Communications Center."
- C. Organizational Objectives.** The organizational objectives of the consolidated public safety communications system established under this interlocal agreement are as follows:
1. To effectively receive calls for routine and emergency assistance, based on established structured call intake protocols, and to coordinate response resources to those calls for service based on the needs of the caller and the direction of field response agencies;
 2. To provide participating agencies with a single contact point for the receipt of emergency assistance requests and to provide for the control of coordinated dispatch and radio communications services for law enforcement, fire, EMS, rescue, forestry, emergency management, animal control, public works and utilities;
 3. To maintain an operational emergency center within a new facility (should grant funds or other adequate funding be provided);
 4. To provide the public and field response agencies with trained, certified and/or credentialed 911 communications personnel;
 5. To provide funding for the provision of public service communication services by establishing a funding mechanism and defining the budget process for the system;
 6. To provide for recommendations related to the oversight and management of the system and a consolidated communication center by creating a Communications Technical Advisory Board representing the participating entities and agencies;
 7. To facilitate coordination and responsiveness to the field response agencies by creating such other user advisory committees as needed; and,

8. To provide a mechanism for the addition or withdrawal of parties to this inter-local agreement.

D. Communications Technical Advisory Board (CTAB). The CTAB consist of the following representatives:

- **Burke County Sheriff or his / her designee**
- **Burke County Fire Marshal / Emergency Management Director or his / her designee**
- **City of Morganton Public Safety Chief or his / her designee**
- **Valdese Fire Chief or his / her designee**

CTAB members will develop and present proposed **Communications Technical Advisory Board By-Laws** to the Burke County Commissioners for their review and approval.

The **CTAB** shall include the following voting members:

Jurisdiction	Votes
Burke County Sheriff's Department	2.5
Burke County Fire Marshal / Emergency Management Dept.	2.5
Morganton Public Safety	3.75
Valdese Fire Department	1.25

The **CTAB** shall include the following non-voting members:

1. Burke County Finance Officer or his / her designee;
2. Burke County IT Director or his / her designee;
3. The Burke County 911 Director or his / her designee;
4. A representative from Morganton Public Safety IT chosen by the City Manager and,
5. Valdese Fire Department IT Director.

E. Burke County 911 Director. The Burke County Emergency Communications Center shall be managed, operated and supervised by the Burke County 911 Director, who shall be an employee of Burke County appointed and supervised by

the Burke County Manager and subject to the rules and regulations of Burke County. The Burke County 911 Director shall coordinate the operations of the joint agency working closely within the policies and direction recommended by the **CTAB** and approved by the Burke County Board of Commissioners.

The responsibilities and authority of the Burke County 911 Director shall include the following:

1. The Burke County 911 Director (hereinafter the "**Director**") shall be responsible for the overall operation of the Burke County Emergency Communications system and center and shall develop long-range plans, including strategic capital improvements, staffing and other matters.
2. The **Director** shall be the administrative head of the Burke County Emergency Communications Center and he / she shall be responsible for administration, budget and personnel matters. Such budget shall be based on the established service levels and performance standards utilizing input from **CTAB** and any User Committee(s) that may be established by **CTAB**.
3. The **Director** shall be responsible for oversight of call answering, dispatching, records maintenance, communications, security and other Burke County Emergency Communications Center functions and activities.
4. The **Director** shall establish performance standards and comply with Burke County Personnel and Operational Policies. The **Director** shall actively and continuously consider and evaluate all means and opportunities toward the enhancement of operational effectiveness of emergency services to the participating agencies and city and county citizens. The **Director** shall present his or her recommendations to the **CTAB** and seek concurrence from the **CTAB** on substantive changes or deviations from established policy before submitting such recommendations to the Burke County Manager for consideration by the Burke County Board of Commissioners.
5. The **Director** shall be responsible for supervising Burke County Emergency Communications personnel consistent with applicable Burke County personnel policies and procedures.
6. The **Director** shall review and evaluate any proposals from User Committees that may be established by **CTAB** for changes to service levels, performance standards, and/or procedures for implementation costs, benefits and liabilities, or other matters, and prepare a written report of findings and recommendations to the **CTAB** for their concurrence before submitting such recommendations to the Burke County Manager for review and potential implementation.
7. The **Director** shall discharge other duties as assigned by the Burke County Manager.

F. Budget Process and Finances. The **Director** shall develop the annual operating budget for Burke County Emergency Communications Center on a fiscal year basis beginning on the first day of July and ending on the thirtieth day of June, in accordance with policies established by the Burke County Finance Office. The **Director** shall submit the proposed budget to the **CTAB** and clearly indicate the specific amount proposed to be paid by each municipality for participation pursuant to this interlocal agreement. Each **CTAB** member will forward the proposed budget to their City / Town Board on or before March 15th of each year for their review and response: approval or disapproval. The City / Town Boards will cause their Manager to notify the Burke County Manager of their decision related to approval or disapproval of the proposed budget as soon as possible but no later than April fifteenth (15) of each year. Budget disputes by a participating member to this Inter-Local Agreement will be handled using the process noted in Section G of this agreement. Final approval of the proposed budget will be made by the Burke County Board of Commissioners in its annual budget process.

In the event of changes in the parties to this agreement necessitating budget changes, during any budget year, any supplemental budget or budget amendments shall be submitted for review by the **CTAB** and any change in any amount proposed to be paid by each municipality for participation shall be submitted to each participating municipality for review and response in a timely manner. Final approval of any such supplemental budget or amendment shall be determined in accordance with Burke County budget amendment procedures.

The Burke County Finance Officer shall be the Finance Officer for Burke County Emergency Communications Center and all financial operations (including purchasing) shall be conducted by or under the supervision of the Burke County Finance Officer in accordance with procedures established by the Burke County Finance Office and with applicable laws and regulations.

G. Communications Finance Committee (CFC) and Dispute Settlement Process. The Communications Finance Committee shall be made up of the Chairman of the Burke County Board of Commissioners, the Mayor of Morganton and the Mayor of Valdese or their designee and this committee will only convene in the case of a dispute related to a member's funding amounts as established in the proposed budget for each fiscal year or a budget amendment. Upon notification of a proposed budget or budget amendment dispute, the Burke County Manager shall notify each CFC member of the dispute. The Burke County Manager will establish a time, date and location for the CFC to meet and resolve the dispute within three business days after notification of the last CFC member. The CFC will convene, review issues related to the dispute and resolve the dispute using the process as described herein.

Any dispute over funding the budget shall be resolved by the CFC by majority vote of the parties, with each party having a single vote, the vote to be cast by the Chairman or Mayor (or their designee), of each party respectively in which case funding of the proposed budget or budget amendment will conform to the action

taken by the CFC and each party to this Agreement shall then be responsible for payment of its pro-rata share of the funding as changed by the CFC and the County Commissioners shall then approve the budget or amendment consistent with the action taken by the CFC.

H. Funding. Burke County Emergency Communications is intended to be financed by 911 fees, grants and funds provided by the **COUNTY, CITIES that are a party to this agreement and municipal Incorporated areas within Burke County not currently a party to this agreement but receiving benefit of services from Burke County Emergency Communications.** Starting with the **Operational Date**, all 911 fees, grants and operational funds, as established by the funding formula, from the participants will be budgeted in accordance with prevailing state 911 rules and Burke County budget policy. The **Operational Date** is planned to coincide with July 1, 2013; however, in the event that the initiation of operations for the combined communication center is delayed beyond such date, the **Operational Date** shall be the date that the combined communication center is open for operations. It is agreed that the **COUNTY** shall appropriate to the annual costs of maintenance, operation, repair and capital costs of Burke County Emergency Communications a base sum in the amount equal to that appropriated in the Burke County FY 2012-13 budget (hereinafter referred to as the "**Base Sum**"). The **COUNTY** and the **CITIES** agree to appropriate to the annual costs of maintenance, operation, repair and capital costs of Burke County Emergency Communications Center, after the total of such costs are reduced by the amount of any and all grants, a proportionate share (hereinafter referred to as, "**Proportionate Share**") of any increase in budget costs (hereinafter referred to as "**Increased Costs**") over and above the **Base Sum** provided by the **COUNTY** in accordance with the following formula:

(Municipality population) divided by (Burke County population plus total population of all municipalities in Burke County) times **Increased Costs** equals **Proportionate Share**.

[An example being where **Increased Costs** are \$357,200, the population of Morganton is 16,935 and the total of Burke County's population (91,008) plus the population of all municipalities in Burke County (31,367) is 122,375, the **Proportionate Share** of **Increased Costs** paid by Morganton would be 13.84% of \$357,200 or \$49,436.00.]

Municipal Incorporated Areas within Burke County not currently a party to this agreement but receiving benefit of services from Burke County Emergency Communications Center will also be charged a **Proportionate Share** utilizing the formula established within section H of this agreement.

Cities / Municipal Incorporated Areas will pay The Proportionate Share of Increased Costs to the County in semi-annual payments due to the County by August 1st and February 1st of each Fiscal Year or more frequently if desired by the City / Municipal Incorporated Area.

It is agreed that the population figures used each year shall be the same figures used by the State of North Carolina in its most recent per capita distribution of sales tax pursuant to North Carolina General Statute § 105-472.

It is also agreed that the **Proportionate Share** for Morganton during each of the first five fiscal years of operation of the Burke County Emergency Communications Center shall be reduced by an amount equal to one-fifth of the agreed upon value of land donated by Morganton for the siting of the Burke County Emergency Communications Center.

- I. **Existing Equipment.** Public safety communication equipment, software and supplies currently used by the **CITIES**, which are no longer to be used by the **CITIES** after the date Burke County Emergency Communications Center becomes operational, shall be transferred by the **CITIES** to Burke County Emergency Communications.

- J. **Ownership of Facilities.** Title to all property, equipment, apparatus and supplies purchased and/or acquired in fulfillment of this Agreement shall vest with the **COUNTY**; provided, however, that any capital asset transferred to Burke County Emergency Communications Center by any of the **CITIES** with reservations (hereinafter referred to as **Reserved Asset**) that it be returned at withdrawal or dissolution, such reservations being acknowledged in writing by the Burke County 911 Director at or before the date of transfer, shall be subject to the provisions of Section N, **Withdrawal**, below.

- K. **Personnel.** All employees of Burke County Emergency Communications Center shall be employees of the **COUNTY** subject to its administrative, personnel and legal requirements and managed and supervised by the Director. Current employees of the **CITIES** engaged in public safety communication positions because of their experience and training are encouraged to apply for open positions with Burke County Emergency Communications Center and if accepted for employment will be hired as new **COUNTY** employees in accordance with **County** personnel policies and employee transitional agreement in place at the time of their hire with Burke County Emergency Communications Center.

- L. **Joinder of Additional Parties.** Additional municipalities located within Burke County shall be permitted to become parties to this interlocal agreement and participate in the joint agency established hereby with the approval of the **COUNTY**.

M. Special Equipment. In the event that a party to this interlocal agreement should require the installation of equipment, or the performance of special services, dedicated to the sole and special use of such party (hereinafter referred to as "**Special Equipment**"), such party shall bear the entire cost of such **Special Equipment**, its installation, maintenance, operation and repair. Should such party terminate its participation in this interlocal agreement, it shall retain all rights to such **Special Equipment** provided the removal of such **Special Equipment** does not alter, hinder, damage or disrupt the operations or equipment of Burke County Emergency Communications Center. If the removal of such **Special Equipment** (including software) shall cause such alteration, hindrance, damage or disruption, all interests in such **Special Equipment** by the terminating party will be forfeited.

N. Withdrawal of a Party. A participating governmental entity may withdraw from this agreement at the end of a fiscal year by giving a six (6) month written notice of withdrawal by the party's Manager prior to July 1st of the fiscal year in which withdrawal is to be effective. Such written notice is to be delivered to the Burke County Manager and the Burke County 911 Director. The withdrawal will become effective no sooner than 6 months after said notice is delivered. **The withdrawing party agrees to pay all cost associated with any Repayment of 911 Communications Consolidation Grant Funds that may be due to the State upon dissolution of this consolidation and continue to make all payments required by this interlocal agreement until the effective date of such withdrawal.**

In the event that the withdrawing party has purchased and installed **Special Equipment** in accordance with Section M, above, or a **Reserved Asset** in accordance with Section J, above, such **Special Equipment** or **Reserved Asset** may be removed in accordance with the terms of this interlocal agreement upon the effective date of withdrawal or shortly thereafter; provided, however, that the withdrawing party shall pay any and all costs associated with the removal and such removal shall not create an interruption of service to the public.

O. Amendments. This interlocal agreement may be amended in writing by approval of the **COUNTY** and the **CITIES**.

P. Effective Date. This interlocal agreement shall become effective upon execution by all of the parties to this interlocal agreement and shall be effective for any additional Burke County municipality who may subsequently become a party to this interlocal agreement upon execution of a written document adhering to the terms of this agreement by such additional party countersigned by the **COUNTY**.

This 21th day of December, 2011.

BURKE COUNTY



By: Wayne F. Abele, Sr.
Wayne F. Abele, Sr.
Chairman Board of Commissioners

ATTEST:

Doris S. Smith
Doris S. Smith
Clerk to the Board of Commissioners



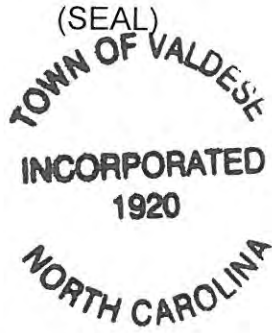
CITY OF MORGANTON

By: Mel L. Cohen
Mel L. Cohen, Mayor

ATTEST:

Sally W. Sandy
Sally W. Sandy, City Manager and Clerk

TOWN COUNCIL, TOWN OF VALDESE



By: *James J. Hatley*
 Jim Hatley, Mayor

ATTEST:

Thelda B. Rhoney
 Thelda Rhoney, Town Clerk

BURKE COUNTY

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

Paul [Signature]
 Finance Officer

APPROVED AS TO FORM AND LEGAL SUFFICIENCY.

[Signature]
 James R. Simpson II, COUNTY ATTORNEY


CITY OF MORGANTON

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.



Finance Officer

**APPROVED AS TO FORM AND
LEGAL SUFFICIENCY.**



Steve B. Settlemyer, CITY ATTORNEY

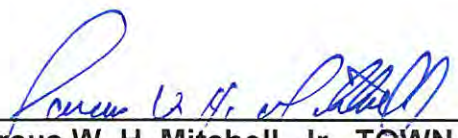
TOWN OF VALDESE

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.



Finance Officer

**APPROVED AS TO FORM AND
LEGAL SUFFICIENCY.**



Marcus W. H. Mitchell, Jr., TOWN ATTORNEY

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

Financial Statements, Supplemental Schedules,
Independent Auditors' Report, and Compliance Reports
For the Year Ended June 30, 2017

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

**TOWN OF VALDESE
VALDESE, NORTH CAROLINA**

**Town Officials
June 30, 2017**

Mayor

John F. "Chip" Black

Town Council Members

Susan Stevenson

Keith Ogle

Frances Hildebran

Gary Delp

Roy Sweezy

Other Town Officials

Seth Eckard

Town Manager

Jerry LaMaster

Finance Director

Gary Delp

Town Treasurer

Susan Stevenson

Mayor Pro Tem

Gregory Cannon

Tax Collector

Marc Mitchell, P.A.

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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**TOWN OF VALDESE
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
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Independent Auditors' Report

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

Report on the Financial Statements

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, 2017, 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 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 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, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions, Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability 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 57-62 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 and the schedule of expenditures of federal and State awards 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, 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 December 6, 2017 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 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.

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

Morganton, North Carolina
December 6, 2017

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, 2017. 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.

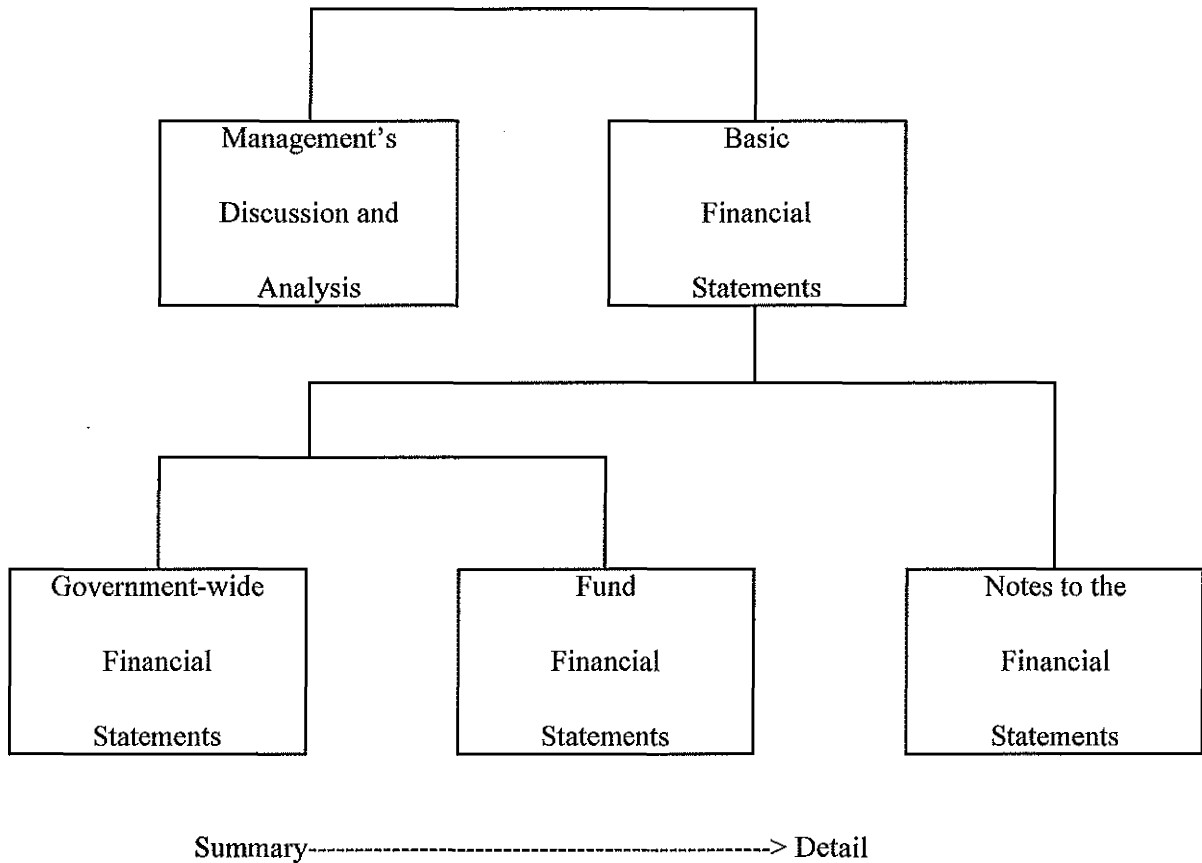
Financial Highlights

- The assets of the Town of Valdese exceeded its liabilities at the close of the fiscal year by \$27,176,757 (net position).
- The government's total net position decreased by \$2,050,257.
- As of the close of the current fiscal year, the Town of Valdese's governmental funds reported combined ending fund balances of \$5,638,139, with a net decrease of \$189,048, in fund balance. Approximately 19.91 percent of this total amount, or \$1,122,599, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,239,809, or 20.96 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are 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 Assets 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 57 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		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$6,017,970	\$6,015,157	\$ 2,553,792	\$ 3,244,912	\$ 8,571,763	\$ 9,260,070
Capital assets	4,793,399	4,683,790	20,584,971	20,776,294	25,378,370	25,460,084
Deferred outflows of resources	<u>628,633</u>	<u>140,524</u>	<u>260,701</u>	<u>60,225</u>	<u>889,334</u>	<u>200,749</u>
Total assets and deferred outflows of resources	<u>11,440,002</u>	<u>10,839,471</u>	<u>23,399,464</u>	<u>24,081,431</u>	<u>34,839,466</u>	<u>34,920,902</u>
Long-term liabilities outstanding	4,105,353	2,878,310	2,760,552	2,559,230	6,865,905	5,437,540
Other liabilities	199,415	62,820	552,490	78,662	751,905	141,482
Deferred inflows of resources	<u>32,918</u>	<u>80,406</u>	<u>11,980</u>	<u>34,460</u>	<u>44,898</u>	<u>114,866</u>
Total liabilities	<u>4,337,686</u>	<u>3,021,536</u>	<u>3,325,022</u>	<u>2,672,352</u>	<u>7,662,708</u>	<u>5,693,888</u>
Net position:						
Net investment in capital assets	2,202,773	2,501,919	18,218,413	18,393,333	20,421,186	20,895,252
Restricted	914,816	668,153	-	-	914,816	668,153
Unrestricted	<u>3,984,727</u>	<u>4,647,863</u>	<u>1,856,028</u>	<u>3,015,746</u>	<u>5,840,755</u>	<u>7,663,609</u>
Total net position	<u>\$7,102,316</u>	<u>\$7,817,935</u>	<u>\$20,074,441</u>	<u>\$21,409,079</u>	<u>\$27,176,757</u>	<u>\$29,227,014</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 \$27,176,757 as of June 30, 2017. The Town's net position decreased by \$2,050,257 for the fiscal year ended June 30, 2017. However, the largest portion 75.14% 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 \$914,816 (3.36%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,840,755 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 94.19%
- 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	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 683,208	\$ 646,087	\$ 4,633,657	\$ 4,545,292	\$ 5,316,865	\$ 5,191,379
Operating grants and contributions	263,558	299,002	-	-	263,558	299,002
Capital grants and contributions	495,930	91,752	-	192,461	495,930	284,213
General revenues:						
Property taxes	1,941,748	1,684,965	-	-	1,941,748	1,684,965
Other taxes	1,609,853	1,469,337	-	-	1,609,853	1,469,337
Other	<u>70,027</u>	<u>27,636</u>	<u>6,658</u>	<u>5,642</u>	<u>76,685</u>	<u>33,278</u>
Total revenues	<u>5,064,324</u>	<u>4,218,779</u>	<u>4,640,315</u>	<u>4,743,395</u>	<u>9,704,639</u>	<u>8,962,174</u>
Expenses:						
General government	1,248,685	1,012,148	-	-	1,248,685	1,012,148
Public safety	1,549,373	1,498,225	-	-	1,549,373	1,498,225
Transportation	902,997	329,727	-	-	902,997	329,727
Environmental protection	220,941	223,155	-	-	220,941	223,155
Economic and physical development	731,165	95,567	-	-	731,165	95,567
Culture and recreation	1,426,464	1,159,216	-	-	1,426,464	1,159,216
Interest on long-term debt	133,460	76,857	-	-	133,460	76,857
Water and sewer	-	-	<u>5,390,251</u>	<u>4,605,599</u>	<u>5,390,251</u>	<u>4,605,599</u>
Total expenses	<u>6,213,085</u>	<u>4,394,895</u>	<u>5,390,251</u>	<u>4,605,599</u>	<u>11,603,336</u>	<u>9,000,494</u>
Increase (decrease) in net position before transfer	(1,148,761)	(176,116)	(749,636)	137,796	(1,898,396)	(38,319)
Transfers	<u>585,000</u>	<u>447,000</u>	<u>(585,000)</u>	<u>(447,000)</u>	-	-
Increase (decrease) in net position	<u>\$ (563,761)</u>	<u>\$ 270,885</u>	<u>\$ (1,334,636)</u>	<u>\$ (309,204)</u>	<u>\$ (1,898,396)</u>	<u>\$ (38,319)</u>
Net position - July 1, previously reported	\$ 7,817,935	\$ 7,547,050	\$ 21,409,079	\$ 21,718,283	\$ 29,227,014	\$ 29,265,333
Restatement	<u>(151,859)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,859)</u>	<u>-</u>
Net position - July 1, restated	7,666,076	7,547,050	21,409,079	21,718,283	29,075,155	29,265,333
Increase (decrease) in net position	<u>(563,760)</u>	<u>270,885</u>	<u>(1,334,636)</u>	<u>(309,204)</u>	<u>(1,898,396)</u>	<u>(38,319)</u>
Net position - June 30	<u>\$ 7,102,316</u>	<u>\$ 7,817,935</u>	<u>\$ 20,074,441</u>	<u>\$ 21,409,079</u>	<u>\$ 27,176,757</u>	<u>\$ 29,227,014</u>

Governmental Activities - Governmental activities decreased the Town's net position by \$563,761. Key elements of this decrease 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 decreased the Town of Valdese's net position by \$1,334,636. Key elements of this decrease are as follows:

- Implementation of a Capital Improvement Plan.
- Decrease in revenue due to economic conditions.
- Decrease in the amount of grants received.
- Additional payments in lieu of taxes and services to the General Fund.
- 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 \$1,239,809, while total fund balance reached \$2,341,540. The Town currently has an available fund balance of 20.96 percent of General Fund expenditures, while total fund balance represents 39.59 percent of that same amount.

At June 30, 2017, the governmental funds of the Town of Valdese reported a combined fund balance of \$5,638,139, a 3.26 percent decrease from last year. Included in this change in fund balance are decreases in the fund balance in the General Fund and a decrease in the fund balances of the Other Governmental Funds.

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

Revenues were less than the budgeted amounts primarily due to the change in economic conditions, which caused receipts to be less than the Town originally had anticipated and the late payment of new residential development property taxes.

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 \$1,856,028. The total change in net position was a decrease of \$1,334,637. 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, 2017, totals \$25,378,370 (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.
- No major real property was acquired or disposed of.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
	Land	\$ 563,782	\$ 563,782	\$ 322,980	\$ 322,980	\$ 886,762
Buildings	3,587,195	3,712,946	-	-	3,587,195	3,712,946
Plant and distribution systems	-	-	16,735,874	16,011,115	16,735,874	16,011,115
Equipment	474,476	350,388	121,372	129,255	595,848	479,643
Vehicles and motorized equipment	167,946	56,674	133,892	82,657	301,838	139,331
Construction in progress	-	-	<u>3,270,852</u>	<u>4,230,287</u>	<u>3,270,852</u>	<u>4,230,287</u>
Total	<u>\$4,793,399</u>	<u>\$4,683,790</u>	<u>\$20,584,971</u>	<u>\$20,776,294</u>	<u>\$25,378,370</u>	<u>\$25,460,084</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, 2017, the Town of Valdese had total bonded debt outstanding of \$4,957,184.

The Town of Valdese's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
	General obligation bonds	\$2,590,626	\$2,181,872	\$1,708,576	\$1,555,745	\$4,299,202
State loans and bonds	-	-	<u>657,982</u>	<u>827,215</u>	<u>657,982</u>	<u>827,215</u>
Total	<u>\$2,590,626</u>	<u>\$2,181,872</u>	<u>\$2,366,558</u>	<u>\$2,382,960</u>	<u>\$4,957,184</u>	<u>\$4,564,832</u>

The Town of Valdese's total debt decreased by \$392,352 (8.59%) 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 \$24,192,277.

Additional information regarding the Town of Valdese's long-term debt can be found in Note III.B.6 beginning on page 50 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 4.0%, compared to the State's rate of 4.2% and the national rate of 4.4%.
- There continues to be erosion of property tax, our largest revenue source, however, at a somewhat lesser degree than previous years. This is due primarily to depreciation of industrial personal property. However, development of our high end residential base continues to have moderate increases and be somewhat optimistic.
- Sales and Utility Franchise taxes are our next largest revenue sources. Both have been adversely impacted by the economy in general. Due to the ongoing economic conditions of the national recession, we have experienced a reduction in the Town's forecasted Utility Franchise tax; slightly better recovery in the Sales tax. 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, 2018

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, 2017. The General Fund budget was based on a 4.29% increase from the prior year budget before adjustments.

Due to the increase last fiscal year, 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 approximately 4.29%. 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 for one fiscal year 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 Jerry LaMaster, Director of Finance, Town of Valdese, P. O. Box 339, Valdese, N. C. 28690-0339. One can also call (828) 879-2120 or visit our website www.townofvaldese.com

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**Basic
Financial
Statements**

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 1

Statement of Net Position June 30, 2017

<u>Assets</u>	<u>Primary Government</u>			<u>Town of Valdese ABC Board</u>
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	
Current assets:				
Cash and investments	\$ 4,823,070	\$ 1,710,802	\$ 6,533,872	\$ 5,148
Restricted cash and investments	132,877	65,119	197,996	-
Taxes receivable, net	164,570	-	164,570	-
Accounts receivable, net	60,104	552,638	612,742	-
Interest receivable	15,846	-	15,846	-
Due from other governmental agencies	566,731	-	566,731	-
Note receivable from component unit	162,775	-	162,775	-
Prepaid expenses	2,842	-	2,842	-
Inventories	89,155	225,234	314,389	115,972
Total current assets	<u>6,017,970</u>	<u>2,553,792</u>	<u>8,571,763</u>	<u>121,120</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable assets and construction in progress	563,782	3,593,832	4,157,614	-
Other capital assets, net of depreciation	4,229,617	16,991,139	21,220,756	105,632
Total capital assets	<u>4,793,399</u>	<u>20,584,971</u>	<u>25,378,370</u>	<u>105,632</u>
Total non-current asset	<u>4,793,399</u>	<u>20,584,971</u>	<u>25,378,370</u>	<u>105,632</u>
Total assets	<u>10,811,369</u>	<u>23,138,764</u>	<u>33,950,132</u>	<u>226,751</u>
<u>Deferred Outflows of Resources</u>				
Pension deferrals	<u>628,633</u>	<u>260,701</u>	<u>889,334</u>	<u>-</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and other current liabilities	199,415	487,371	686,786	71,496
Customer deposits	-	65,119	65,119	-
Long-term liabilities				
Due within one year	298,474	250,018	548,492	-
Due in more than one year	3,806,879	2,510,534	6,317,413	162,775
Total liabilities	<u>4,304,768</u>	<u>3,313,043</u>	<u>7,617,810</u>	<u>234,271</u>
<u>Deferred Inflows of Resources</u>				
Pension deferrals	<u>32,918</u>	<u>11,980</u>	<u>44,898</u>	<u>-</u>
<u>Net Position</u>				
Net investment in capital assets	2,202,773	18,218,413	20,421,186	(20,258)
Restricted for stabilization by state statute	876,857	-	876,857	-
Restricted for town revitalization	20,868	-	20,868	-
Restricted for streets	17,091	-	17,091	-
Unrestricted	<u>3,984,727</u>	<u>1,856,028</u>	<u>5,840,755</u>	<u>12,739</u>
Total net position	<u>\$ 7,102,316</u>	<u>\$ 20,074,441</u>	<u>\$ 27,176,757</u>	<u>\$ (7,519)</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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,248,685	\$ 95,641	\$ -	\$ -
Public safety	1,549,373	1,105	-	-
Transportation	902,997	-	161,931	142,990
Environmental protection	220,941	221,448	-	-
Cultural and recreational	1,426,464	365,014	100,000	352,940
Economic and physical development	731,165	-	1,627	-
Interest on long-term debt	133,460	-	-	-
Total governmental activities	<u>6,213,085</u>	<u>683,208</u>	<u>263,558</u>	<u>495,930</u>
Business-type activities:				
Water and sewer	<u>5,390,251</u>	<u>4,633,657</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,390,251</u>	<u>4,633,657</u>	<u>-</u>	<u>-</u>
Total primary government	<u>11,603,336</u>	<u>5,316,865</u>	<u>263,558</u>	<u>495,930</u>
Component unit:				
ABC Board	<u>972,225</u>	<u>1,015,607</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

Functions/Programs	Primary Government			Town of Valdese ABC Board
	Net (Expense) Revenue and Changes in Net Position			
	Governmental Activities	Business- type Activities	Total	
Governmental activities:				
General government	\$ (1,153,044)	\$ -	\$ (1,153,044)	\$ -
Public safety	(1,548,268)	-	(1,548,268)	-
Transportation	(598,076)	-	(598,076)	-
Environmental protection	507	-	507	-
Cultural and recreational	(608,510)	-	(608,510)	-
Economic and physical development	(729,538)	-	(729,538)	-
Interest on long-term debt	(133,460)	-	(133,460)	-
Total governmental activities	<u>(4,770,389)</u>	<u>-</u>	<u>(4,770,389)</u>	<u>-</u>
Business-type activities:				
Water and sewer	-	(756,594)	(756,594)	-
Total business-type activities	<u>-</u>	<u>(756,594)</u>	<u>(756,594)</u>	<u>-</u>
Total primary government	<u>(4,770,389)</u>	<u>(756,594)</u>	<u>(5,526,983)</u>	<u>-</u>
Component unit:				
ABC Board	-	-	-	43,382
Total component unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,382</u>
General revenues:				
Taxes:				
Property taxes	1,941,748	-	1,941,748	-
Local option sales tax	1,020,258	-	1,020,258	-
Franchise tax	393,192	-	393,192	-
Other taxes and licenses	196,403	-	196,403	-
Unrestricted investment and earnings	7,292	7,255	14,547	-
Miscellaneous	62,735	(297)	62,438	-
Transfers	585,000	(585,000)	-	-
Total general revenues, special items and transfers	<u>4,206,628</u>	<u>(578,042)</u>	<u>3,628,586</u>	<u>-</u>
Change in net position	<u>(563,760)</u>	<u>(1,334,636)</u>	<u>(1,898,396)</u>	<u>43,382</u>
Net position - previously reported	7,817,935	21,409,079	29,227,014	(50,900)
Restatement	<u>(151,859)</u>	<u>-</u>	<u>(151,859)</u>	<u>-</u>
Net position - beginning restated	<u>7,666,076</u>	<u>21,409,079</u>	<u>29,075,155</u>	<u>(50,900)</u>
Net position - ending	<u>\$ 7,102,316</u>	<u>\$ 20,074,441</u>	<u>\$ 27,176,757</u>	<u>\$ (7,519)</u>

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2017**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Downtown Park Capital Project Fund</u>	<u>Total Non-Major Funds</u>	
<u>Assets</u>				
Cash and investments	\$ 1,526,471	\$ -	\$ 3,296,599	\$ 4,823,070
Restricted cash and investments	132,877	-	-	132,877
Taxes receivable, net	164,570	-	-	164,570
Accounts receivable, net	60,104	235,652	-	295,756
Loan receivable	162,775	-	-	162,775
Due from other funds	230,902	-	-	230,902
Due from other governmental agencies	331,079	-	-	331,079
Prepaid expenses	2,842	-	-	2,842
Inventories	89,155	-	-	89,155
Total assets	<u>\$ 2,700,775</u>	<u>\$ 235,652</u>	<u>\$ 3,296,599</u>	<u>\$ 6,233,026</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and other current liabilities	\$ 194,665	\$ 4,750	\$ -	\$ 199,415
Due to other funds	-	230,902	-	230,902
Total liabilities	<u>194,665</u>	<u>235,652</u>	<u>-</u>	<u>430,316</u>
Deferred inflows of resources:				
Property taxes receivable	<u>164,570</u>	<u>-</u>	<u>-</u>	<u>164,570</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	2,842	-	-	2,842
Inventories	89,155	-	-	89,155
Restricted:				
Stabilization by State Statute	876,857	-	-	876,857
Town revitalization	-	-	20,868	20,868
Streets	17,091	-	-	17,091
Committed:				
USDA reserve	115,786	-	-	115,786
Assigned:				
Capital projects	-	-	3,275,731	3,275,731
Unassigned	<u>1,239,809</u>	<u>-</u>	<u>-</u>	<u>1,239,809</u>
Total fund balances	<u>2,341,540</u>	<u>-</u>	<u>3,296,599</u>	<u>5,638,139</u>
Total liabilities and fund balances	<u>\$ 2,700,775</u>	<u>\$ 235,652</u>	<u>\$ 3,296,599</u>	<u>\$ 6,233,026</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, 2017**

Total governmental fund balances	\$ 5,638,139
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.	4,793,399
Deferred outflows of resources related to pensions are not reported in the funds	628,633
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	180,416
Pension related deferrals	(32,918)
Long-term liabilities, including bonds payable, other postemployment benefits and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(4,105,353)</u>
Net position of governmental activities	<u>\$ 7,102,316</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, 2017**

	<u>Major Fund</u>		<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Downtown Park Capital Project Fund</u>		
Revenues:				
Ad valorem taxes	\$ 1,885,682	\$ -	\$ -	\$ 1,885,682
Other taxes and licenses	1,059,481	-	-	1,059,481
Unrestricted intergovernmental revenues	570,257	-	-	570,257
Restricted intergovernmental revenues	146,931	258,600	92,849	498,380
Sales and services	659,357	-	-	659,357
Investment earnings	4,463	-	2,829	7,292
Other revenues	72,200	100,000	133,392	305,592
Total revenues	<u>4,398,374</u>	<u>358,600</u>	<u>229,070</u>	<u>4,986,043</u>
Expenditures:				
Current:				
General government	1,260,242	-	-	1,260,242
Public safety	1,725,229	-	-	1,725,229
Environmental protection	220,358	-	-	220,358
Transportation	877,068	-	-	877,068
Cultural and recreational	1,359,787	-	-	1,359,787
Economic and physical development	-	731,029	136	731,165
Debt service:				
Principal	321,418	-	-	321,418
Interest and other charges	133,460	-	-	133,460
Total expenditures	<u>5,897,561</u>	<u>731,029</u>	<u>136</u>	<u>6,628,727</u>
Revenues over (under) expenditures	<u>(1,499,188)</u>	<u>(372,429)</u>	<u>228,934</u>	<u>(1,642,684)</u>
Other Financing Sources (Uses):				
Proceeds from long term debt	730,214	137,622	-	867,836
Operating transfers - in	720,500	-	15,700	736,200
Operating transfers - out	<u>(15,700)</u>	<u>-</u>	<u>(135,500)</u>	<u>(151,200)</u>
Total other financing sources (uses)	<u>1,435,014</u>	<u>137,622</u>	<u>(119,800)</u>	<u>1,452,836</u>
Net change in fund balances	<u>(64,175)</u>	<u>(234,807)</u>	109,134	<u>(189,846)</u>
Fund balances, beginning	<u>2,405,715</u>	<u>234,807</u>	<u>3,187,465</u>	<u>5,827,985</u>
Fund balances, ending	<u>\$ 2,341,540</u>	<u>\$ -</u>	<u>\$ 3,296,599</u>	<u>\$ 5,638,139</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, 2017**

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

Net changes in fund balances - total governmental funds	\$ (189,846)
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.	109,609
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	176,656
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	38,998
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.	(55,635)
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.	(408,755)
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	(59,857)
Pension expense	(188,690)
Compensated absences	<u>13,760</u>
Total changes in net position of governmental activities	<u>\$ (563,760)</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, 2017**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,922,982	\$ 1,922,982	\$ 1,885,682	\$ (37,300)
Other taxes and licenses	1,056,500	1,056,500	1,059,481	2,981
Unrestricted intergovernmental revenues	521,630	521,630	570,257	48,627
Restricted intergovernmental revenues	150,000	150,000	146,931	(3,069)
Sales and services	653,151	672,151	659,357	(12,794)
Investment earnings	7,911	7,911	4,463	(3,448)
Other revenues	<u>29,920</u>	<u>138,920</u>	<u>72,200</u>	<u>(66,720)</u>
Total revenues	<u>4,342,094</u>	<u>4,470,094</u>	<u>4,398,374</u>	<u>(71,722)</u>
Expenditures:				
Current:				
General government	936,088	1,372,688	1,260,242	112,446
Public safety	1,584,096	1,726,820	1,725,229	1,591
Transportation	318,001	903,054	877,068	25,986
Environmental protection	231,512	225,513	220,358	5,155
Cultural and recreational	1,006,288	1,388,204	1,359,787	28,417
Debt service:				
Principal	145,819	321,418	321,418	-
Interest and other charges	<u>293,290</u>	<u>133,460</u>	<u>133,460</u>	<u>-</u>
Total expenditures	<u>4,515,094</u>	<u>6,071,157</u>	<u>5,897,561</u>	<u>173,595</u>
Revenues over (under) expenditures	<u>(173,000)</u>	<u>(1,601,065)</u>	<u>(1,499,188)</u>	<u>101,876</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	327,215	-	(327,215)
Proceeds from long term debt	-	526,950	730,214	203,264
Operating transfers - in (out)	<u>173,000</u>	<u>746,900</u>	<u>704,800</u>	<u>(42,100)</u>
Total other financing sources (uses)	<u>173,000</u>	<u>1,601,065</u>	<u>1,435,014</u>	<u>(166,051)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(64,175)</u>	<u>\$ (64,175)</u>
Fund balance, beginning			<u>2,405,715</u>	
Fund balance, ending			<u>\$ 2,341,540</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, 2017**

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
<u>Assets</u>	
Current assets:	
Cash and investments	\$ 1,710,802
Accounts receivable, net	552,638
Inventories	225,234
Restricted cash and cash equivalents	65,119
Total current assets	<u>2,553,793</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	1,416,534
Vehicles	761,026
Construction in progress	3,270,852
Less accumulated depreciation	<u>(24,206,805)</u>
Capital assets, net	<u>20,584,971</u>
Total noncurrent assets	<u>20,584,971</u>
Total assets	<u>23,138,764</u>
<u>Deferred Outflows of Resources</u>	
Pension deferrals	<u>260,701</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other current liabilities	487,371
Customer deposits	65,119
General obligation bonds payable - current	80,735
Loans payable - current	<u>169,283</u>
Total current liabilities	802,508
Noncurrent liabilities:	
General obligation bonds payable	1,627,841
Loans payable	488,699
Net pension liability	267,912
Other postemployment benefits liability	62,129
Accrued compensated absences	<u>63,953</u>
Total liabilities	<u>3,313,044</u>
<u>Deferred Inflows of Resources</u>	
Pension deferrals	<u>11,980</u>
<u>Net Position</u>	
Net investment in capital assets	18,218,413
Unrestricted	<u>1,856,028</u>
Total net position	<u>20,074,441</u>
Net position of business-type activities	<u>\$ 20,074,441</u>

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

TOWN OF VALDESE, NORTH CAROLINA
Exhibit 9

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2017**

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
Operating Revenues:	
Charges for services	\$ 3,951,277
Other operating revenues	682,380
Total operating revenues	<u>4,633,657</u>
Operating Expenses:	
Administration	903,652
Water supply and treatment	861,112
Wastewater treatment	1,770,798
Water and sewer maintenance	968,169
Depreciation	797,670
Total operating expenses	<u>5,301,400</u>
Operating income (loss)	<u>(667,744)</u>
Nonoperating Revenues (Expenses):	
Rent	1,600
Investment earnings	7,255
Interest expense	(88,851)
Other	(1,897)
Nonoperating revenues (expenses), net	<u>(81,893)</u>
Income (loss) before operating transfers and capital contributions	(749,637)
Transfers (to) from other funds: General fund	<u>(585,000)</u>
Change in net position	(1,334,637)
Total net position - beginning	<u>21,409,079</u>
Total net position- ending	<u>\$ 20,074,441</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, 2017

	<u>Enterprise Fund</u>
	<u>Utility</u>
	<u>Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 4,550,734
Cash paid for goods and services	(3,682,076)
Cash paid to employees	<u>(316,885)</u>
Net cash provided (used) by operating activities	<u>551,773</u>
Cash Flows From Noncapital Financing Activities:	
Operating transfers out	<u>(585,000)</u>
Cash Flows From Capital and Related Financing Activities:	
Additional construction in progress	1,600
Acquisition of capital assets	(606,348)
Proceeds from borrowings on long-term debt	230,913
Principal paid on bonds	(247,315)
Interest paid on bonds	(88,851)
Other	<u>(1,897)</u>
Net cash provided (used) for capital and related financing activities	<u>(711,898)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>7,255</u>
Net cash provided (used) by investing activities	<u>7,255</u>
Net increase (decrease) in cash and cash equivalents	(737,870)
Cash and cash equivalents at beginning of year	<u>2,513,791</u>
Cash and cash equivalents at end of year	<u>\$ 1,775,921</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, 2017**

	<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)	\$ (667,744)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	797,670
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in receivables	(83,267)
(Increase) decrease in deferred outflows of resources - pension	(200,476)
Increase (decrease) in inventories	36,517
Increase in net pension liability	205,628
Increase (decrease) in payables	473,485
Increase (decrease) in accrued vacation pay and other postemployment benefits	12,096
Increase (decrease) in deferred inflows of resources - pension	(22,480)
Increase (decrease) in customer deposits	344
Total adjustments	<u>1,219,517</u>
Net cash provided (used) by operating activities	<u>\$ 551,773</u>

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

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TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017**

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.

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

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.

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

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

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017**

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, 2017**

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, 2017**

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

\$ 17,091

USDA

115,786

Total Governmental Activities

132,877

Business-type Activities

Water and Sewer Fund

Customer deposits

65,119

Total Restricted Cash

\$197,996
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, 2016. 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, 2017**

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

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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 that 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, 2017**

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 - 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 - portion of fund balance that is not an available resource because it represents the year-end balance of prepared 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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - 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 - Portion of fund balance to be used for Town improvements.

Committed Fund Balance - 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 - portion of fund balance restricted as stated by USDA.

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

Capital Projects - 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, 2017**

Subsequent year's expenditures - 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 of the Town.

Defined Benefit Cost Sharing Plans

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

II. Stewardship, Compliance and Accountability
A. Deficit in Fund Balance of Individual Funds

None

B. Excess of Expenditures over Appropriations

None.

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

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017, the Town's deposits had a carrying amount of \$5,981,405 and a bank balance of \$7,049,405. 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 \$5,148 and the bank balance was \$15,156. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2017, the Town had \$750,463 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 6/30/17</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust Government Portfolio	Amortized Cost	<u>\$750,463</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.

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

3. Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2017, were are follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:				
General	\$ 60,104	\$ 228,320	\$331,079	\$ 619,503
Other governmental	-	-	<u>235,652</u>	<u>235,652</u>
Total	<u>60,104</u>	<u>228,320</u>	<u>566,731</u>	<u>855,155</u>
Allowance for doubtful accounts	-	<u>(63,750)</u>	-	<u>(63,750)</u>
Total - governmental activities	<u>\$ 60,104</u>	<u>\$ 164,570</u>	<u>\$566,731</u>	<u>\$ 791,405</u>
Business-type activities:				
Utility fund	\$515,441	\$ -	\$ 37,198	\$ 552,638
Allowance for doubtful accounts	-	-	-	-
Total - business-type activities	<u>\$515,441</u>	<u>\$ -</u>	<u>\$ 37,198</u>	<u>\$ 552,638</u>

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

Sales tax and utility franchise tax	\$331,079
Grants	<u>272,850</u>
	<u>\$603,929</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>\$63,750</u>

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

4. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2017 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	\$ -	\$ -	\$ 563,782
Total capital assets not being depreciated	<u>563,782</u>	<u>-</u>	<u>-</u>	<u>563,782</u>
Capital assets being depreciated:				
Buildings	6,886,251	-	-	6,886,251
Equipment	1,611,701	204,736	-	1,816,437
Vehicles and motorized equipment	<u>1,775,886</u>	<u>146,805</u>	-	<u>1,922,691</u>
Total capital assets being depreciated	<u>10,273,838</u>	<u>351,541</u>	<u>-</u>	<u>10,625,379</u>
Less accumulated depreciation for:				
Buildings	3,173,305	125,751	-	3,299,056
Equipment	1,261,313	80,648	-	1,341,961
Vehicles and motorized equipment	<u>1,719,212</u>	<u>35,533</u>	-	<u>1,754,745</u>
Total accumulated depreciation	<u>6,153,830</u>	<u>241,932</u>	<u>-</u>	<u>6,395,762</u>
Total capital assets being depreciated, net	<u>4,120,008</u>	<u>109,609</u>	<u>-</u>	<u>4,229,617</u>
Governmental activity capital assets, net	<u>\$4,683,790</u>	<u>\$ 109,609</u>	<u>\$ -</u>	<u>\$4,793,399</u>

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

General government	\$ 82,969
Public safety	70,945
Transportation	27,205
Cultural and recreational	<u>60,813</u>
Total depreciation expense	<u>\$241,932</u>

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Utility Fund:				
Capital assets not being depreciated:				
Land	\$ 322,980	\$ -	\$ -	\$ 322,980
Construction in progress	<u>4,230,287</u>	<u>69,379</u>	<u>1,028,814</u>	<u>3,270,852</u>
Total capital assets not being depreciated	<u>4,553,267</u>	<u>69,379</u>	<u>1,028,814</u>	<u>3,593,832</u>
Capital assets being depreciated:				
Plant and distribution systems	37,547,573	1,472,810	-	39,020,383
Equipment	1,409,234	7,300	-	1,416,534
Vehicles	<u>675,355</u>	<u>85,671</u>	-	<u>761,026</u>
Total capital assets being depreciated	<u>39,632,162</u>	<u>1,565,781</u>	-	<u>41,197,943</u>
Less accumulated depreciation for:				
Plant and distribution systems	21,536,458	748,051	-	22,284,509
Equipment	1,279,979	15,183	-	1,295,162
Vehicles	<u>592,698</u>	<u>34,436</u>	-	<u>627,134</u>
Total accumulated depreciation	<u>23,409,135</u>	<u>797,670</u>	-	<u>24,206,805</u>
Total capital assets being depreciated, net	<u>16,223,027</u>	<u>768,111</u>	-	<u>16,991,138</u>
Utility fund capital assets, net	<u>\$20,776,293</u>	<u>\$837,490</u>	<u>\$1,028,814</u>	<u>\$20,584,971</u>

Discretely Presented Component Unit

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 37,935	\$ -	\$ -	\$ 37,935
Leasehold improvements	153,210	3,704	-	156,914
Computers	<u>3,083</u>	-	-	<u>3,083</u>
Total capital assets being depreciated	<u>194,228</u>	<u>\$ 3,704</u>	<u>\$ -</u>	<u>197,932</u>
Less accumulated depreciation for:				
Furniture and equipment	15,282	\$ 5,039	\$ -	20,321
Leasehold improvements	58,730	10,337	-	69,067
Computers	<u>2,860</u>	<u>52</u>	-	<u>2,912</u>
Total accumulated depreciation	<u>76,872</u>	<u>\$15,428</u>	<u>\$ -</u>	<u>92,300</u>
ABC capital assets, net	<u>\$117,356</u>			<u>\$105,632</u>

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2016 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$194,665
Other	<u>4,750</u>
Total - governmental activities	<u>\$199,415</u>
Business-type activities:	
Water and Sewer	<u>\$487,371</u>
Total - business-type activities	<u>\$487,371</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, 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
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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, 2017, was 8.00% of compensation for law enforcement officers and 7.36% 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 \$227,315 for the year ended June 30, 2017.

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

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

At June 30, 2017, the Town reported a liability of \$993,041 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.04679% which was a decrease of 0.00053% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$269,557. At June 30, 2017, 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	\$ 18,658	\$ 34,797
Change in assumptions	68,014	-
Net difference between projected and actual earnings on pension plan investments	549,026	-
Changes in proportion and differences between the Town contributions and proportionate share of contributions	5,989	5,137
Town contributions subsequent to the measurement date	<u>227,315</u>	<u>-</u>
Total	<u>\$869,002</u>	<u>\$ 39,934</u>

\$227,315 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2018	\$ 91,793
2019	91,851
2020	259,805
2021	<u>158,304</u>
	<u>\$601,753</u>

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
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Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	<u>\$2,356,948</u>	<u>\$993,041</u>	<u>\$(146,197)</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, 2017**

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:

Retirees receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>13</u>
Total	<u>13</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:

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

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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-2000 Mortality Tables with adjustments for mortality improvements based on Scale AA.

3. 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, 2017, the Town reported a total pension liability of \$164,871. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$17,976.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	4,964
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>38,998</u>	<u>-</u>
Total	<u>\$38,998</u>	<u>\$ 4,964</u>

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

\$38,998 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended June 30:

2018	\$ (809)
2019	(809)
2020	(809)
2021	(809)
2022	(809)
Thereafter	(919)

\$38,998 paid as benefits came due and \$-0- of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	<u>\$185,512</u>	<u>\$164,871</u>	<u>\$146,259</u>

Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$ 151,859
Service cost	13,364
Interest on the total pension liability	5,421
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	-
Changes of assumptions or other inputs	(5,773)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 164,871</u>

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
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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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017 were \$26,685, which consisted of \$23,985 from the Town and \$2,700 from the law enforcement officers.

d. Other Post-employment 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.

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Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation.

	General Employees:	Law Enforcement Officers	Firefighters
Retirees and dependents receiving benefits	7	-	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-	-
Active plan members	<u>53</u>	<u>10</u>	<u>7</u>
Total	<u>60</u>	<u>10</u>	<u>7</u>

Funding Policy - The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by Town Council. The Town's members pay from \$593 to \$1,330 per month for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 4.23% of annual covered payroll. For the current year, the Town contributed \$21,248 or .69% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 4.4% and 4.3% of covered payroll, respectively. There were no contributions made by employees. The Town's obligation to contribute to HCB Plan is established, and may be amended by, the Town Council.

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

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 89,509
Interest on net OPEB obligation	16,129
Adjustment to annual required contribution	<u>(15,408)</u>
Annual OPEB cost (expense)	90,230
Contributions made	<u>21,248</u>
Increase (decrease) in net OPEB obligation	68,982
Net OPEB obligation, beginning of year	<u>459,598</u>
Net OPEB obligation, end of year	<u>\$ 528,580</u>

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$90,230	23.5%	\$528,580
2016	\$90,230	37.5%	\$459,598
2015	\$84,371	37.8%	\$403,221

Funded Status and Funding Progress - As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,225,725. The covered payroll (annual payroll of active employees covered by the plan) was \$2,837,364, and the ratio of the UAAL to the covered payroll was 43.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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	\$227,315
Benefit payments made, and administrative expenses for, LEOSSA	38,990
Change in assumptions	68,014
Net difference between projected and actual earnings on pension plan investments	549,026
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>5,989</u>
Total	<u>\$889,334</u>

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

Taxes receivable, less penalties (General Fund)	\$164,870
Differences between expected and actual experience	34,797
Changes of assumptions	4,964
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>5,137</u>
Total	<u>\$209,768</u>

TOWN OF VALDESE, NORTH CAROLINA**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017, 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, 2017**

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, 2017 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	\$ 163,065
\$256,899 bank note payable with annual payments of \$53,743, including interest at 2.30%, final payment due February 2021	203,156
\$130,000 bank note payable with annual payments of \$45,210, including interest at 2.15%, final payment due September 2018	87,585
\$1,826,500 USDA loan with annual payments of \$88,878, including interest at 3.75%, final payment due November 2050	1,691,688
\$473,274 bank note payable with annual payments of \$121,856, including interest at 2.00%, final payment due September 2019	351,418
\$139,198 bank note payable with annual payments of \$48,268, including interest at 2.00%, final payment due June 2019	93,714

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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	\$ 56,850
\$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	601,132
\$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	1,140,000
\$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	219,367
\$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	322,917
\$60,000 note payable with annual payments of \$12,501. Includes interest at 2.09%, due on November 8, with a final payment due November 8, 2017	12,246
\$118,817 loan payable with annual payments of \$14,598, including interest at 3.93%, due November 2, with a final payment due November 2017, secured by wheel loader	<u>14,046</u>
Total	<u>\$4,957,184</u>

At June 30, 2017, the Town of Valdese had a legal debt margin of \$24,192,277.

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 298,474	\$ 86,703	\$ 250,017	\$ 83,359
2019	305,604	79,258	225,684	76,232
2020	219,445	71,939	226,679	74,155
2021	103,162	66,366	209,765	63,389
2022	52,715	63,071	61,558	57,356
2023-2027	221,451	283,984	340,506	250,726
2028-2032	198,122	246,271	248,167	190,930
2033-2037	238,160	206,229	237,182	147,787
2038-2042	286,292	158,098	235,000	101,363
2043-2047	343,852	100,239	276,000	47,388
2048-2052	<u>323,349</u>	<u>30,750</u>	<u>56,000</u>	<u>2,380</u>
Total	<u>\$2,590,626</u>	<u>\$1,392,908</u>	<u>\$2,366,558</u>	<u>\$1,095,06</u>

TOWN OF VALDESE, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

b. Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
General obligation debt	\$2,181,871	\$ 730,173	\$321,418	\$ 2,590,626	\$298,474
Other post-employment benefits	406,594	59,857	-	466,451	-
Net pension liability (LGERS)	145,328	579,801	-	725,129	-
Total pension liability (LEO)	151,859	13,012	-	164,871	-
Compensated absences	<u>144,516</u>	<u>13,760</u>	<u>-</u>	<u>158,276</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$3,030,168</u>	<u>\$1,396,603</u>	<u>\$321,418</u>	<u>\$ 4,105,353</u>	<u>\$298,474</u>
Business-type activities:					
General obligation debt	\$1,555,745	\$ 230,913	\$ 78,082	\$ 1,708,576	\$ 80,735
Other post-employment benefits	53,004	9,125	-	62,129	-
Net pension liability (LGERS)	62,284	205,628	-	267,912	-
State revolving loans	827,216	-	169,234	657,982	169,283
Compensated absences	<u>60,982</u>	<u>2,971</u>	<u>-</u>	<u>63,953</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$2,559,231</u>	<u>\$ 448,637</u>	<u>\$247,316</u>	<u>\$ 2,760,552</u>	<u>\$250,018</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 \$874,512 at June 30, 2017.

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

c. Discretely Presented Component Unit

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

Wells Fargo

Line of credit payable to bank with total availability of \$180,000. Bears interest at the bank's prime rate, plus 0.75% with a minimum rate of 4.0%. Effective rate at June 30, 2017 was 5.00%. The total amount outstanding on this line of credit at June 30, 2017 was \$-0-. Interest only payments began December 30, 2011 and all accrued interest and principal are due in full on November 30, 2017. 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,	
2020	\$ 18,968
2021	18,968
2022	18,968
2023	18,968
2024-2026	<u>86,903</u>
Total	<u>\$162,775</u>

Interest expense for the year ended June 30, 2017 was \$7,754.

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

C. Interfund Balances and Activities

Balances due to/from other funds at June 30, 2017, consist of the following:

Due to the General Fund from:

Downtown Park Capital Project Fund	<u>\$230,902</u>
------------------------------------	------------------

The interfund balances resulted from the time lag between the dates that transactions are recorded in the accounting system, and payments between funds are made.

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2017, consist of the following:

From the Capital Project Fund to the General Fund - for project expenses	\$125,500
From the General Fund to the Facade Grant Fund - to fund future grants	5,700
From the Utility Fund to the General Fund - transfer in lieu of taxes and services	<u>585,000</u>
Total	<u>\$716,200</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 \$2,272 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, 2017. 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	\$2,341,540
Less:	
Inventories	89,155
Prepays	2,842
Stabilization by State Statute	876,857
USDA reserve	115,786
Streets-Powell Bill	<u>17,091</u>
Remaining Fund Balance	<u>\$1,239,809</u>

TOWN OF VALDESE, NORTH CAROLINA
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

F. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$4,793,399	\$20,584,971
Less long-term debt	2,590,626	2,366,558
Add: unexpended debt proceeds	<u>-</u>	<u>-</u>
Net investment in capital asset	<u>\$2,202,773</u>	<u>\$18,218,413</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, 2017. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$44,736 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 fiscal year ended June 30, 2017.

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, 2017**

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 29% of the total Utility Sales to all customers for fiscal year 2017. Loss of these customers could have a significant impact on the Town's Utility Fund.

IX. Subsequent Event

Management has evaluated subsequent events through December 6, 2017, 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 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$151,859.

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**Required Supplemental
Financial Data**

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-1

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Proj. Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending On Val Date (c)	UAAL as a Percentage of Covered Payroll (b-a) / c)
12/31/15	\$ 0	\$ 1,225,725	\$ 1,225,725	0.00%	\$ 2,837,364	43.2%
12/31/12	\$ 0	\$ 934,525	\$ 934,525	0.00%	\$ 2,663,934	35.1%
12/31/09	\$ 0	\$ 1,056,476	\$ 1,056,476	0.00%	\$ 2,703,326	39.1%

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-2

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended <u>June 30,</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2015	\$84,371	38%
2016	\$90,230	37%
2017	\$90,230	24%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/15
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2022
Includes inflation at	3.00%

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-3

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Valdese's proportion of the net pension liability (asset) (%)	0.04679%	0.04626%	0.04793%	0.04780%
Valdese's proportion of the net pension liability (asset) (\$)	\$ 993,041	\$ 207,612	\$ (282,665)	\$ 576,174
Valdese's covered employee payroll	\$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	34.71%	7.58%	(10.23%)	21.46%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-4

**Town of Valdese's Contributions
Required Supplementary Information
Last Four Fiscal Years
Local Government Employees' Retirement System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 227,315	\$ 195,576	\$ 195,093	\$ 196,239
Contributions in relation to the contractually required contribution	<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>
Valdese's covered-employee payroll	<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	7.46%	6.84%	7.12%	7.10%

TOWN OF VALDESE, NORTH CAROLINA**Schedule 1-5****Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017**

	<u>2017</u>
Beginning balance	\$ 151,859
Service cost	13,364
Interest	5,421
Changes in benefit terms	-
Difference between expected and actuarial experience	-
Changes in assumptions and other inputs	(5,773)
Benefit payments	-
Other changes	-
	<hr/>
Ending balance of the total pension liability	<u>\$ 164,871</u>

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

TOWN OF VALDESE, NORTH CAROLINA**Schedule 1-6****Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017**

	<u>2017</u>
Total pension liability	\$ 164,871
Covered payroll	534,204
Total pension liability as a percentage of covered payroll	30.86%

Notes to schedules:

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

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**Supplementary
Statements**

TOWN OF VALDESE, NORTH CAROLINA
Schedule 2
Page 1 of 11

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,893,982	\$ 1,842,916	\$ (51,066)
Prior years	39,700	55,076	15,376
Penalties and interest	6,300	6,406	106
Discounts	<u>(17,000)</u>	<u>(18,716)</u>	<u>(1,716)</u>
Total ad valorem taxes	<u>1,922,982</u>	<u>1,885,682</u>	<u>(37,300)</u>
Other taxes and licenses:			
Unrestricted local option sales tax	1,005,000	1,020,258	15,258
Cable TV franchise tax	<u>51,500</u>	<u>39,223</u>	<u>(12,277)</u>
Total other taxes and licenses	<u>1,056,500</u>	<u>1,059,481</u>	<u>2,981</u>
Unrestricted intergovernmental revenues:			
Payments in lieu of taxes -			
Valdese Housing Authority	18,000	19,886	1,886
Franchise tax	396,000	393,192	(2,808)
Alcohol/beverage tax	21,630	40,211	18,581
Occupancy taxes	40,000	70,419	30,419
Sales tax refunds	<u>46,000</u>	<u>46,550</u>	<u>550</u>
Total unrestricted intergovernmental revenues	<u>521,630</u>	<u>570,257</u>	<u>48,625</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues (Continued):			
Restricted intergovernmental revenues:			
"State Street - Aid" allocation	\$ 150,000	\$ 146,931	\$ (3,069)
Total restricted intergovernmental revenues	<u>150,000</u>	<u>146,931</u>	<u>(3,069)</u>
Sales and services:			
Refuse collection fees	193,571	196,680	3,109
Recycling fees	24,630	24,768	138
Jail fees	800	1,105	305
Rent and miscellaneous fees	73,700	71,790	(1,910)
Valdese Community Center	287,200	289,954	2,754
Valdese Tourism Commission	2,000	774	(1,226)
Rock School fees	64,150	58,714	(5,436)
Community affairs	<u>26,100</u>	<u>15,572</u>	<u>(10,528)</u>
Total sales and services	<u>672,151</u>	<u>659,357</u>	<u>(12,794)</u>
Investment earnings:			
Interest on investments	<u>7,911</u>	<u>4,463</u>	<u>(3,448)</u>
Total investment earnings	<u>7,911</u>	<u>4,463</u>	<u>(3,448)</u>
Other revenues:			
Grants	64,000	30,190	(33,810)
Other	<u>74,920</u>	<u>42,011</u>	<u>(32,909)</u>
Total other revenues	<u>138,920</u>	<u>72,200</u>	<u>(66,720)</u>
Total revenues	<u>4,470,094</u>	<u>4,398,373</u>	<u>(71,723)</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and wages	\$ -	\$ 18,300	\$ -
FICA tax expense	-	933	-
Group insurance	-	34,863	-
Travel	-	1,037	-
Insurance and bonds	-	3,223	-
Professional services	-	344	-
Miscellaneous	-	618	-
Total governing body	63,155	59,317	3,838
Administration:			
Salaries and wages	-	469,785	-
Professional services	-	52,581	-
FICA tax expense	-	33,968	-
Group insurance	-	67,742	-
Retirement	-	32,748	-
Telephone and postage	-	20,812	-
Utilities	-	7,253	-
Travel	-	10,009	-
Maintenance and repair - buildings and grounds	-	5,746	-
Maintenance and repair - equipment	-	4,119	-
Maintenance and repair - autos and trucks	-	578	-
Advertising	-	1,522	-
Auto supplies	-	123	-
Supplies and materials	-	10,148	-
Dues and subscriptions	-	13,832	-
Printing expense	-	4,190	-
Insurance and bonds	-	7,707	-
Contracted services	-	25,907	-

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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Administration (continued):			
Historic Valdese Foundation	\$ -	\$ 846	\$ -
Burke County Public Library	-	62,000	-
Wellness program	-	6,308	-
Industrial development	-	30,099	-
Meridian incentive	-	180,000	-
Debt service	-	88,878	-
Miscellaneous	-	3,957	-
Utility fund reimbursement	-	(425,502)	-
Total administration	<u>801,432</u>	<u>715,356</u>	<u>86,076</u>
Planning and zoning:			
Salaries and wages	-	32,650	-
Professional services	-	24,291	-
FICA tax expense	-	2,289	-
Group insurance	-	6,348	-
Travel	-	457	-
Advertising	-	318	-
Auto supplies	-	84	-
Supplies and materials	-	10,330	-
Maintenance and repair	-	27,597	-
Insurance bonds	-	1,281	-
Contracted services	-	75,333	-
Radio station	-	430	-
Handicapped parking	-	5,837	-
Cemetery expansion	-	967	-
Capital outlay	-	39,190	-
Miscellaneous	-	35	-
Total planning and zoning	<u>251,150</u>	<u>227,437</u>	<u>23,713</u>
Public works:			
Salaries and wages	-	323,183	-
Professional services	-	701	-
FICA tax expense	-	24,344	-
Group insurance	-	68,668	-
Retirement	-	22,958	-
Telephone and postage	-	1,970	-
Utilities	-	8,480	-

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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Public works (continued):			
Travel	\$ -	\$ (150)	\$ -
Maintenance and repair - buildings and grounds	-	19,957	-
Maintenance and repair - equipment	-	3,119	-
Maintenance and repair - autos and trucks	-	1,715	-
Auto supplies	-	9,983	-
Supplies and materials	-	39,875	-
Chemicals	-	384	-
Uniforms	-	4,447	-
Insurance and bonds	-	14,160	-
Contracted services	-	10,929	-
Arbor beautification	-	4,977	-
Miscellaneous	-	1,568	-
Utility fund reimbursement	-	(214,258)	-
Total public works	<u>345,829</u>	<u>347,010</u>	<u>(1,181)</u>
 Total general government	 <u>1,461,566</u>	 <u>1,349,120</u>	 <u>112,446</u>
 Public safety:			
Police department:			
Salaries and wages	-	546,136	-
FICA tax expense	-	40,855	-
Group insurance	-	117,669	-
Retirement	-	42,125	-
Deferred compensation	-	23,277	-
Professional services	-	373	-
Telephone and postage	-	4,665	-
Utilities	-	6,464	-
Travel	-	130	-
Maintenance and repair - buildings and grounds	-	1,927	-
Maintenance and repair - equipment	-	6,871	-
Maintenance and repair - auto and trucks	-	6,558	-
Auto supplies	-	23,750	-
Supplies and materials	-	10,463	-
Uniforms	-	10,496	-
Drug task force	-	22,000	-

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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Police department (continued):			
Insurance and bonds	\$ -	\$ 28,817	\$ -
Dues and subscriptions	-	83	-
Capital outlay - equipment	-	105,255	-
Printing	-	375	-
Advertising	-	50	-
Contracted services	-	10,519	-
Debt service	-	36,640	-
Total police department	<u>1,043,655</u>	<u>1,045,498</u>	<u>(1,843)</u>
Fire department:			
Salaries and wages	-	392,341	-
FICA tax expense	-	28,947	-
Group insurance	-	60,637	-
Retirement	-	25,446	-
Professional services	-	8,891	-
Telephone and postage	-	728	-
Utilities	-	10,130	-
Travel	-	5,163	-
Maintenance and repair - buildings and grounds	-	31,515	-
Maintenance and repair - equipment	-	6,278	-
Maintenance and repair - autos and trucks	-	5,886	-
Auto supplies	-	3,881	-
Supplies and materials	-	23,915	-
Uniforms	-	7,997	-
Insurance and bonds	-	32,297	-
Dues and subscriptions	-	1,971	-
Printing	-	130	-
Fire safety expense	-	4,309	-
Contracted services	-	65,907	-
Debt service	-	126,699	-
Total fire department	<u>846,504</u>	<u>843,069</u>	<u>3,435</u>
Total public safety	<u>1,890,159</u>	<u>1,888,568</u>	<u>1,591</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Environmental protection:			
Sanitation department:			
Salaries and wages	\$ -	\$ 79,526	\$ -
FICA tax expenses	-	6,021	-
Group insurance	-	25,656	-
Retirement	-	5,586	-
Professional services	-	193	-
Maintenance and repair - equipment	-	1,840	-
Maintenance and repair - autos and trucks	-	10,161	-
Auto supplies	-	11,101	-
Supplies and materials	-	3,876	-
Uniforms	-	2,000	-
Contracted services	-	65,728	-
Insurance bonds	-	8,670	-
Debt service	-	15,434	-
Total sanitation department	<u>240,947</u>	<u>235,792</u>	<u>5,155</u>
Total environmental protection	<u>240,947</u>	<u>235,792</u>	<u>5,155</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Transportation:			
Street department:			
Salaries and wages	\$ -	\$ 91,772	\$ -
FICA tax expense	-	6,908	-
Group insurance	-	22,816	-
Retirement expense	-	6,754	-
Professional services	-	16,538	-
Travel expense	-	100	-
Insurance bonds	-	11,286	-
Utilities	-	78,460	-
Maintenance and repair - buildings and grounds	-	192,737	-
Maintenance and repair - equipment	-	6,579	-
Maintenance and repair - autos and trucks	-	2,181	-
Auto supplies	-	12,540	-
Supplies and materials	-	6,802	-
Chemicals	-	1,120	-
Uniforms	-	2,436	-
Contracted services	-	209	-
Capital outlay	-	250,002	-
Debt service	-	53,743	-
Total street department	<u>774,653</u>	<u>762,984</u>	<u>11,669</u>
Powell Bill:			
Professional services	-	6,270	-
Maintenance and repair	-	160,740	-

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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Powell Bill (continued):			
Snow and ice removal	\$ -	\$ 818	\$ -
Debt service	-	121,856	-
Total Powell Bill	<u>304,000</u>	<u>289,683</u>	<u>14,317</u>
Total transportation	<u>1,078,653</u>	<u>1,052,667</u>	<u>25,986</u>
 Cultural and recreational:			
Recreation:			
Salaries and wages	-	402,179	-
FICA tax expense	-	30,283	-
Group insurance	-	47,965	-
Retirement	-	12,800	-
Telephone and postage	-	3,517	-
Utilities	-	80,712	-
Travel	-	882	-
Maintenance and repair - buildings and grounds	-	230,004	-
Maintenance and repair - equipment	-	16,412	-
Maintenance and repair - autos and trucks	-	791	-
Auto supplies	-	841	-
Supplies and materials	-	23,591	-
Chemicals	-	12,588	-
Purchases for resale	-	30,445	-
Dues and subscriptions	-	4,574	-
Insurance and bonds	-	17,669	-
Miscellaneous	-	135	-
Swim team	-	763	-
Triathlon	-	5,622	-
Uniforms	-	603	-
Contracted services	-	36,363	-
Advertising	-	1,343	-
Debt service	-	11,628	-
Professional services	-	4,178	-
Total recreation	<u>986,005</u>	<u>975,888</u>	<u>10,117</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Community affairs:			
Salaries and wages	\$ -	\$ 131,536	\$ -
FICA tax expense	-	9,957	-
Group insurance	-	26,006	-
Retirement expense	-	8,843	-
Printing	-	3,383	-
Utilities	-	42,341	-
Supplies and materials	-	7,043	-
Professional services	-	1,500	-
Telephone and postage	-	6,595	-
Maintenance and repair	-	191,929	-
Auto supplies	-	29	-
Advertising	-	3,898	-
Contracted services	-	119,651	-
Insurance and bonds	-	13,286	-
Dues and subscriptions	-	714	-
Building reuse and facade	-	4,247	-
Main Street program	-	2,098	-
Valdese Tourism Commission	-	39,155	-
Rock School Arts Foundation	-	3,000	-
Festival	-	19,963	-
Concession stand trailer	-	1,863	-
Miscellaneous	-	7,746	-
Utility fund reimbursement	-	(249,254)	-
Total community affairs	413,828	395,528	18,300
			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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total cultural and recreational	\$ 1,399,832	\$ 1,371,415	\$ 28,417
Total expenditures	<u>6,071,157</u>	<u>5,897,563</u>	<u>173,594</u>
Revenues over (under) expenditures	<u>(1,601,065)</u>	<u>(1,499,189)</u>	<u>101,873</u>
Other Financing Sources (Uses):			
Proceeds from long term debt	526,950	730,214	203,264
Operating transfers - in (out)			
Capital project funds	149,900	119,800	(30,100)
Enterprise fund	597,000	585,000	(12,000)
Appropriated fund balance	<u>327,215</u>	<u>-</u>	<u>(327,215)</u>
Total other financing sources (uses)	<u>1,601,065</u>	<u>1,435,014</u>	<u>(166,051)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(64,175)</u>	<u>\$ (64,175)</u>
Fund balance, July 1		<u>2,405,715</u>	
Fund balance, June 30		<u>\$ 2,341,540</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, 2017**

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>	
	<u>Facade Grant Fund</u>	<u>Small Business & Entrepreneurial Assistance 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	\$ -	\$ 3,010	\$ 20,868	\$ 676,624	\$ 512,127
Total assets	<u>\$ 17,858</u>	<u>\$ -</u>	<u>\$ 3,010</u>	<u>\$ 20,868</u>	<u>\$ 676,624</u>	<u>\$ 512,127</u>
<u>Liabilities and Fund Balances</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:						
Restricted:						
Town revitalization	17,858	-	3,010	20,868	-	-
Assigned:						
Capital projects	-	-	-	-	676,624	512,127
Total fund balance	<u>17,858</u>	<u>-</u>	<u>3,010</u>	<u>20,868</u>	<u>676,624</u>	<u>512,127</u>
Total liabilities and fund balances	<u>\$ 17,858</u>	<u>\$ -</u>	<u>\$ 3,010</u>	<u>\$ 20,868</u>	<u>\$ 676,624</u>	<u>\$ 512,127</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 3

Page 2 of 2

**Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017**

	Capital Project Funds				Total	Total Nonmajor Governmental Funds
	Capital Outlay Fund	Lake Rhodhiss Capital Project Fund	Police Dept. Capital Project Fund	NCDOT Pedistrian Plan Grant Fund		
<u>Assets</u>						
Current assets:						
Cash and investments	\$750,463	\$ 1,334,364	\$ 2,153	\$ -	\$3,275,731	\$ 3,296,599
Grants receivable	-	-	-	-	-	-
Total assets	<u>\$750,463</u>	<u>\$ 1,334,364</u>	<u>\$ 2,153</u>	<u>\$ -</u>	<u>\$3,275,731</u>	<u>\$ 3,296,599</u>
<u>Liabilities and Fund Balances</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance:						
Restricted:						
Town revitalization	-	-	-	-	-	20,868
Assigned:						
Capital projects	750,463	1,334,364	2,153	-	3,275,731	3,275,731
Total fund balance	<u>750,463</u>	<u>1,334,364</u>	<u>2,153</u>	<u>-</u>	<u>3,275,731</u>	<u>3,296,599</u>
Total liabilities and fund balances	<u>\$750,463</u>	<u>\$ 1,334,364</u>	<u>\$ 2,153</u>	<u>\$ -</u>	<u>\$3,275,731</u>	<u>\$ 3,296,599</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, 2017**

	Special Revenue Funds				Capital Project Funds	
	Facade Grant Fund	Small Business & Entrepreneurial Assistance Fund	Public Art Fund	Total	Water Plant Capital Project Fund	Capital Project Fund
Revenues:						
Other local revenues:						
Town of Drexel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Burke County	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	127,800
Grants	-	-	-	-	-	94,340
Investment earnings:						
Interest earned	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,140</u>
Expenditures:						
Public safety	-	-	-	-	-	-
Economic and physical development	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,140</u>
Other Financing Sources (Uses):						
From (to) General Fund	<u>5,700</u>	<u>-</u>	<u>-</u>	<u>5,700</u>	<u>-</u>	<u>(125,500)</u>
Total other financing sources (uses)	<u>5,700</u>	<u>-</u>	<u>-</u>	<u>5,700</u>	<u>-</u>	<u>(125,500)</u>
Revenues and other sources over (under) expenditures and other uses	5,700	-	-	5,700	-	96,640
Fund balances (deficit), beginning of year	<u>12,158</u>	<u>-</u>	<u>3,010</u>	<u>15,168</u>	<u>676,624</u>	<u>415,487</u>
Fund balances (deficit), end of year	<u>\$ 17,858</u>	<u>\$ -</u>	<u>\$ 3,010</u>	<u>\$ 20,868</u>	<u>\$ 676,624</u>	<u>\$ 512,127</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, 2017**

	Capital Project Funds				Total	Total Nonmajor Governmental Funds
	Capital Outlay Fund	Lake Rhodhiss Capital Project Fund	Police Dept. Capital Project Fund	NCDOT Pedestrian Plan Grant Fund		
Revenue:						
Other local revenues:						
Town of Drexel	\$ -	\$ 2,202	\$ -	\$ -	\$ 2,202	\$ 2,202
Burke County	-	1,763	-	-	1,763	1,763
Miscellaneous	-	-	-	1,627	129,427	129,427
Grants	-	-	-	(1,491)	92,849	92,849
Investment earnings:						
Interest earned	2,829	-	-	-	2,829	2,829
Total revenues	<u>2,829</u>	<u>3,965</u>	<u>-</u>	<u>136</u>	<u>229,070</u>	<u>229,070</u>
Expenditures:						
Economic and physical development	-	-	-	136	136	136
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>136</u>	<u>136</u>	<u>136</u>
Revenues over (under) expenditures	<u>2,829</u>	<u>3,965</u>	<u>-</u>	<u>-</u>	<u>228,934</u>	<u>228,934</u>
Other Financing Sources (Uses):						
From (to) General Fund	-	-	-	-	(125,500)	(119,800)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,500)</u>	<u>(119,800)</u>
Revenues and other sources over (under) expenditures and other uses	2,829	3,965	-	-	103,435	109,135
Fund balances (deficit), beginning of year	747,634	1,330,399	2,153	-	3,172,297	3,187,465
Fund balances (deficit), end of year	<u>\$ 750,463</u>	<u>\$ 1,334,364</u>	<u>\$ 2,153</u>	<u>\$ -</u>	<u>\$ 3,275,732</u>	<u>\$ 3,296,599</u>

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, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</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>251,423</u>	<u>5,700</u>	<u>257,123</u>
Total other financing sources (uses)	<u>366,750</u>	<u>251,423</u>	<u>5,700</u>	<u>257,123</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 12,158</u>	5,700	<u>\$ 17,858</u>
Fund balance (deficit), beginning of year			<u>12,158</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, 2017

	<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, 2017

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 10,000	\$ 239	\$ -	\$ 239
Grants	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>20,000</u>	<u>239</u>	<u>-</u>	<u>239</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>-</u>	<u>(13,590)</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>	<u>-</u>	<u>\$ 3,010</u>
Fund balance, beginning of year			<u>3,010</u>	
Fund balance, end of year			<u>\$ 3,010</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, 2017

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>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	<u>\$ -</u>	<u>\$ 676,624</u>	-	<u>\$ 676,624</u>
Fund balance, beginning of year			<u>676,624</u>	
Fund balance, end of year			<u>\$ 676,624</u>	

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, 2017

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues				
Donations	\$ -	\$ -	\$ 15,000	\$ 15,000
State grant	-	-	94,340	94,340
Other	-	-	112,800	112,800
Total revenue	<u>-</u>	<u>-</u>	<u>222,140</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>-</u>	<u>222,140</u>	<u>222,140</u>
Other Financing Sources (Uses):				
Operating transfers - in (out)	<u>732,000</u>	<u>415,487</u>	<u>(125,500)</u>	<u>289,987</u>
Total other financing sources (uses)	<u>732,000</u>	<u>415,487</u>	<u>(125,500)</u>	<u>289,987</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 415,487</u>	96,640	<u>\$ 512,127</u>
Fund balance, beginning of year			<u>415,487</u>	
Fund balance, end of year			<u>\$ 512,127</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ 275,000	\$ 2,829	\$(272,171)
Expenditures	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	2,829	<u>\$ 2,829</u>
Fund balance, beginning of year		<u>747,634</u>	
Fund balance, end of year		<u>\$ 750,463</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, 2017

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>
Revenues:				
Other local revenues:				
Town of Drexel	\$ 133,400	\$ 72,670	\$ 2,202	\$ 74,872
Burke County	<u>106,800</u>	<u>57,573</u>	<u>1,763</u>	<u>59,336</u>
Total other local revenues	240,200	130,244	3,965	134,209
Investment earnings	<u>-</u>	<u>513,868</u>	<u>-</u>	<u>513,868</u>
Total revenues	<u>240,200</u>	<u>644,112</u>	<u>3,965</u>	<u>648,077</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>630,397</u>	<u>3,965</u>	<u>634,362</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>\$ 1,330,399</u>	3,965	<u>\$ 1,334,364</u>
Fund balance, beginning of year			<u>1,330,399</u>	
Fund balance, end of year			<u>\$1,334,364</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, 2017

	<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	\$ -	\$ 6,869
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>-</u>	<u>7,273</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>-</u>	<u>(75,880)</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>	<u>-</u>	<u>\$ 2,153</u>
Fund balance, beginning of year			<u>2,153</u>	
Fund balance, end of year			<u>\$ 2,153</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, 2017

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 250,000	\$ 150,000	\$ 100,000	\$ 250,000
Interest earned	-	11	-	11
Grants	<u>408,600</u>	<u>150,000</u>	<u>258,600</u>	<u>408,600</u>
Total revenues	<u>658,600</u>	<u>300,011</u>	<u>358,600</u>	<u>658,611</u>
Expenditures:				
Buildings and grounds	5,000	5,000	(837)	4,163
Legal	32,550	5,100	(5,100)	-
Architect/Engineering fees	110,755	54,500	66,450	120,950
Community building	837,550	-	627,428	627,428
Equipment	100,000	-	38,338	38,338
Advertising	603	604	-	604
Contingencies	<u>41,142</u>	<u>-</u>	<u>4,750</u>	<u>4,750</u>
Total expenditures	<u>1,127,600</u>	<u>65,204</u>	<u>731,029</u>	<u>796,233</u>
Revenues over (under) expenditures	<u>(469,000)</u>	<u>234,807</u>	<u>(372,429)</u>	<u>(137,622)</u>
Other Financing Sources:				
Loan proceeds	<u>469,000</u>	<u>-</u>	<u>137,622</u>	<u>137,622</u>
Total other financing sources	<u>469,000</u>	<u>-</u>	<u>137,622</u>	<u>137,622</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 234,807</u>	<u>(234,807)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>234,807</u>	
Fund balance, end of year			<u>\$ -</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-10

NCDOT Pedestrian Plan Grant Fund
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 1,627	\$ 1,627	\$ 1,627	\$ 3,254
Grants	<u>28,400</u>	<u>28,264</u>	<u>(1,491)</u>	<u>26,773</u>
Total revenues	<u>30,027</u>	<u>29,891</u>	<u>136</u>	<u>30,027</u>
Expenditures:				
Consultation	<u>35,500</u>	<u>35,364</u>	<u>136</u>	<u>35,500</u>
Total expenditures	<u>35,500</u>	<u>35,364</u>	<u>136</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 5

Utility Fund
Statement of Revenues - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water charges	\$ 2,223,000	\$ 2,188,764	\$ (34,236)
Wastewater charges	1,193,000	1,072,150	(120,850)
Contract sales	831,782	690,362	(141,420)
Total charges for services	<u>4,247,782</u>	<u>3,951,277</u>	<u>(296,505)</u>
Other operating revenues:			
Tap and connection fees	20,000	11,050	(8,950)
Long term monitoring fees	14,500	12,536	(1,964)
Sprinkler service charges	1,000	650	(350)
Utility bill penalties	50,000	50,054	54
Meter usage charge	580,000	585,869	5,869
Reconnection fees	<u>27,000</u>	<u>22,221</u>	<u>(4,779)</u>
Total other operating revenues	<u>692,500</u>	<u>682,380</u>	<u>(10,120)</u>
Total operating revenues	<u>4,940,282</u>	<u>4,633,657</u>	<u>(306,625)</u>
Nonoperating revenues:			
Interest on investments	3,000	7,255	4,255
Rent-nonoperating property	3,300	1,600	(1,700)
Miscellaneous	2,000	(1,897)	(3,897)
Capital contributions	258,600	-	(258,600)
Retained earnings appropriated	<u>1,220,893</u>	<u>-</u>	<u>(1,220,893)</u>
Total nonoperating revenues	<u>1,487,793</u>	<u>6,958</u>	<u>(1,480,835)</u>
Total revenues	<u>\$ 6,428,075</u>	<u>\$ 4,640,615</u>	<u>\$ (1,787,460)</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures:			
Administration:			
General Fund - administrative services:			
Reimbursement	\$ 903,791	\$ 903,652	\$ 139
Total administration	<u>903,791</u>	<u>903,652</u>	<u>139</u>
Water and supply treatment:			
Salaries and wages	-	286,807	-
Professional services	-	9,744	-
FICA tax expense	-	(272)	-
Group insurance	-	64,919	-
Retirement	-	20,744	-
Telephone and postage	-	11,891	-
Utilities	-	226,878	-
Travel	-	63	-
Maintenance and repair - building and grounds	-	22,117	-
Maintenance and repair - equipment	-	36,900	-
Maintenance and repair - autos and trucks	-	904	-
Auto and truck supplies	-	768	-
Supplies and materials	-	656	-
Chemicals	-	71,655	-
Uniforms	-	2,868	-
Contracted services	-	4,166	-
Dues and subscriptions	-	4,329	-
Laboratory supplies	-	11,978	-
Water testing	-	11,671	-
Insurance and bonds	-	18,108	-
Advertising	-	247	-
Printing expense	-	624	-

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):			
Water and supply treatment (continued):			
Safety	\$ -	\$ 1,089	\$ -
Economic incentives	-	12,500	-
Total water and supply treatment	<u>1,178,710</u>	<u>821,356</u>	<u>357,354</u>
Waste water treatment:			
Salaries and wages	-	372,845	-
Professional services	-	133,556	-
FICA tax expense	-	27,659	-
Group insurance	-	72,277	-
Retirement	-	26,260	-
Telephone and postage	-	13,111	-
Utilities	-	271,782	-
Travel	-	7,188	-
Maintenance and repair - buildings and grounds	-	530,581	-
Maintenance and repair - equipment	-	113,707	-
Maintenance and repair - autos and trucks	-	796	-
Auto and truck supplies	-	3,515	-
Laboratory supplies	-	8,417	-
Advertising	-	170	-
Insurance bonds	-	23,660	-
Supplies and materials	-	12,702	-
Chemicals	-	53,351	-
Uniforms	-	3,607	-
Contracted services	-	12,324	-
Long term monitoring	-	13,066	-
Dues and subscriptions	-	11,778	-
Wood chips	-	36,855	-
Safety	-	2,351	-
Economic incentives	-	12,500	-
Total waste water treatment	<u>1,903,784</u>	<u>1,764,057</u>	<u>139,727</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Water and sewer maintenance:			
Salaries and wages	\$ -	\$ 314,683	\$ -
Professional services	-	81,464	-
Travel expense	-	1,173	-
FICA tax expense	-	23,513	-
Group insurance	-	81,021	-
Retirement	-	23,081	-
Maintenance and repair - buildings and grounds	-	70,375	-
Maintenance and repair - equipment	-	13,060	-
Maintenance and repair - autos and trucks	-	9,807	-
Auto and truck supplies	-	17,689	-
Supplies and materials	-	50,407	-
Contracted services	-	24,820	-
Postage	-	1,136	-
Utilities	-	24,787	-
Uniforms	-	5,633	-
Insurance and bonds	-	32,841	-
Meters	-	72,784	-
Miscellaneous expense	-	73,229	-
Total water and sewer maintenance	<u>1,167,882</u>	<u>921,502</u>	<u>246,380</u>
Budgetary appropriations:			
Capital outlay-waste water treatment plant	-	48,408	(48,408)
Capital outlay-water supply and treatment	71,900	210,922	(139,022)
Capital outlay-water and sewer maintenance	202,650	277,678	(75,028)
Payment on debt principal	324,694	247,315	77,379
Interest and fees	89,664	88,851	813
Transfer to (from) other funds	585,000	585,000	-
Total budgetary appropriations	<u>1,273,908</u>	<u>1,458,174</u>	<u>(184,266)</u>
Total expenditures	<u>\$ 6,428,075</u>	<u>\$ 5,868,741</u>	<u>\$ 559,335</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Reconciliation from Budgetary Basis (Modified) Accrual Basis) to Full Accrual Basis:			
Total revenues on Schedule 5		\$ 4,640,615	
Total expenditures on Schedule 5-1		<u>5,868,741</u>	
Revenues over (under) expenditures		(1,228,126)	
Budgetary appropriations (above):			
Payment of debt principal		247,315	
Adjustment for contributed capital		(61,878)	
Capital outlay		537,008	
Increase (decrease) in inventory		(36,517)	
(Increase) decrease in accrued vacation pay		(2,972)	
(Increase) decrease in other postemployment benefits		(9,125)	
(Increase) in net pension liability		(205,628)	
Increase (decrease) in deferred outflows - pension		200,476	
(Increase) decrease in deferred inflows - pension		22,480	
Depreciation		<u>(797,670)</u>	
Change in net position (Exhibit 9)		<u><u>\$(1,334,637)</u></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, 2017**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues	\$ -	\$ -	\$ -	\$ -
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, 2017**

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

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, 2017

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Professional services	-	2,565	-	2,565
Revenues over (under) expenditures	-	(2,565)	-	(2,565)
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (2,565)</u>	<u>\$ -</u>	<u>\$ (2,565)</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, 2017**

	<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	-	30,000	-	30,000
	<u>500,000</u>	<u>410,190</u>	<u>-</u>	<u>410,190</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	1,000	-	-	-
	<u>505,000</u>	<u>489,421</u>	<u>-</u>	<u>489,421</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	5,000	-	-	-
	<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, 2017**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	
			<u>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, 2017**

	<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	<u>1,294,178</u>	<u>1,303,399</u>	<u>-</u>	<u>1,303,399</u>
Revenues over (under) expenditures	<u>(1,281,528)</u>	<u>(1,285,143)</u>	<u>-</u>	<u>(1,285,143)</u>
Other Financing Sources (Uses):				
Local contributions	1,528	-	-	-
Proceeds from bonds	<u>1,280,000</u>	<u>1,280,000</u>	<u>-</u>	<u>1,280,000</u>
Total other financing sources (uses)	<u>1,281,528</u>	<u>1,280,000</u>	<u>-</u>	<u>1,280,000</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (5,143)</u>	<u>\$ -</u>	<u>\$ (5,143)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-8

**Utility Capital Projects Fund
KleenTech
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2017**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to 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
Millstone Water Project
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2017**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Federal grants - CDBG	\$ 379,413	\$ 376,359	\$ -	\$ 376,359
Total revenues	<u>379,413</u>	<u>376,359</u>	<u>-</u>	<u>376,359</u>
Expenditures:				
Engineering	25,000	37,000	-	37,000
Administration	29,100	28,500	-	28,500
Environmental review	7,500	-	-	-
Easements	15,000	-	-	-
Tap fees	27,600	25,800	-	25,800
Construction	275,213	283,707	-	283,707
Advertising	-	1,121	-	1,121
Professional service	-	231	-	231
Total expenditures	<u>379,413</u>	<u>376,359</u>	<u>-</u>	<u>376,359</u>
Revenues over (under) expenditures	<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, 2017**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Town of Valdese	\$ 254,400	\$ 222,600	\$ 63,600	\$ 286,200
Total revenues	<u>254,400</u>	<u>222,600</u>	<u>63,600</u>	<u>286,200</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>\$ 222,600</u>	<u>\$ 63,600</u>	<u>\$ 286,200</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, 2017**

	<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	\$ 205,990	\$ 24,923	\$ 230,913
Total revenues	<u>285,917</u>	<u>205,990</u>	<u>24,923</u>	<u>230,913</u>
Expenditures:				
Engineer	35,000	-	-	-
Administration	9,000	8,796	3,656	12,452
Construction	232,245	208,151	24,584	232,735
Closing cost	5,718	-	-	-
Contingency	<u>9,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>291,635</u>	<u>216,947</u>	<u>28,240</u>	<u>245,187</u>
Revenues over (under) expenditures	(5,718)	(10,957)	(3,317)	(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>\$ (10,957)</u>	<u>\$ (3,317)</u>	<u>\$ (14,274)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-12

**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, 2017**

	<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	\$ 37,198
IDF grant	898,425	-	-	-
Total revenues	<u>1,898,425</u>	<u>-</u>	<u>37,198</u>	<u>37,198</u>
Expenditures:				
Architectural and engineering	276,000	-	27,812	27,812
Administration and environmental	55,000	-	9,385	9,385
Construction	<u>1,866,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,197,900</u>	<u>-</u>	<u>37,198</u>	<u>37,198</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>

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Other Schedules

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

TOWN OF VALDESE, NORTH CAROLINA

Schedule 6

Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal Year</u>	<u>July 1, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>June 30, 2017</u>
2016 - 2017	\$ -	\$ 1,987,829	\$ 1,872,485	\$ 115,344
2015 - 2016	49,234	-	30,587	18,647
2014 - 2015	23,019	-	7,130	15,889
2013 - 2014	32,981	-	-	32,981
2012 - 2013	3,099	-	-	3,099
2011 - 2012	28,763	-	-	28,763
2010 - 2011	13,597	-	-	13,597
2009 - 2010	-	-	-	-
2008 - 2009	-	-	-	-
2007 - 2008	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 150,693</u>	<u>\$ 1,987,829</u>	<u>\$ 1,910,202</u>	228,320
Less allowance for uncollectibles				<u>(63,750)</u>
Balance				<u>\$ 164,570</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund (Schedule 2)				\$ 1,897,892
Discounts				<u>18,716</u>
Subtotal				1,916,608
Less penalties and interest collected				<u>(6,406)</u>
Total collections and credits				<u>\$ 1,910,202</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 7

**Schedule of Analysis of Current Year Tax Levy
June 30, 2017**

	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	\$ 354,743,303	0.545	\$ 1,933,351	\$ 1,785,651	\$ 147,700
Discoveries	9,624,954	0.545	52,456	52,456	-
Late lists	-		2,022	2,022	-
Total	<u>\$ 364,368,257</u>		<u>1,987,829</u>	<u>1,840,129</u>	<u>147,700</u>
Net levy			1,987,829	1,840,129	147,700
Less uncollected taxes at June 30, 2017			<u>115,344</u>	<u>115,344</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,872,485</u>	<u>\$ 1,724,785</u>	<u>\$ 147,700</u>
Current levy collection percentage			<u>94.19</u>	<u>93.73</u>	<u>100.00</u>

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**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, 2017, 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 December 6, 2017. The financial statements of Town of Valdese ABC Board was not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Morganton, North Carolina
December 6, 2017

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

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
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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 Board of Commissioners of
Town of Valdese
Valdese, North Carolina

Report on Compliance for Each Major State Program

We have audited 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 Town of Valdese, North Carolina's major state programs for the year ended June 30, 2017. Town of Valdese, North Carolina's major state 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 laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 applicable sections 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 Government Auditors in North Carolina and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about 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 Town of Valdese, North Carolina's compliance.

Opinion on Each Major State Program

In our opinion, 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, 2017.

Report on Internal Control over Compliance

Management of 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 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 our 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 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.



Morganton, North Carolina
December 6, 2017

**Schedule of Findings and Responses
For the Year Ended June 30, 2017**

Section I. Summary of Auditors' Results**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes

 X no

Significant deficiency(ies) identified?

_____ yes

 X none reported

Noncompliance material to financial statements noted

_____ yes

 X no**Federal Awards**

No material programs

cont.

Schedule of Findings and Responses
For the Year Ended June 30, 2017

State Awards

Internal control over major State 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 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
Powell Bill

Section H. Financial Statement Findings

None reported.

Section III. State Award Findings and Questioned Costs

None reported.

TOWN OF VALDESE, NORTH CAROLINA

**Corrective Action Plan
For the Year Ended June 30, 2017**

Section H. Financial Statement Findings

None reported.

Section III. 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, 2017**

None reported.

TOWN OF VALDESE, NORTH CAROLINA

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017**

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>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	10.766	XXXX	\$43,000	\$ -	\$ -
Community Facilities Program Loan	10.766	XXXX	<u>137,622</u>	-	-
Total U. S. Department of Agriculture			<u>180,622</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>37,198</u>	-	-
<u>U. S. Environmental Protection Agency</u>					
Passed-through N. C. Department of Environmental Quality					
Capitalization Grants for Clean Water State Revolving Funds (Note 3)	66.458	CS-370396-08	<u>28,240</u>	-	-
Total assistance - federal programs			<u>246,060</u>	-	-
State Grants:					
Cash Assistance:					
<u>N. C. Department of Natural and Cultural Resources:</u>					
Park and Recreation Trust Fund		2014-782	-	<u>215,600</u>	-
<u>N. C. Department of Transportation:</u>					
Powell Bill		38570	-	<u>289,683</u>	-
<u>N. C. Office of the Governor</u>					
Special Funding		XXXX	-	<u>94,340</u>	-

cont.

TOWN OF VALDESE, NORTH CAROLINA

Page 2 of 3, cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients
Total assistance - State programs			\$ -	\$599,623	\$ -
Total assistance			<u>\$246,060</u>	<u>\$599,623</u>	<u>\$ -</u>

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, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Town of Valdese, North Carolina, it is not intended to and does not present the financial position, changes in net position or cash flows of Town of Valdese, North Carolina.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Town of Valdese, North Carolina has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

TOWN OF VALDESE, NORTH CAROLINA

Page 3 of 3, cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017**

Note 3: Loans Outstanding

Town of Valdese, North Carolina had the following loan balances outstanding at June 30, 2017 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, 2017 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds	66.458	CS 370396-08	\$216,280
Community Facilities Program	10.766	XXXX	137,622

CONTRACT TO AUDIT ACCOUNTS

Of Town of Valdese
Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

On this 11th day of January, 2018

Auditor: Lowdermilk Church & Co.,LLP Auditor Mailing Address: 121 North Sterling Street
Morganton, NC 28655

Hereinafter referred to as The Auditor

and Town Council (Governing Board(s)) of Town of Valdese
(Primary Government)

and _____ hereinafter referred to as the Governmental Unit(s), agree as follows:
(Discretely Presented Component Unit)

1. The Auditor shall audit all statements and disclosures required by accounting principles generally accepted in the United States of America (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit (s) for the period beginning July 1, 2017, and ending June 30, 2018. 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).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with auditing standards generally accepted in the United States of America. 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 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 (OSA) 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 unqualified opinion being rendered. If during the process of conducting the audit the Auditor determines that it will not be possible to render an unqualified opinion on the financial statements of the unit, the Auditor shall contact the SLGFD 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.

Contract to Audit Accounts (cont.) Town of ValdesePrimary Government UnitDiscretely Presented Component Unit (DPCU) if applicable

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 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 their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the LGC prior to the execution of the audit contract. **If the audit firm received a peer review rating other than pass**, the Auditor shall not contract with the Governmental Unit 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 GAAP and fail to include all disclosures required by GAAP, the Auditor shall provide an explanation as to why in an attachment.

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 the SLGFD within four months of fiscal year end.
Audit report is due on October 31, 2018. 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 generally accepted auditing standards include a review of the Governmental Unit's 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 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 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 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 invoices shall be sent via upload through the current portal address: <http://nctreasurer.slgfd.leapfile.net> Subject line should read "Invoice – [Unit Name]. The PDF invoice marked 'approved' with approval date shall be returned by email to the Auditor to present to the Governmental Unit 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 Primary Government shall pay to the Auditor, upon approval by the Secretary of the LGC, the fee, which includes any cost 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. **(Note: Fees listed on Fees page.)** 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 has outstanding revenue bonds, the Auditor shall submit to the SLGFD either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue

Contract to Audit Accounts (cont.) Town of Valdese

Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

bond rate covenant. Additionally, the Auditor shall submit to the SLGFD simultaneously with the Governmental Unit's 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 and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the Governmental Unit 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 as soon as practical after the close of the fiscal year end.
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 shall not be billed for the pre-issuance review. The pre-issuance review shall be performed **prior** to the completed audit being submitted to the SLGFD. The pre-issuance review report shall accompany the audit report upon submission to the SLGFD.
13. The Auditor shall electronically submit the report of audit to the SLGFD as a text-based PDF file when (or prior to) submitting the 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 SLGFD by any interested parties. **Any subsequent revisions to these reports shall be sent to the Secretary of the LGC along with an Audit report Reissuance form.** 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 without subsequent consent of the Auditor. If the SLGFD determines that corrections need to be made to the Governmental Unit's financial statements, those corrections shall be provided within three days of notification unless another deadline is agreed to by the SLGFD.

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 the SLGFD.

The SLGFD's process for submitting contracts, audit reports and invoices is subject to change. Auditors shall use the submission process in effect at the time of submission. The most current instructions will be found on our website: <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>

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 varied or changed 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 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. 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 through the audit contract portal to the Secretary of the LGC for approval. The portal address to upload the amended contract is <http://nctreasurer.slgfd.leapfile.net> No change to the audit contract shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.

Contract to Audit Accounts (cont.) Town of ValdesePrimary Government UnitDiscretely Presented Component Unit (DPCU) if applicable

16. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit shall be attached to the contract, and by reference here becomes part of the 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 #23 of this contract. Engagement letters containing indemnification clauses shall not be accepted by the SLGFD.
 17. Special provisions should be limited. Please list any special provisions in an attachment.
See attached engagement letter.
 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, physically signed by all parties including Governmental Unit and the Auditor and then submitted in PDF format to the Secretary of the LGC. The current portal address to upload the contractual documents is <http://nctreasurer.slgfd.leapfile.net>. Electronic signatures are not accepted at this time. Included with this contract are instructions to submit contracts and invoices for approval as of November 2017. These instructions are subject to change. Please check the NC Treasurer's web site at <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx> for the most recent instructions.
 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. 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.
 22. **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.
 23. 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).
-
-

SIGNATURE PAGES FOLLOW FEES PAGE

Contract to Audit Accounts (cont.) **Town of Valdese**
Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

FEES – PRIMARY GOVERNMENT

AUDIT: \$ 11,170

WRITING FINANCIAL STATEMENTS: \$ 4,790

ALL OTHER NON-ATTEST SERVICES: \$ -0-

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.

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 above. 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.

The 75% cap for interim invoice approval for this audit contract is \$ 11,970

** NA if there is to be no interim billing

FEES – DPCU (IF APPLICABLE)

AUDIT: \$ _____

WRITING FINANCIAL STATEMENTS: \$ _____

ALL OTHER NON-ATTEST 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.

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 above. 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.

The 75% cap for interim invoice approval for this audit contract is \$ _____

** NA if there is to be no interim billing

Contract to Audit Accounts (cont.) Town of Valdese

Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

Communication regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.

Audit Firm Signature:

Lowdermilk Church & Co.,LLP

Name of Audit Firm

By Phillip E. Church, Partner

Authorized Audit firm representative name: Type or print


Signature of authorized audit firm representative

Date 1-22-18

phil.church@lowdermilkchurchcpa.com

Email Address of Audit Firm

Governmental Unit Signatures:

Town of Valdese

Name of Primary Government

By John F. Black, Mayor

Mayor / Chairperson: Type or print name and title

Signature of Mayor/Chairperson of governing board

Date

By N/A

Chair of Audit Committee - Type or print name

**

Signature of Audit Committee Chairperson

Date

*** If Governmental Unit has no audit committee, mark this section "N/A"*

PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)

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.

By Jerry LaMaster

Primary Government Unit Finance Officer:

Type or print name

Primary Government Finance Officer Signature

Date

(Pre-audit Certificate must be dated.)

jlamaster@valdese.nc.us

Email Address of Finance Officer

Date Primary Government Governing Body Approved Audit Contract - G.S. 159-34(a)

*****Please provide us the most current email addresses available as we use this information to update our contact database*****

Contract to Audit Accounts (cont.) Town of Valdese
Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

**** This page to only be completed by Discretely Presented Component Units If Applicable ****

Communication regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.

DPCU Governmental Unit Signatures:

Name of Discretely Presented Component Unit

By _____
DPCU Board Chairperson: Type or print name and title

Signature of Chairperson of DPCU governing board

Date _____

By _____
Chair of Audit Committee - Type or print name

Signature of Audit Committee Chairperson **

Date _____
**** If Governmental Unit has no audit committee, mark this section "N/A"**

PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)

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.

By _____
DPCU Finance Officer:
Type or print name

DPCU Finance Officer Signature
Date _____
(Pre-audit Certificate must be dated.)

Email Address of Finance Officer

Date DPCU Governing Body Approved Audit Contract - G.S. 159-34(a)

*****Please provide us the most current email addresses available as we use this information to update our contact database*****

Contract to Audit Accounts (cont.) Town of ValdesePrimary Government UnitDiscretely Presented Component Unit (DPCU) if applicable**Steps to Completing the Audit Contract**

1. Complete the header information – If a DPCU is subject to the audit requirements found in the Local Government Budget and Fiscal Control Act and a separate report is being issued for that DPCU, a separate audit contract for the DPCU is required. If a separate report is not being issued for the DPCU – it is being included in the Primary Government's audit – the DPCU shall be named with the Primary Government on the audit contract for the Primary Government. The Board Chairperson of the DPCU shall sign the audit contract in addition to the elected leader of the Primary Government.
2. Item No. 1 – Complete the period covered by the audit
3. Item No. 6 – Fill in the audit due date. For Governmental Unit (s), the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.
4. Item No. 8 – If the process for invoice approval instructions changed, the Auditor should make sure he and his administrative staff are familiar with the current process. Instructions for each process can be found at the following link. <https://www.nctreasurer.com/sgl/Pages/Audit-Forms-and-Resources.aspx>
5. Item No. 9 – Please note that the new fee section has been moved to page 5.
6. Item No. 16 – Has the engagement letter been attached to the contract that is being submitted to SLGFD?
 - a. Do the terms and fees specified in the engagement letter agree with the Audit 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."*
 - b. Does the engagement letter contain an indemnification clause? **The audit contract shall not be approved if there is an indemnification clause – refer to LGC Memo # 986.**
7. Complete the fee section for BOTH the Primary Government and the DPCU (if applicable) on the fees page; please note:
 - The cap on interim payments is 75% of the current audit fee for services rendered if the contracted fee amount is a fixed amount. If any part of the fee is variable, interim payments are limited to 75% of the prior year's total audit fee. If the contract fee is partially variable, we shall compare the authorized interim payment on the contract to 75% of last year's actual approved total audit fee amount according to our records. There is a report of audit fees paid by each governmental unit on our web site: https://www.nctreasurer.com/sgl/lfm/audit_acct/Pages/default.aspx select "audit fees"

Please call or email Lorna Hodge at 919-814-4299 lorna.hodge@nctreasurer.com if you have any questions about the fees on this list.

 - For variable fees for services, are the hourly rates or other rates clearly stated in detail? If issued separately in an addendum, has the separate page been acknowledged in writing by the Governmental Unit?

Contract to Audit Accounts (cont.) Town of Valdese
Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

- For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee? (Note: See previous bullet point regarding variable fees.)
 - If there is to be no interim billing, please indicate N/A instead of leaving the line blank.
8. Signature Area – There are now 2 Signature Pages: one for the Primary Government and one for the DPCU. Please only send the page(s) that are applicable to your Unit of Government and do not include the instructions pages. Make sure all signatures have been obtained, and properly dated. **The contract shall be approved by Governing Boards pursuant to G.S. 159-34(a).** If this contract includes the audit for a DPCU that is a Public Authority that falls under the Local Government Budget and Fiscal Control Act, it shall be named in this contract and the Board Chairperson of the DPCU also shall sign the contract in the area indicated. If the DPCU is filing a separate audit, a separate audit contract is required for that DPCU.
 9. Please place the date the Primary Government's Governing Board and the DPCU's Governing Board (if applicable) approved the audit contract in the space provided.
 - a. Please make sure that you provide email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.
 - b. Has the pre-audit certificate for the Primary Government (and the DPCU if applicable) been signed and dated by the appropriate party?
 - c. Has the name and title of the Mayor or Chairperson of the Unit's Governing Board and the DPCU's Chairperson (if applicable) been typed or printed on the contract and has he/she signed in the correct area directly under the Auditor's signature?
 10. If the Auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage Governmental Units and Auditors to disclose the nature of these services in the contract or an engagement letter. Fees for these services should be shown in the space indicated on the fees page.
 11. Has the most recently issued peer review report for the audit firm been included with the contract? This is required if the audit firm has received a new peer review report that has not yet been forwarded to us. The audit firm is only required to send the most current Peer Review report to us once – not multiple times.
 12. After all the signatures have been obtained and the contract is complete, please convert the contract and all other supporting documentation to PDF. **When submitting for approval combine and send the documents as one PDF file to include the Audit contract, any applicable addendums, the engagement letter and Peer Review Report.** Submit these documents using the most current submission process which can be obtained at the NC Treasurer's web site
<https://www.nctreasurer.com/slq/Audit%20Forms%20and%20Resources/Instructions%20for%20Contract%20Submission.pdf>
 13. If an audit cannot be completed by the due date, the Auditor or Governmental Unit shall file an Amended Contract form (Amended LGC-205). This form shall be signed by the Governmental Unit representative and the Auditor. The explanation for the delay in completing the audit is part of this contract amendment form and shall be provided. The parties that signed the original audit contract shall sign the amended contract form as well. If the signing representatives are unable to sign the amended contract, please include an explanation for this in the submitted amended contract form.

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
 P. O. Box 339
 Valdese, North Carolina

January 11, 2018

We are pleased to confirm our understanding of the services we are to provide Town of Valdese for the year ended June 30, 2018. 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, 2018. 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 and Other Postemployment Benefits Schedule of Funding Progress and Schedules of Employer Contributions.
- 4) Local Government Employees' Retirement System Schedule of the Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions

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 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 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 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. 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 [Name of Governmental Unit]'s major programs. The purpose of these procedures will be to express an opinion on [Name of Governmental Unit]'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) establishing and maintaining effective internal controls, 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 and 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.

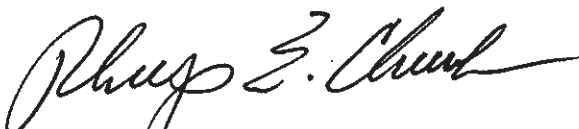
You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence 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.

Memo

To: Mayor & Town Council

From: Morrissa Angi on behalf of the Public Arts Commission

cc: Seth Eckard

Date: February 1, 2018

Re: Public Art Installation to commemorate the 125th Celebration of Valdese

The Public Arts Commission is requesting funding for a 125th year commemorative, permanent art installation. The Commission has committed \$25,000 worth of funding if the Town of Valdese agrees to match their contribution. The piece will be a life-sized (train approximately 12-15' tall), raw-metal, iron installation of the original settlers of Valdese exiting the train that brought them from the Cottian Alps in 1893. The project was quoted by Oak Hill Ironworks in Morganton at an estimated cost of \$35,000; which includes materials, labor, and installation.

The Town of Valdese has earmarked \$10,000 for a 125th commemorative art project in the 2017-2018 budget year. Making the final request for funding from the Town of Valdese \$15,000. The remaining funds after the materials and installation will be used to create a sturdy decking for the piece to be installed on, and lighting for the illumination of the project.

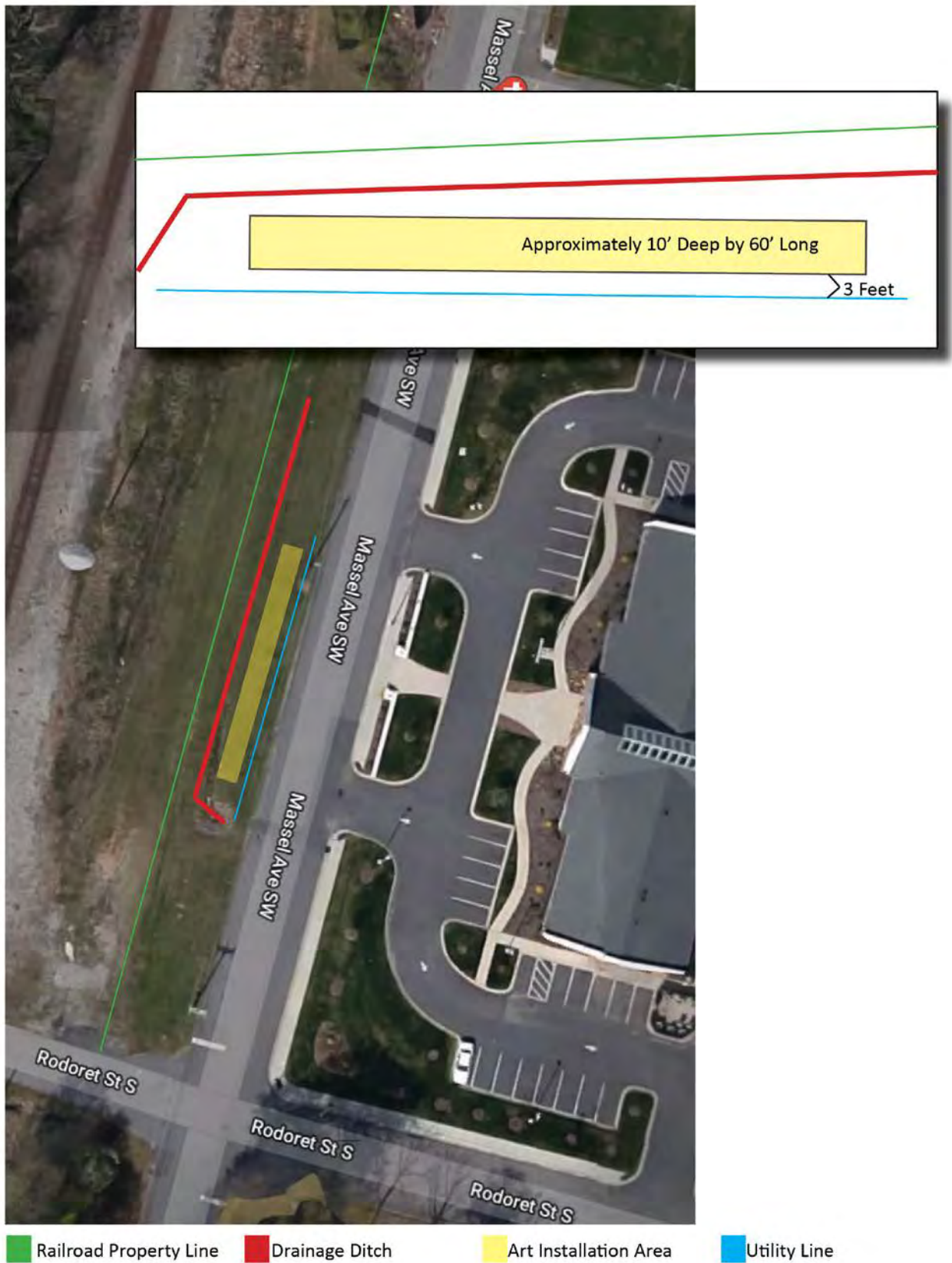
The Public Arts Commission believes that this would be an outstanding way to honor the original settlers of Valdese and to commemorate the celebration of 125 years. This public art piece will become a feature of our Town as the Centennial Fountain did during the Centennial celebration. The project will be completed with raw iron that will require very little to no maintenance and will include a descriptive plaque/marker that will be funded by the Waldensian Heritage Museum.

The Public Arts Commission is also requesting permission to place the art installation parallel to the railroad tracks on Massel Avenue. The location has been approved by Larry Johnson & Bryan Duckworth. All setbacks, utilities, and right of way has been addressed.

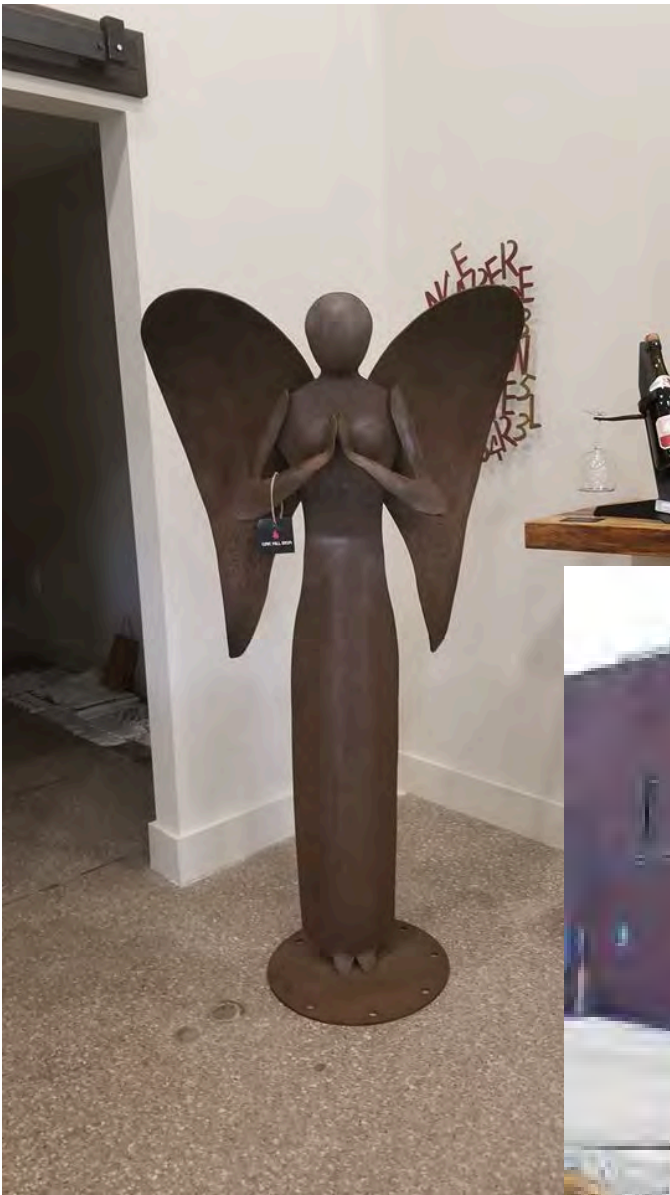
Attached you will find:

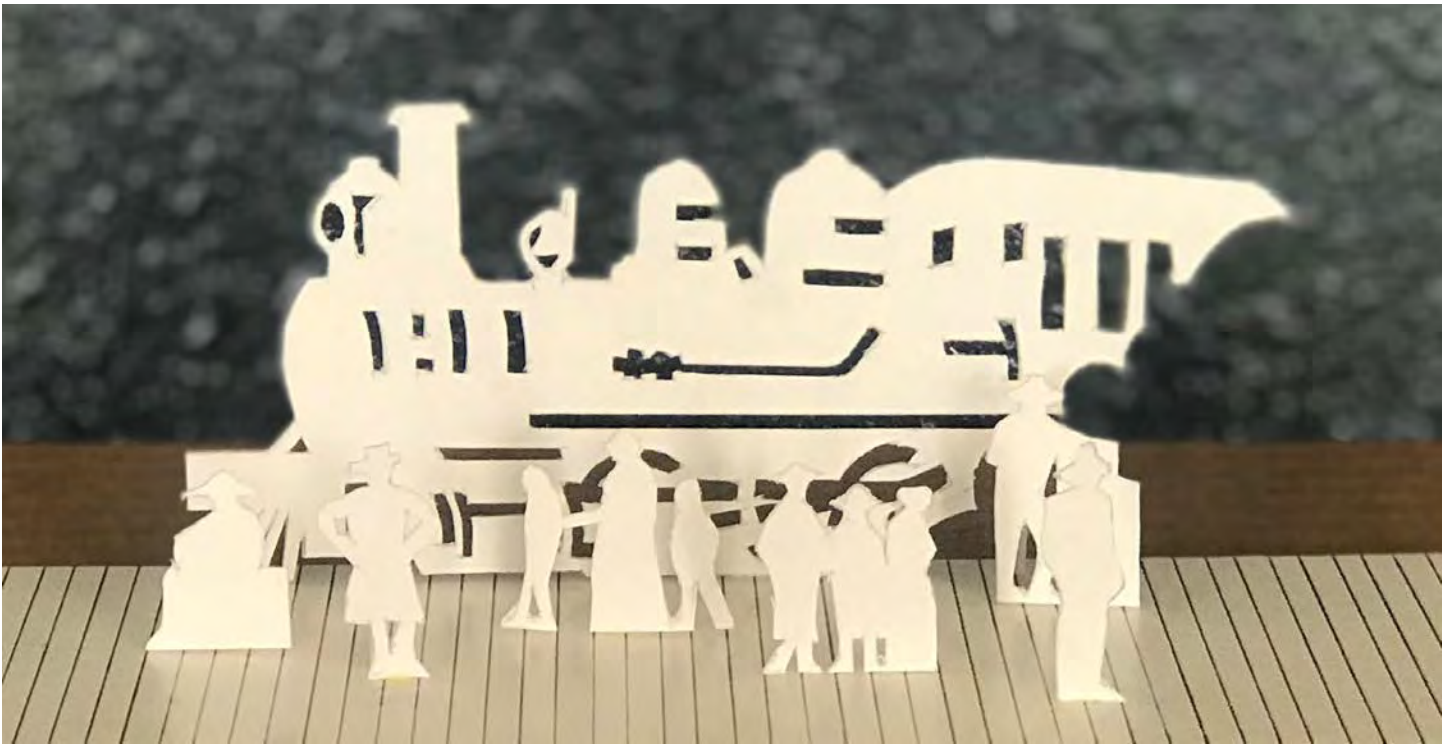
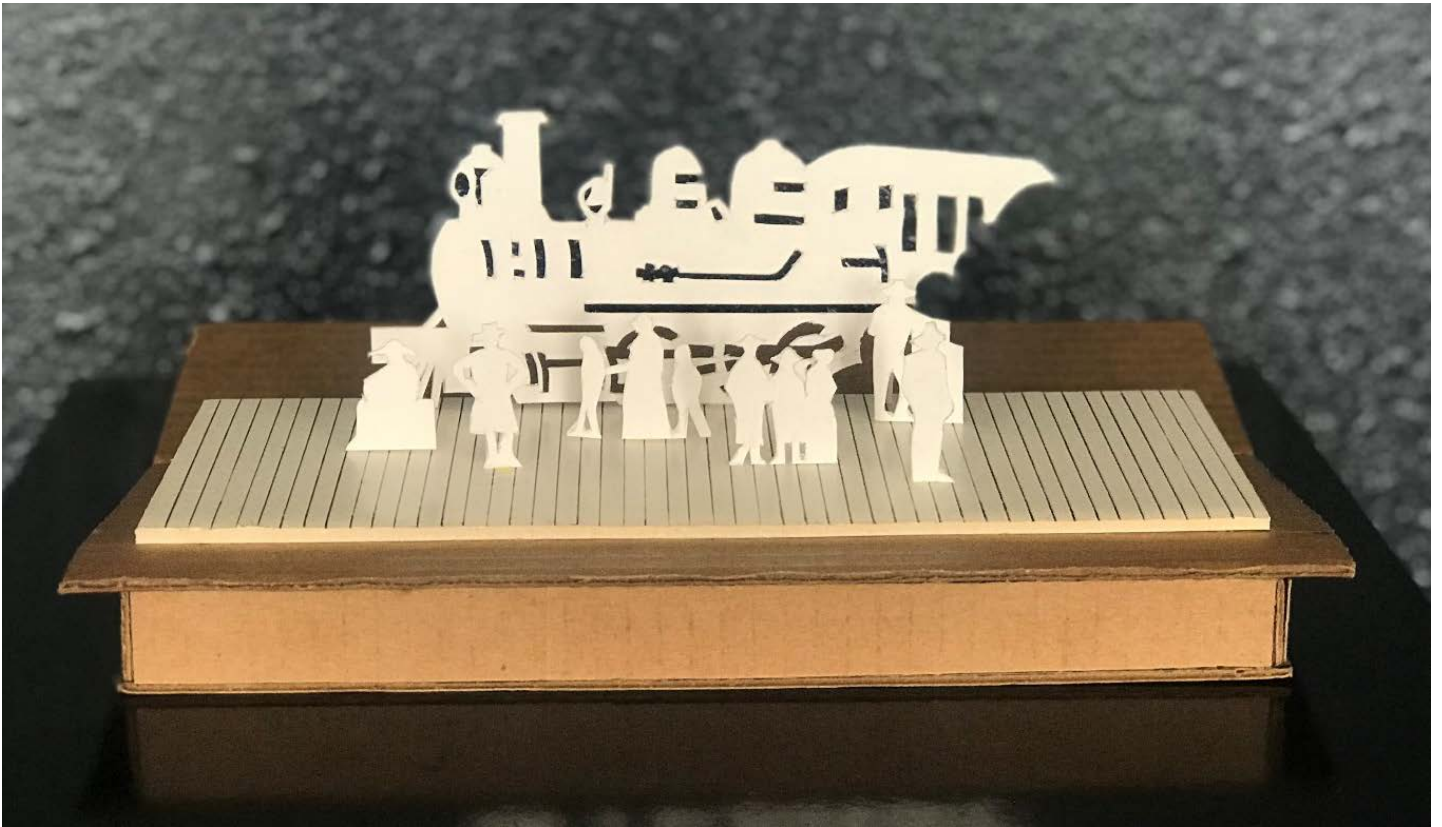
1. Location Diagram
2. Sample work & iron from Oak Hill Iron Works
3. Image of the model created by Commission member Greg Mastin
4. Images of the train that brought the original settlers in 1893

Location Diagram:



Oak Hill Iron Works – Examples of Iron Installations:





Images of 1509 Southern Railway – “Maud”



This view of the Valdese train station in 1915 shows a train arriving from the west. The nearby house was hastily constructed in 1893 to accommodate the third contingent of Waldensians who were expected in November of that year. Located at the corner of Massel Avenue and Faet Street, the house became multi-functional for the colonists, serving as a sanctuary for worship services, a school for the bilingual children, a post office, and a retail store, meeting the business needs of the colony.



The Valdese train station is pictured in the 1920s. It remained the center of the colony (later the town) of Valdese for many years. By the time this photograph was made, the settlement included more than 40 nearby farms. In addition to wheat, corn, and vegetables, most of these farm families cultivated about an acre in grapes, each producing 400 to 600 gallons of wine.

February 6, 2006, Ordinance Book No. 8

ORDINANCE ESTABLISHING A PUBLIC ART PROGRAM FOR THE TOWN OF VALDESE

BE IT ORDAINED by the Town Council of the Town of Valdese that the Council does hereby establish a program for supporting art in public places as follows:

Section 1. Findings and purposes.

The Town Council does hereby find that:

- (a) Expanding the opportunity for the citizens to experience public art will promote the general welfare of the community;
- (b) Providing for art in public places will enhance the aesthetic quality of public buildings and spaces;
- (c) Supporting public art will encourage tourism and economic development;
- (d) Providing art accessible to the public and to the users of town buildings and parks will improve the quality of life in the Town of Valdese.

Section 2. Public Art Program Established.

A Public Art Program is hereby established to bring public art to public places in the town.

"Public Art" shall be defined as any work of art or design element created by an artist or craftsman and sited in a public space for the public to experience. Public Art does not include the performing arts.

Section 3. Public Art Fund Established.

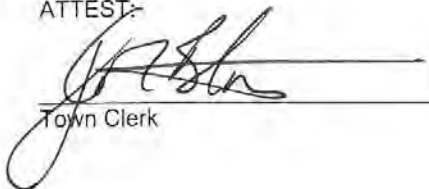
The town shall establish a separate fund for the Public Art Program known as the Public Art Fund. Each year, the town shall allocate to the Public Art Fund an amount to be determined in the discretion of the town council. Such allocations shall not preclude solicitation and acceptance of gifts and grant funds into the Public Art Fund.

Section 4. Public Art Commission Established.

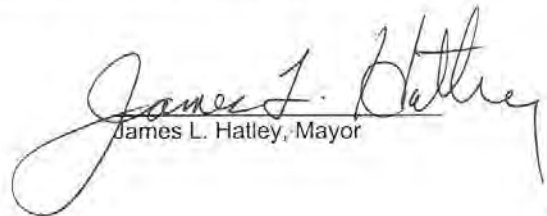
- A. There is hereby established an advisory board to the town council to be known as the Public Art Commission ("Commission"). The Commission shall serve as an advisory board to the town council on matters involving public art, including identifying suitable places for public art to be placed and recommending public art for acquisition by the town.
- B. The Commission shall consist of six (6) members appointed by the town council. Members of the Commission shall serve terms of three (3) years. Terms shall be staggered with two of the first members serving 1-year terms, two of the first members serving 2-year terms and two of the first members serving 3-year terms. A member may be appointed for successive consecutive terms.
- C. The Commission shall select annually from among its members a chair and a vice chair. The Commission shall adopt rules governing the time and place of meetings and related matters.

This 6th day of February, 2006.

ATTEST:



 Town Clerk



 James L. Hatley, Mayor

RESOLUTION OF INTENT

A Resolution Declaring the Town Council's Intent to Close of a section of Whisnant Street

WHEREAS, the Town Council intends to close a section of Whisnant Street;

WHEREAS, the Town Council is required by G.S. 160A-299 to call for a public hearing on the matter;

NOW, THEREFORE, be it resolved by the Town Council of the Town of Valdese that:

1. The Town Council intends to close a section of Whisnant Street as shown on an unrecorded plat dated September 12, 2017, and entitled "Town of Valdese (Whisnant Street SE Relocation)", which is available for inspection at the Valdese Town Hall.
2. A public hearing on the question will be held at 6:00 p.m. on the 4th day of December, 2017, at the Valdese Town Hall in Valdese, North Carolina.
3. The Town Clerk is hereby directed to publish this Resolution of Intent once a week for four (4) successive weeks in the Morganton New Herald.
4. The Town Clerk is further directed to send by registered or certified mail a copy of this Resolution of Intent to all owners of property adjoining the street as shown on the county tax records.
5. The Town Clerk is further directed to cause adequate notices of this Resolution of Intent and scheduled public hearing to be posted as required by G.S. 160A-299.

This resolution was adopted this 2nd day of October, 2017.

PUBLISH: October 7, 13, 20, and 27, 2017

Park Improvements

2017-2018

New Children's Park sign



Crack Seal and striping



New concrete pad, turf, batting cage



Installed new chain link fence & posts



Installed new electrical rack system



Installed new ground mounted LED floodlight



V-shaped grass lined swale



New picnic tables, trash receptacles, pressure treated 6 x 6 posts, gutters, tied to existing drain



New secure bathroom doors



Installed new catch basin with 12" storm drain



New Fletcher Ball Field Sign



New McGalliard Falls Park Sign



New fencing, crack seal, (striping will be done by early spring)



Installed concrete curbing



New picnic tables, trash receptacles,
and pressure treated 6 x 6 posts



Interior structural repair



Log building Repairs



Installed new water bars



Repaired roof issues that were causing structural problems



Remove tennis courts, seed, and mulch

