

**FINANCIAL STATEMENTS**  
**TOWN OF WENDELL**  
**WENDELL, NORTH CAROLINA**  
**JUNE 30, 2023**

BOARD OF COMMISSIONERS

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Jason Joyner, Mayor Pro Tem

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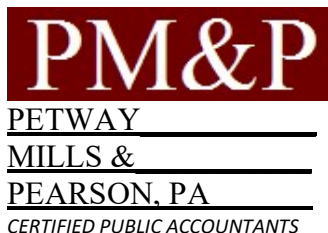
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## Independent Auditors' Report

To the Honorable Mayor  
And the Board of Commissioners  
Town of Wendell  
Wendell, North Carolina

C. Briggs Petway, Jr.  
Phyllis M. Pearson

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Accountants

American Institute  
Of Certified Public  
Accountants

Medical Group  
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### Opinion

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Town of Wendell, which collectively comprise Town of Wendell's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Town of Wendell as of June 30, 2023, and the respective changes in net position and cash flows where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are required to be independent of Town of Wendell and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Wendell's ability to continue as a going concern within one year after the date that the financial statements are to be issued.

### Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

Exercise professional judgement and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 Town of Wendell's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Wendell's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 16 be and the pension schedules on pages 55 through 59 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Wendell's basic financial statements. The budgetary 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 the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary schedules, as well as the accompanying 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, the budgetary schedules, and the accompanying 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 October 31, 2023 on our consideration of Town of Wendell'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town of Wendell's internal control over financial reporting and compliance.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 31, 2023

## Management's Discussion and Analysis

As management of the Town of Wendell (the "Town"), we offer readers of the Town of Wendell's financial statements this narrative overview and analysis of the financial activities of the Town of Wendell for the fiscal year ended June 30, 2023. 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

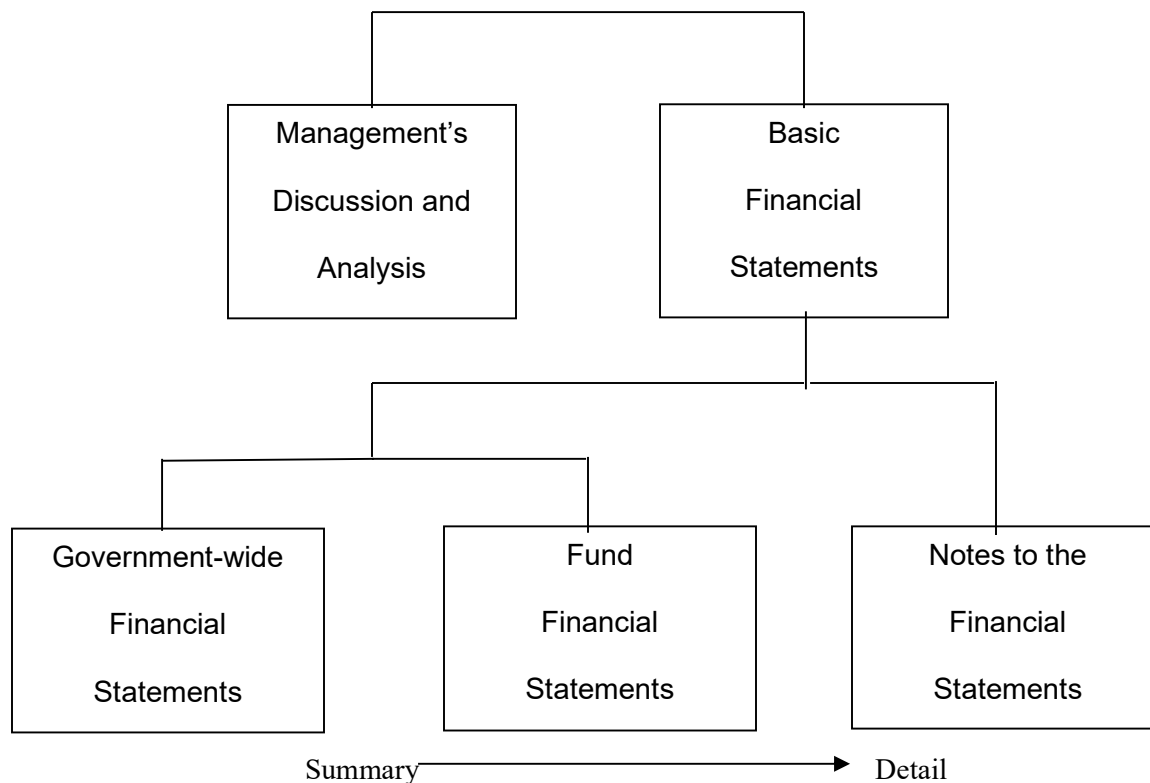
- The assets and deferred outflows of resources of the Town of Wendell exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$17,047,837 (*net position*).
- As of the close of the current fiscal year, the Town of Wendell's governmental fund reported an ending fund balance of \$16,444,318 representing a decrease of \$4,853,290 in fund balance. Approximately 8.91% of this total amount, or \$1,465,954, is restricted.
- The Town of Wendell's total debt decreased by \$167,836 (1%) during the current fiscal year. The key factors in this decrease were the planned debt service principal payments of \$958,845, a decrease in OPEB liability of \$1,160,156, issuance of leases payable for vehicles and subscriptions payable for various software licenses, and an increase of net pension liability (LGERS & LEO) of \$2,071,371.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Wendell'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 Wendell.

### 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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

## Government-Wide Financial Analysis

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



The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, local option sales tax distributions, and state and federal grant funds finance most of these activities. The business-type activities are associated with debt payments for previous water and sewer system improvements that are reimbursed to the Town by the City of Raleigh as part of the 2006 water and sewer system merger agreement.

The government-wide financial statements are 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 Wendell, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All the funds of Town of Wendell 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 more or fewer financial resources are available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Wendell 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 the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – Town of Wendell only has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Wendell uses enterprise funds to account for its water and sewer debt payments. These funds are 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 can be found on pages 29-55 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wendell’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 56-61 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 governments and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

### Town of Wendell’s Net Position

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 20,685,887	\$ 23,710,671	\$ -	\$ 381,886	\$ 20,685,887	\$ 24,092,557
Capital and non-current assets	19,899,698	11,180,235	-	-	19,899,698	11,180,235
Deferred outflows of resources	4,026,125	2,731,055	-	-	4,026,125	2,731,055
Total assets and deferred outflows of resources	44,611,710	37,621,961	-	381,886	44,611,710	38,003,847
Long-term liabilities outstanding	19,633,370	19,525,546	-	381,886	19,633,370	19,907,432
Other liabilities	5,653,000	3,714,112	-	-	5,653,000	3,714,112
Deferred inflows of resources	2,277,503	1,973,851	-	-	2,277,503	1,973,851
Total liabilities and deferred inflows of resources	27,563,873	25,213,509	-	381,886	27,563,873	25,595,395
Net position:						
Net investment in capital assets	6,981,432	(1,966,674)	-	-	6,981,432	(1,966,674)
Restricted	1,465,954	760,731	-	-	1,465,954	760,731
Unrestricted	8,600,451	13,614,395	-	-	8,600,451	13,614,395
Total net position	\$ 17,047,837	\$ 12,408,452	\$ -	\$ -	\$ 17,047,837	\$ 12,408,452

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Wendell exceeded liabilities and deferred inflows by \$17,047,837 as of June 30, 2023. The Town’s net position increased by \$4,639,385 for the fiscal year ended June 30, 2023. A portion of the Town of Wendell’s net position, \$1,465,954, represents resources that are subject to external restrictions on how they may be used; this amount is exclusively attributable to the Stabilization by State Statute.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.64% in conjunction with the Wake County Tax Department.
- Increased ad valorem tax revenues of approximately \$749,000, or 14% and sales tax revenues of approximately \$591,000, or 22%, due to continued physical and economic growth in the area.
- Increased grant revenues of approximately \$1,394,000, or 100%, for funding of various projects (Clean Water, CDBG, PARTF) and final allocation of American Rescue Plan funds.

### Town of Wendell's Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 3,231,158	\$ 6,607,375	\$ -	\$ -	\$ 3,231,158	\$ 6,607,375
Operating grants and contributions	2,786,237	1,392,691	-	-	2,786,237	1,392,691
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	6,046,398	5,314,354	-	-	6,046,398	5,314,354
Other taxes	924,710	3,268,607	-	-	924,710	3,268,607
Grants and contributions not restricted to specific programs	3,975,056	-	-	-	3,975,056	-
Other	391,448	29,994	8,802	436,236	400,250	466,230
Total revenues	17,355,007	16,613,021	8,802	436,236	17,363,809	17,049,257
Expenses:						
General government	3,539,642	3,402,305	-	-	3,539,642	3,402,305
Public safety	2,852,665	2,416,594	-	-	2,852,665	2,416,594
Public works	4,287,732	3,946,918	-	-	4,287,732	3,946,918
Public buildings and grounds	757,122	216,571	-	-	757,122	216,571
Cultural and recreation	1,254,903	948,624	-	-	1,254,903	948,624
Interest on long-term debt	267,175	48,020	-	-	267,175	48,020
Water and sewer	-	-	8,802	638,414	8,802	638,414
Total expenses	12,959,239	10,979,032	8,802	638,414	12,968,041	11,617,446
Increase in net position before transfers	4,395,768	5,633,989	-	(202,178)	4,395,768	5,431,811
Transfers	-	(202,178)	-	202,178	-	-
Special item - donated capital assets	264,515	-	-	-	264,515	-
Special item - gain(loss) on disposal of property	(20,898)	32,459	-	-	(20,898)	32,459
Increase in net position	4,639,385	5,464,270	-	-	4,639,385	5,464,270
Net position, beginning	12,408,452	6,944,182	-	-	12,408,452	6,944,182
Net position, June 30	\$ 17,047,837	\$ 12,408,452	\$ -	\$ -	\$ 17,047,837	\$ 12,408,452

**Governmental activities.** Governmental activities increased the Town's net position by \$4,639,385, accounting for 37.39% growth in net position of the Town of Wendell. Management believes healthy investment in the Town

will result in additional revenues, adding to the Town's net position by investing in capital assets which were largely funded by cultural, recreational, and economic development grant revenues. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue remained steady due to steady development activity, housing demand, and reinvestment in existing housing stock. Town management acknowledges that 2023 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

**Business-type activities.** Business-type activities remained at zero net position. The Water and Sewer funds are primarily used to capture debt payment expenses that are offset by reimbursement payments from the City of Raleigh as part of the 2006 water and sewer system merger agreement.

### **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Wendell. At the end of the current fiscal year, Town of Wendell's fund balance available in the General Fund was \$11,089,706, while total fund balance reached \$16,444,318. The Governing Body of the Town of Wendell has determined that the Town should maintain an available fund balance of 40% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 49.09% of general fund expenditures, and total fund balance represents 72.79% of the same amount.

**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.

There were several reasons the Town revised its budget throughout the year. The Town received unrestricted intergovernmental funds that became available for distribution in Fiscal Year 2023. Although expenditures were compliant with budgetary requirements, the Town did amend the budget in the General Fund in various departments to account for delays in the progress of various projects.

**Proprietary Funds.** The Town of Wendell's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Both the Water and Sewer Funds maintain offsetting debt payments and reimbursements and therefore do not maintain an ongoing net position at this time.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Wendell's investment in capital assets for its governmental-type activities as of June 30, 2023, totals \$19,423,224 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year were 1) land, which increased by approximately \$2.5 Million as a result of acquiring land for Hollybrook Park, the police annex and a new police station to be constructed in the

coming years, and 2) construction in progress, which increased by approximately \$5.8 Million as significant progress towards the construction of the Town's new Town Hall facility was completed.

**Town of Wendell's Capital Assets  
(Net of depreciation)**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 4,304,937	\$ 1,805,557	\$ -	\$ -	\$ 4,304,937	\$ 1,805,557
Land Improvements	382,557	382,557	-	-	382,557	382,557
Buildings and system	2,539,376	2,114,232	-	-	2,539,376	2,114,232
Improvements other than buildings	45,344	50,023	-	-	45,344	50,023
Equipment and furniture	790,716	847,844	-	-	790,716	847,844
Infrastructure	1,855,362	2,046,237	-	-	1,855,362	2,046,237
Vehicles and motorized equipment	771,931	722,643	-	-	771,931	722,643
Construction in progress	8,733,001	2,974,110	-	-	8,733,001	2,974,110
Total	<u>\$ 19,423,224</u>	<u>\$ 10,943,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,423,224</u>	<u>\$ 10,943,203</u>

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

**Long-term Debt.** As of June 30, 2023, the Town of Wendell had total bonded debt outstanding of \$0.

## Outstanding Debt

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct placement installment purchase	\$ 11,768,825	\$ 12,727,670	\$ -	\$ 798,934	\$ 11,768,825	\$ 13,526,604
Capital leases	419,996	240,501	-	-	419,996	240,501
Subscriptions payable	64,877	7,264	-	-	64,877	7,264
Direct placement bond anticipation notes	-	-	-	-	-	-
Total OPEB liability	4,620,533	5,780,689	-	-	4,620,533	5,780,689
Net pension liability (LGERS)	2,866,974	693,032	-	-	2,866,974	693,032
Total pension liability (LEO)	998,222	1,100,793	-	-	998,222	1,100,793
Compensated absences	382,065	357,493	-	-	382,065	357,493
Total	\$ 21,121,492	\$ 20,907,442	\$ -	\$ 798,934	\$ 21,121,492	\$ 21,706,376

**Town of Wendell's Outstanding Debt.** The Town of Wendell's total debt decreased by \$167,836 (1%) during the current fiscal year. The key factors in this decrease were the planned debt service principal payments of \$958,845, a decrease in OPEB liability of \$1,160,156, issuance of leases payable for vehicles and subscriptions payable for various software licenses, and an increase of net pension liability (LGERS & LEO) of \$2,071,371.

As of June 30, 2023, all debt has been repaid for business-type activities. The utility merger with the City of Raleigh is complete except for the completion of capital projects identified in the merger agreement, which will be completed by the City of Raleigh.

The Town of Wendell currently does not carry a bond rating from any of the three major rating agencies (Standard & Poor's, Moody's, Fitch).

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Wendell is \$101,362,291.

Additional information regarding the Town of Wendell's long-term debt can be found in Note III.B.6 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the Town.

Despite continued global and national economic impacts of the Covid-19 pandemic, geo-political instability, and labor shortages, the Town of Wendell continues to experience strong growth and prosperity due to continued public and private investment and construction throughout the jurisdiction. Central to the growth in process and continued positive outlook is the continued national prominence of the Triangle Region as a location to locate and expand business and associated residential development market associated with the business investments.

With entitled development, available infrastructure, and strong transportation connections to the region, Wendell is experiencing strong growth throughout its corporate boundaries. Increased investment in infrastructure and placemaking in the historic downtown and surrounding neighborhoods, downtown business investments and renovations, and housing renovation reflect both public and private investment.

Residential development continued to drive real estate values and revenue growth for the Town as shown in the following table.

Fiscal Year	Number of Residential Building Permits	Estimated Improvement Value in Millions
2018	243	\$43
2019	366	\$52
2020	355	\$69
2021	372	\$84
2022	461	\$108
2023	636	\$154

The Town of Wendell has roughly 4,554 lots within approved developments that are under construction. An additional 6,404 residential units are currently in the development approval process preparing for final platting. This data point reflects the continued strength and interest in residential development associated with Wendell’s market. Building lot availability has influence on new construction. In FY 2023, the Town saw a 40% increase in permitting due to the strong regional interest for housing. Staff expects the permit levels to increase in FY 2024 as additional residential projects will come online.

Such growth is often accompanied by the annexation of property into the Town jurisdiction. In FY 2023 the Town of Wendell annexed 1,219 acres and added 3.36 new miles of public streets.

Further diversification of the Wendell tax base occurred in 2022 and remains strong. The Town of Wendell has roughly 2,100,000 square feet of commercial/industrial space under review or recently approved that includes industrial, flex tech, medical offices, retail, and restaurants which includes national chains such Chipotle, City BBQ & Culvers. In FY 2023, the Town saw a mix of local and national businesses open providing much needed services for residents as well as the tax base. WakeMed’s 12 bed emergency room is expected to open in FY 2024.

Significant progress for institutional growth is starting in the education and medical sectors. The 100-acre Wake Tech Wendell Campus is under construction and recently the fourth building was permitted. Classes are expected to be held on the new campus in Spring of 2024.

The Town recently approved Wendell Commerce Center, a mixed-use industrial park that contains 1.7 million square feet of industrial space, 65,000 square feet of grocery, 24,000 square feet of retail and a mix of housing on 257 acres. Construction drawings are in review for the roads, water and sewer to serve the development.

Downtown Wendell is currently witnessing an economic surge with continued investment. In FY 2023 a new doctor's office, brewery, event venue, pizza restaurant, bookstore and a women's boutique shop all opened in downtown. The Town approved an additional 8 infill townhomes while 23 are currently under construction walkable to downtown.

### **Budget Highlights for the Fiscal Year Ending June 30, 2024**

**Governmental Activities:** Property taxes (benefiting from the economic growth) and increased unrestricted intergovernmental revenues (primarily sales taxes and franchise taxes) are expected to be the main drivers of an approximate 20% increase in total revenues (23% increase in revenues net of fund balance appropriations, loan proceeds, and one-time capital contributions through fee in lieu payments and restricted intergovernmental funding). The Town will use these increases in revenues to invest in its staff and to fund programs currently in place. Management anticipates continued improvement in revenues related to community development and population increases and anticipates more growth in coming years mirroring the continued private investment and building activity in the Town and surrounding region.

Budgeted expenditures in the General Fund are expected to rise approximately 20% to \$28,082,426. The largest increments are in capital improvements and investments though an emphasis has been placed on adjustments to employee compensation and benefit adjustments.

The Town has appropriated \$6,656,923 of fund balance for the Fiscal Year 2024 Budget to fund one-time capital expenditures. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$125,000 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

**Business-type Activities:** Through a utility merger agreement established in 2006, the City of Raleigh provides water and sewer services to the Town of Wendell residents and therefore sets the respective rates. The Water and Sewer Funds are used for the payment of debt that existed at the inception of the utility merger agreement and recording reimbursement payments from the City of Raleigh.

### **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 the Finance Director, Town of Wendell, 409 Landing View Drive, Wendell, North Carolina 27591. One can also call 919-365-4450, visit our website [www.townofwendell.com](http://www.townofwendell.com) or send an email to [gjohnson@townofwendellnc.gov](mailto:gjohnson@townofwendellnc.gov) for more information.



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## Exhibit 1

**Town of Wendell  
Statement of Net Position  
June 30, 2023**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 7,612,171	\$ -	\$ 7,612,171
Restricted cash	2,543,665	-	2,543,665
Investments	8,997,077	-	8,997,077
Taxes receivables (net)	67,020	-	67,020
Accounts receivable (net) - trade	297,701	-	297,701
Accrued interest receivable	39	-	39
Due from other governments	1,168,214	-	1,168,214
Total current assets	20,685,887	-	20,685,887
Non-current assets:			
Right to use leased assets			
net of amortization	414,132	-	414,132
Subscription assets			
net of amortization	62,342	-	62,342
Capital assets:			
Land, non-depreciable			
improvements, and construction in	13,420,496	-	13,420,496
Other capital assets, net of			
depreciation	6,002,728	-	6,002,728
Total capital assets	19,423,224	-	19,423,224
Total non-current assets	19,899,698	-	19,899,698
Total assets	40,585,585	-	40,585,585
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current			
fiscal year - LGERS	569,841	-	569,841
Contributions to pension plan in current			
fiscal year - LEO	21,615	-	21,615
Pension deferrals - LGERS	2,094,653	-	2,094,653
Pension deferrals - LEO	276,386	-	276,386
Pension deferrals - OPEB	1,063,630	-	1,063,630
Total deferred outflows of resources	4,026,125	-	4,026,125
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable - trade and accrued			
liabilities	1,151,477	-	1,151,477
Accrued interest payable	2,192	-	1,524
Accrued payroll and payroll liabilities	224,992	-	224,992
Capacity Fees - Developer	165,721	-	165,721
Fees In Lieu	2,621,976	-	2,621,976
Current portion of long-term liabilities	1,486,642	-	1,486,642
Total current liabilities	5,653,000	-	5,653,000
Long-term liabilities:			
Net pension liability	2,866,974	-	2,866,974
Total pension liability- LEO	998,222	-	998,222
Net OPEB Liability	4,620,533	-	4,620,533
Due in more than one year	11,147,641	-	11,147,641
Total long-term liabilities	19,633,370	-	19,633,370
Total liabilities	25,286,370	-	25,286,370
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	10,383	-	10,383
Pension deferrals - LEO	195,702	-	195,702
Pension deferrals - LGERS	14,212	-	14,212
Pension deferrals - OPEB	2,057,206	-	2,057,206
Total deferred inflows of resources	2,277,503	-	2,277,503
<b>NET POSITION</b>			
Net investment in capital assets	6,981,432	-	6,981,432
Restricted for:			
Streets	-	-	-
Stabilization by State Statute	1,465,954	-	1,465,954
Unrestricted	8,600,451	-	8,600,451
Total net position	\$ 17,047,837	\$ -	\$ 17,047,837

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

## Exhibit 2

**Town of Wendell  
Statement of Activities  
For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 3,539,642	\$ 19,631	\$ 2,246,908	\$ -	\$ (1,273,103)	\$ -	\$ (1,273,103)
Public safety	2,852,665	657	39,330	-	(2,812,678)	-	(2,812,678)
Public works	4,287,732	1,614,683	350,639	-	(2,322,410)	-	(2,322,410)
Public buildings and grounds	757,122	1,314,987	-	-	557,865	-	557,865
Cultural and recreation	1,254,903	281,200	149,360	-	(824,343)	-	(824,343)
Interest on long-term debt	267,175	-	-	-	(267,175)	-	(267,175)
Total governmental activities	12,959,239	3,231,158	2,786,237	-	(6,941,844)	-	(6,941,844)
Business-type activities:							
Water	-	-	-	-	-	-	-
Sewer	8,802	-	-	-	-	(8,802)	(8,802)
Total business-type activities	8,802	-	-	-	-	(8,802)	(8,802)
Total primary government	\$ 12,968,041	\$ 3,231,158	\$ 2,786,237	\$ -	(6,941,844)	(8,802)	(6,950,646)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					6,046,398	-	6,046,398
Other taxes					924,710	-	924,710
Grants and contributions not restricted to specific programs					3,975,056	-	3,975,056
Unrestricted investment earnings					340,426	-	340,426
City of Raleigh - debt reimbursement					-	8,802	8,802
Special item - loss on disposal of property					(20,898)	-	(20,898)
Special item - donated capital assets					264,515	-	264,515
Miscellaneous					51,022	-	51,022
Total general revenues					11,581,229	8,802	11,590,031
Change in net position					4,639,385	-	4,639,385
Net position, beginning,					12,408,452	-	12,408,452
Net position, ending					\$ 17,047,837	\$ -	\$ 17,047,837

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

**Town of Wendell  
Balance Sheet  
Governmental Funds  
June 30, 2023**

	<b>Major Funds</b>			
	<b>General</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,612,171	\$ -	\$ 7,612,171	
Restricted cash	2,543,665	-	2,543,665	
Investments	8,997,077	-	8,997,077	
Receivables, net:				
Taxes	67,020	-	67,020	
Accounts - trade	297,701	-	297,701	
Accrued Interest receivable	39	-	39	
Due from other governments	1,168,214	-	1,168,214	
Total assets	<u>\$ 20,685,887</u>	<u>\$ -</u>	<u>\$ 20,685,887</u>	
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable - trade and accrued liabilities	\$ 1,151,477	\$ -	\$ 1,151,477	
Accrued payroll and payroll liabilities	224,992	-	224,992	
Capacity fees	165,721	-	165,721	
Fees In Lieu	2,621,976	-	2,621,976	
Total liabilities	<u>4,164,166</u>	<u>-</u>	<u>4,164,166</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	67,020	-	67,020	
Prepaid taxes	10,383	-	10,383	
Total deferred inflows of resources	<u>77,403</u>	<u>-</u>	<u>77,403</u>	
<b>FUND BALANCES</b>				
Fund balances:				
Restricted:				
Stabilization by State Statute	1,465,954	-	1,465,954	
Streets	-	-	-	
Assigned				
Subsequent year's expenditures	3,888,658	-	3,888,658	
Unassigned	11,089,706	-	11,089,706	
Total fund balances	<u>16,444,318</u>	<u>-</u>	<u>16,444,318</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,685,887</u>	<u>\$ -</u>		

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,423,224
Right to use leased assets	414,132
Subscription assets	62,342
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	591,456
Earned revenues considered deferred inflows of resources in fund statements.	67,020
Accrued interest payable	(2,192)
Net LGERS pension liability	(2,866,974)
Net LEO pension liability	(998,222)
Net OPEB liability	(4,620,533)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(12,634,283)
Pension related deferrals	1,167,549
Net position of governmental activities	<u>\$ 17,047,837</u>

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

**Town of Wendell**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	<b>Major Funds</b>		<b>Total Governmental Funds</b>
	<b>General Fund</b>		
<b>REVENUES</b>			
Ad valorem taxes	\$ 6,054,485	\$	6,054,485
Other taxes and licenses	924,710		924,710
Unrestricted intergovernmental	3,975,056		3,975,056
Restricted intergovernmental	2,786,237		2,786,237
Permits and fees	1,603,544		1,603,544
Sales and services	1,627,614		1,627,614
Investment earnings	340,426		340,426
Miscellaneous	51,277		51,277
Total revenues	17,363,349		17,363,349
<b>EXPENDITURES</b>			
Governing Board	112,201		112,201
Administration	785,480		785,480
Information technology	422,246		422,246
Finance	535,554		535,554
Economic development	109,813		109,813
Community development and planning	843,297		843,297
Police-Law enforcement	2,680,241		2,680,241
Fire service	5,932		5,932
Public buildings and grounds	8,817,950		8,817,950
Public Works	4,511,673		4,511,673
Parks and recreation	1,477,983		1,477,983
Non-departmental	939,189		939,189
Debt service:			
Principal	1,083,114		1,083,114
Interest and other charges	266,533		266,533
Total expenditures	22,591,206		22,591,206
Excess of revenues over expenditures	(5,227,857)		(5,227,857)
<b>OTHER FINANCING SOURCES (USES)</b>			
Lease liabilities issued	285,645		285,645
SBITA liabilities issued	75,732		75,732
Sale of capital assets	13,190		13,190
Total other financing sources (uses)	374,567		374,567
Net change in fund balance	(4,853,290)		(4,853,290)
Fund balances, beginning	21,297,608		21,297,608
Fund balances, ending	\$ 16,444,318	\$	16,444,318

**Town of Wendell**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

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

Net changes in fund balances - total governmental funds		\$ (4,853,290)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	8,933,508	
Depreciation expense for governmental assets	<u>(683,804)</u>	8,249,704
Right to use leased asset capital outlay expenditures which were capitalized	285,645	
Amortization for intangible assets	<u>(107,174)</u>	178,471
Subscription asset capital outlay expenditures which were capitalized	75,732	
Amortization for subscription assets	<u>(20,430)</u>	55,302
Loss on disposal of capital assets		(34,340)
Contributions to pension plan in the current fiscal year that are not included on the Statement of Activities		591,456
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities		24,777
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated assets		264,515
Change in unavailable revenue for tax revenues		(8,087)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Right to use leased assets	(285,645)	
Subscription assets	(75,732)	
Principal payments on long-term debt	<u>1,083,114</u>	721,737
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.		
Accrued interest expense	(641)	
Pension expense	(372,246)	
Compensated absences	(24,571)	
Other post-employment benefits	<u>(153,402)</u>	(550,860)
Total changes in net position of governmental activities		<u><u>\$ 4,639,385</u></u>

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

**Town of Wendell**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**

	Original Budget	Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,853,073	\$ 6,026,573	\$ 6,054,485	\$ 27,912
Licenses and permits	844,250	905,150	924,710	19,560
Unrestricted intergovernmental	3,108,800	3,803,900	3,975,056	171,156
Restricted intergovernmental	3,704,689	2,993,787	2,786,237	(207,550)
Permits and fees	2,708,349	1,705,950	1,603,544	(102,406)
Sales and services	1,447,234	1,539,134	1,627,614	88,480
Investment earnings	21,000	304,200	340,426	36,226
Miscellaneous	300	300	51,277	50,977
Total revenues	17,687,695	17,278,994	17,363,349	84,355
<b>Expenditures:</b>				
Governing Board	119,500	124,800	112,201	12,599
Administration	778,500	838,000	785,480	52,520
Information Technology	397,228	453,748	422,246	31,502
Finance	582,100	559,700	535,554	24,146
Economic Development	747,400	241,000	109,813	131,187
Community Development and Planning	1,035,600	906,145	843,297	62,848
Police-Law Enforcement	2,742,492	2,773,892	2,680,241	93,651
Fire Service	3,900	11,200	5,932	5,268
Public Buildings and Grounds	9,044,471	9,834,327	8,817,950	1,016,377
Public Works	5,109,910	4,641,475	4,511,673	129,802
Parks and Recreation	4,990,806	1,965,979	1,477,983	487,996
Non-departmental	932,336	1,037,536	939,189	98,347
<b>Debt service:</b>				
Principal retirement	1,548,183	1,083,114	1,083,114	-
Interest and other charges	50,000	467,569	266,533	201,036
Total expenditures	28,082,426	24,938,485	22,591,206	2,347,279
Revenues over (under) expenditures	(10,394,731)	(7,659,491)	(5,227,857)	2,431,634
<b>Other financing sources (uses):</b>				
Loan proceeds	6,737,808	6,087,141	-	(6,087,141)
Lease liabilities issued	-	-	285,645	285,645
SBITA liabilities issued	-	-	75,732	75,732
Sale of capital assets	-	30,000	13,190	(16,810)
Appropriated fund balance	3,656,923	1,542,350	-	(1,542,350)
Total other financing sources (uses)	10,394,731	7,659,491	374,567	(7,284,924)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	(4,853,290)	\$ (4,853,290)
Fund balances, beginning			21,297,608	
Fund balances, ending			<u>\$ 16,444,318</u>	

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

**Town of Wendell**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2023**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments	-	-	-
Due from other funds	-	-	-
Due from City of Raleigh	-	-	-
Inventories	-	-	-
Prepaid items	-	-	-
Total current assets	-	-	-
Capital assets:			
Land and other non-depreciable assets	-	-	-
Other capital assets, net of depreciation	-	-	-
Capital assets (net)	-	-	-
Total assets	\$ -	\$ -	\$ -
<b>LIABILITIES</b>			
Current liabilities:			
Accrued interest payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Customer deposits	-	-	-
Due to the City of Raleigh	-	-	-
General obligation bonds payable-current	-	-	-
Note payable - current	-	-	-
Revenue bond payable - current	-	-	-
Total current liabilities	-	-	-
Non-current liabilities:			
Liabilities payable from restricted assets:			
Other non-current liabilities:			
Compensated absences	-	-	-
General obligation bonds payable	-	-	-
Note payable - non-current	-	-	-
Revenue bond payable - non-current	-	-	-
Total non-current liabilities	-	-	-
Total liabilities	-	-	-
<b>NET POSITION</b>			
Net investment in capital assets	-	-	-
Restricted for Capital Projects	-	-	-
Unrestricted	-	-	-
Total net position	\$ -	\$ -	\$ -

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



**Town of Wendell**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Water and sewer taps	-	-	-
Other operating revenues	-	-	-
<b>Total operating revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Water system operations	-	-	-
Non-departmental	-	-	-
<b>Total operating expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating income (loss)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
City of Raleigh - debt payment	-	8,802	8,802
Investment earnings	-	-	-
Interest and other charges	-	(8,802)	(8,802)
Transfers from other funds	-	-	-
<b>Total non-operating revenue (expenses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Grants</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Income (loss) before contributions and transfers</b>	-	-	-
<b>Change in net position</b>	-	-	-
<b>Total net assets, beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total net assets, ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

**Town of Wendell  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2023**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ -	\$ -	\$ -
Cash paid for goods and services	-	-	-
Cash paid to or on behalf of employees for services	-	-	-
Net customer deposits	-	-	-
Other operating revenues	-	-	-
Net cash provided (used) by operating activities	-	-	-
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
City of Raleigh contributions - debt payment	-	390,688	390,688
Transfers (to) from other funds	-	-	-
Total cash flows from non-capital financing activities	-	390,688	390,688
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	-	-
Capital contributions	-	-	-
Principal paid on notes payable	-	(381,886)	(381,886)
Proceeds from notes payable	-	-	-
Interest paid on notes payable	-	(8,802)	(8,802)
Net cash provided (used) by capital and related financing activities	-	(390,688)	(390,688)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	-	-	-
Net increase (decrease) in cash and cash equivalents	-	-	-
Balances, beginning	-	-	-
Balances, ending	\$ -	\$ -	\$ -

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

**Town of Wendell  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2023**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ -	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	-	-
Bad debts	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
Decrease in net pension asset	-	-	-
Increase in deferred outflows of resources - pensions	-	-	-
Increase in net pension liability	-	-	-
Decrease in deferred inflows of resources - pensions	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	-	-
Increase (decrease) in customer deposits	-	-	-
Increase (decrease) in accrued vacation pay	-	-	-
Total adjustments	-	-	-
Net cash provided (used) by operating activities	\$ -	\$ -	\$ -

**Noncash investing, capital, and financing activities:**

None.

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

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Wendell (the Town) 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 Wendell is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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 and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports no non-major governmental funds.

The Town reports the following major enterprise funds:

**Water Fund.** This fund is used to account for the Town's water transactions with the City of Raleigh.

**Sewer Fund.** This fund is used to account for the Town's sewer transactions with the City of Raleigh.

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable is materially past due and are not considered to be an available resource to finance the operations of the current year. Wake County is responsible for billing and collecting the property taxes on real property on behalf of the Town. 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 the Town. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities sales tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Wake County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, 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 functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. The governing board must

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

approve all amendments. During the year, 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 the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government 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. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2023, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investments and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

The unexpended installment purchase proceeds are classified as restricted assets for the General Fund because their use is completely restricted to the purpose for which the bonds were originally issued.

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 6. These taxes are based on the assessed values as of January 1, 2020.

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**5. Allowances for Doubtful Accounts**

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

**6. Prepaid Items**

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

**7. Capital Assets**

The government defines capital assets 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 \$10,000. 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 are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles and motorized equipment	6
Computer equipment	3
Furniture and office equipment	10

**8. Right to use assets**

The Town has recorded right to use leased assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

**9. Subscription assets**

The Town has recorded subscription assets as a result of implementing GASB 96. The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any subscription payments made prior to the subscription term, less subscription incentives, and plus ancillary charges necessary to place the subscription into service. The subscription assets are amortized on a straight-line basis over the life of the related subscription.

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

10. 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 two items that meet this criterion, contributions made to the pension plan in the 2023 fiscal year and pension deferrals and OPEB deferrals. 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 several items that meets the criterion for this category – prepaid taxes, property taxes receivable, leases, and pension and OPEB deferrals.

11. 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 position. 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 discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the 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.

12. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide fund, an expense and 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 compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

13. 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 Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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.

**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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

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.

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

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

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. The governing body approves the appropriation.

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

The Town of Wendell has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director 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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

**Town of Wendell, North Carolina**  
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The Town of Wendell has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures. Any portion of the general fund balance in excess of 40% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

**14. 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's employer contributions are recognized when due and the Town 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. Significant Violations of Finance-Related Legal and Contractual Provisions**

**1. Noncompliance with North Carolina General Statutes**

None.

**2. Contractual Violations**

None.

**B. Deficit in Fund Balance or Net Position of Individual Funds**

None.

**C. Excess of Expenditures over Appropriations**

None.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the Town 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 agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each

**Town of Wendell, North Carolina**  
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**For the Fiscal Year Ended June 30, 2023**

depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2023, the Town's deposits had a carrying amount of \$10,155,735 and a bank balance of \$10,429,038. Of the bank balance, \$250,000 was covered by federal depository insurance, \$4,047,504 is insured by KS Bank, and the remainder was covered by collateral held under the pooling method. At June 30, 2023, the Town's petty cash fund totaled \$100.

## 2. Investments

At June 30, 2022, the Town of Wendell had \$8,997,077 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's (S&P). The Town has no policy regarding credit risk.

## 3. Capital Assets

### **Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,805,557	\$ 2,499,380	\$ -	\$ 4,304,937
Land Improvements	382,557	-	-	382,557
Construction in Progress	2,974,110	7,049,948	1,291,057	8,733,001
Total capital assets not being depreciated	5,162,224	9,549,328	1,291,057	13,420,495
Capital assets being depreciated				
Buildings	4,224,396	546,809	-	4,771,205
Equipment	2,243,105	130,465	171,571	2,201,999
Land Improvements	75,704	-	-	75,704
Vehicles and motorized equipment	2,315,842	283,539	111,676	2,487,705
Infrastructure	2,242,412	1,370,007	1,391,068	2,221,351
Total capital assets being depreciated	11,101,459	2,330,820	1,674,315	11,757,964
Less accumulated depreciation for				
Buildings	2,110,164	121,665	-	2,231,829
Equipment	1,395,261	153,395	137,373	1,411,283
Vehicles and motorized equipment	1,593,199	234,251	111,676	1,715,774
Land Improvements	25,681	4,679	-	30,360
Infrastructure	196,175	169,814	-	365,989
Total accumulated depreciation	5,320,480	\$ 683,804	\$ 249,049	\$ 5,755,235
Total capital assets being depreciated, net	5,780,979			6,002,729
Governmental activity capital assets, net	\$ 10,943,203			\$ 19,423,224

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

General Government 20%	\$ 136,761
Public Safety 20%	136,761
Public Works 20%	136,761
Public Buildings and Grounds 20%	136,761
Cultural and Recreation 20%	136,760
	<u>\$ 683,804</u>

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

The Town has active construction projects as of June 30, 2023. At year end, the Town's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
New Town Hall	\$ 6,451,243	\$ 299,383
Neighborhood Development Sidewalk Improvements	399,816	628,344
LAPP Projects	495,120	105,138
Park Concessions Stand and Restrooms	-	500,000
Hollybrook Park	181,200	8,700
South Main Street Greenway	39,195	122,759
Buffalo Creek Greenway	7,767	337,390
New Public Works Facility	8,106	264,107
	<u>\$ 7,582,447</u>	<u>\$ 2,265,821</u>

#### 4. Right to Use Leased Assets

The Town has recorded several right to use leased assets. The assets are right to use assets for leased equipment, leased vehicles, leased land and leased buildings. The related leases are discussed in the Leases subsection of the liabilities section of these notes. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Right to use assets</b>				
Leased vehicles	\$ 206,735	\$ 285,645	\$ 11,921	\$ 480,459
Leased equipment	3,345	-	-	3,345
Leased buildings	55,473	-	-	55,473
Leased land	2,266	-	2,266	-
Total right to use assets	<u>267,819</u>	<u>285,645</u>	<u>-</u>	<u>539,277</u>
 Less accumulated amortization				
Leased vehicles	26,821	103,446	11,921	118,346
Leased equipment	322	637	-	959
Leased buildings	2,920	2,920	-	5,840
Leased land	684	172	856	-
Total accumulated amortization	<u>30,747</u>	<u>107,175</u>	<u>-</u>	<u>125,145</u>
<b>Right to use assets, net</b>	<u>\$ 237,072</u>	<u>\$ 178,470</u>	<u>\$ -</u>	<u>\$ 414,132</u>

#### 5. Subscription Assets

The Town has recorded several subscription assets. The assets are subscription assets for various software subscriptions. The related liabilities are discussed in the Subscriptions Payable subsection of the liabilities section of these notes. The subscription assets are amortized on a straight-line basis over the terms of the related leases.

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

Subscription asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Subscription Assets</b>				
Software	\$ 10,560	\$ 75,732	\$ -	\$ 86,292
Total right to use assets	10,560	75,732	-	86,292
 Less accumulated amortization				
Software	3,520	20,430	-	23,950
Total accumulated amortization	3,520	20,430	-	23,950
<b>Subscription assets, net</b>	<b>\$ 7,040</b>	<b>\$ 55,302</b>	<b>\$ -</b>	<b>\$ 62,342</b>

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

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

*Plan Description.* The Town of Wendell 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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](http://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. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and 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 have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached

**Town of Wendell, North Carolina**  
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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 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's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.14% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$573,079 for the year ended June 30, 2023.

*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 rights 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, 2023, the Town reported a liability of \$2,866,974 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022 (measurement date) the Town's proportion was 0.05082%, which was an increase of 0.00563% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$887,077. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 123,535	\$ 12,112
Changes of assumptions	286,060	-
Net difference between projected and actual earnings on pension plan investments	947,565	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	167,652	2,100
Employer contributions subsequent to the measurement date	569,841	-
Total	<u>\$ 2,094,653</u>	<u>\$ 14,212</u>

\$569,841 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 asset in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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Future amortization:

**Year Ended June 30:**

2024	\$ 502,223
2025	421,212
2026	135,727
2027	451,438
2028	-
Thereafter	-
Total	<u>\$ 1,510,600</u>

*Actuarial Assumptions.* The total pension liability in the June 30, 2022 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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 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 of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS.

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The long-term nominal rates of return underlying the real rates of return arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. 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 the net pension asset calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
<b>Town's proportionate share of the net pension liability (asset)</b>	\$ 5,174,518	\$ 2,866,974	\$ 965,423

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

**b. Law Enforcement Officers Special Separation Allowance**

**1. *Plan Description.***

The Town of Wendell 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 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 0.85 percent 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.

The Separation Allowance covers all full time law enforcement officers of the Town. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	19
Total	<u>20</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



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of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

**4. Contributions.**

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$21,615 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, 2023, the Town reported a total pension liability of \$998,222. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$122,413.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 130,732	\$ 296
Changes of assumptions	145,654	195,406
Benefit payments and administrative expenses subsequent to the measurement date	21,615	-
	<u>\$ 298,001</u>	<u>\$ 195,702</u>

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\$21,615 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2024	\$ 43,829
2025	39,414
2026	30,292
2027	386
2028	(22,183)
Thereafter	(11,054)
Total	<u>\$ 80,684</u>

*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 4.31 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 (3.31 percent) or 1-percentage-point higher 5.31 percent) than the current rate:

	1% Decrease 3.31%	Discount Rate 4.31%	1% Increase 5.31%
Total pension liability	\$ 1,089,825	\$ 998,222	\$ 914,705

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

	<b>2023</b>
Beginning balance	\$ 1,100,793
Service Cost	53,017
Interest on the total pension liability	24,489
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	42,768
Changes of assumptions or other inputs	(198,068)
Benefit payments	(24,777)
Other changes	-
Ending balance of the total pension liability	<u>\$ 998,222</u>

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, 2021 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 224,598	\$ 122,413	\$ 347,011
Pension Liability	2,866,974	998,222	3,865,196
Proportionate share of the net pension liability	0.05082%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	123,535	130,732	254,267
Changes of assumptions	286,060	145,654	431,714
Net difference between projected and actual earnings on plan investments	947,565	-	947,565
Changes in proportion and differences between contributions and proportionate share of contributions	167,652	-	167,652
Benefit payments and administrative costs paid subsequent to the measurement date	-	-	-
Employer contributions subsequent to the measurement date	887,077	21,615	908,692
Deferred of Inflows of Resources			
Differences between expected and actual experience	12,112	296	12,408
Changes of assumptions	-	195,406	195,406
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,100	-	2,100

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

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

There were no contributions for the year ended June 30, 2023.

**Supplemental Retirement Income Plan for Employees**

**Plan Description.** The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to Town employees.

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*Funding Policy.* The Town elects to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2023 were \$302,339, which consisted of \$224,421 from the Town and \$77,918 from the employees.

**d. Other Post-Employment Benefits**

**Healthcare Benefits**

*Plan Description.* According to a Town resolution, the Town provides a multiple-employer defined benefit post-employment health care benefits plan to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town.

The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. Currently 8 retirees are eligible for post-employment health benefits. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

The following summarizes the membership of the Plan as of June 30, 2022, the Valuation Date.

Inactive employees/beneficiaries currently receiving benefits	8
Inactive members entitled to but not yet receiving benefits	-
Active employees	65
Total	<u>73</u>

*Benefits Provided.* By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. 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. In fiscal year ended June 30, 2023, the Town paid \$79,402 for post-employment health benefit premiums.

***Total OPEB Liability.***

The Town's OPEB liability of \$4,620,533 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

The TOL (Total OPEB Liability) was determined by an actuarial valuation as of June 30, 2022, using the following key actuarial assumptions and other inputs:

Inflation	2.50%
Real Wage Growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation	
General employees	3.25% – 8.41%
Law Enforcement Officers	3.25% – 7.90%
Municipal Bond Index Rate	
Prior measurement date	2.16%
Measurement date	3.54%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2022 decreasing to rate of 4.50% by 2032
Medicare	5.125% for 2022 decreasing to rate of 4.50% by 2025
Dental	3.50%
Vision	2.00%

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The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the Pub-2010 mortality rates, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS.

***Changes in the Total OPEB Liability.***

	Total OPEB Liability
<b>Balance at July 1, 2022</b>	\$ 5,780,689
<b>Changes for the year</b>	
Service cost	256,999
Interest	129,786
Changes of benefit terms	-
Differences between expected and actual experience	(120,638)
Changes in assumptions or other inputs	(1,367,845)
Benefit payments	(58,458)
<b>Net changes</b>	<u>(1,160,156)</u>
<b>Balance at June 30, 2023</b>	<u><u>\$ 4,620,533</u></u>

*Sensitivity of the Town's OPEB liability to changes in the discount rate.* The following presents the Town's total OPEB liability calculated using the discount rate of 3.54 percent, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current rate:

	2.54%	3.54%	4.54%
Total OPEB Liability	\$ 5,621,368	\$ 4,620,533	\$ 3,853,900

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

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 3,792,879	\$ 4,620,533	\$ 5,724,075

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$211,860. At June 30, 2023, the Town reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,022	\$ 610,627
Changes of assumptions	1,049,608	1,446,579
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 1,063,630</u>	<u>\$ 2,057,206</u>

\$0 reported as deferred outflows of resources related to differences between expected and actual experience will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to the OPEB liability will be recognized as follows:

**Year Ended June 30:**

2024	\$ (174,925)
2025	(174,925)
2026	(173,930)
2027	(105,100)
2028	(56,889)
Thereafter	(307,807)
Total	<u>\$ (993,576)</u>

**2. Other Employment Benefits**

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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.

**3. Deferred Outflows and Inflows of Resources**

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

Source	Amount
Pension deferrals - OPEB	\$ 1,063,630
Pension deferrals - LEO	276,386
Pension deferrals - LGERS	2,094,653
Contributions to the pension plan in current fiscal year - LEO	21,615
Contributions to the pension plan in current fiscal year - LGERS	569,841
Total	<u>\$ 4,026,125</u>

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

Source	Amount
Prepaid taxes	\$ 10,383
Pension deferrals - OPEB	2,057,206
Pension deferrals - LEO	195,702
Pension deferrals - LGERS	14,212
Total	<u>\$ 2,277,503</u>

#### 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 up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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 carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "X" area (an area determined to be outside the 0.2% annual chance and future conditions 1% annual chance floodplain) by the Federal Emergency Management Agency, the Town has purchased commercial flood insurance for \$50,000 per occurrence.

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 is individually bonded for \$500,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

#### 5. Deposits Held

The Town owes \$0 to utility customers for deposits collected to secure services.

#### 6. Long-Term Obligations

##### **Serviced by the General Fund:**

On May 23, 2016, the Town entered into a direct borrowing with KS Bank, Inc. to finance the purchase or improvements of real or personal property. The total amount of the loan is \$1,500,000. Annual installments of \$100,000 plus interest are payable on or before May 20 each year through May 20, 2031, with an interest rate of 3.29%. The Town owes \$800,000 on this note as of June 30, 2023.

On June 22, 2017, the Town entered into a direct borrowing agreement with Branch Banking and Trust Company (BB&T) which was broken up into two components. The first component is related to the construction of a multipurpose field, the purchase and up-fit of a police facility, wayfinding signage throughout the Town, construction of tennis courts and a community center. Annual installments of

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\$105,500 plus interest are payable on or before May 8 each year through May 2027 with an interest rate of 2.40%. The Town owes \$422,000 on the first component as of June 30, 2022. The second component is related to the purchase of open space. Annual installments of \$24,167 plus interest are payable on or before May 8 of each year through May 2023 with an interest rate of 2.11%. The Town paid the second component in full during the year ended June 30, 2021.

On October 13, 2021, The Town entered into a direct borrowing agreement with Truist Bank, Inc. to finance the acquisition, construction and renovation of Town facilities. The total amount of the loan is \$11,300,170. Annual installment payments of \$753,345 plus interest are payable on or before October 16 through October 16, 2036. The interest rate is stated at prime plus 2%. Any unspent funds are required to be invested in interest bearing bank accounts. The bank holds a deed of trust as collateral on any property acquired, constructed or renovation with loan funds. The Town owes \$10,546,825 on this note and holds \$2,543,665 in unspent funds in an interest bearing bank account.

**Serviced by the Water and Sewer Fund:**

**2006 Water Pollution Control Federal Revolving Loan** - On September 6, 2005, the Town entered into a loan agreement to finance the construction of the Buffalo Creek Project. The loan at closing totaled \$6,110,168 with a \$182,400 grant from the Environmental Protection Agency. The loan bears interest at 2.305%, and interest payments are due semiannually on or before May 1 and November 1. Annual principal installments of \$381,886 are due on or before May 1. The loan matured on May 1, 2023. The Town repaid this loan as of June 30, 2023.

At June 30, 2023, the Town of Wendell had legal debt margin of \$101,362,291.

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
2024	\$ 958,845	\$ 236,910	\$ -	\$ -
2025	958,845	216,702	-	-
2026	958,845	196,567	-	-
2027	958,845	176,431	-	-
2028	853,344	156,332	-	-
2029-2033	4,066,723	520,714	-	-
2034-2038	3,013,378	143,135	-	-
Total	<u>\$11,768,825</u>	<u>\$ 1,646,791</u>	<u>\$ -</u>	<u>\$ -</u>

**7. Leases**

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On July 1, 2021, the Town entered into a 22 month lease as Lessee for the use of a John Deere mower. An initial lease liability was recorded in the amount of \$11,921. As of June 30, 2023, the lease term has ended, and the value of the lease liability is \$0. The Town was required to make monthly fixed payments of \$500. The lease had an interest rate of 0.5930%. The estimated useful life of the mower was 22 months



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as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$0 with accumulated amortization of \$0 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.).

On July 1, 2021, the Town entered into a 39 month lease as Lessee for the use of 3040 Wendell Boulevard. An initial lease liability was recorded in the amount of \$2,227. As of June 30, 2023, the lease has been terminated, and the value of the lease liability is \$0. The Town was required to make annual fixed payments of \$750. The lease had an interest rate of 0.8450%. The estimated useful life of the land was 39 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$0 with accumulated amortization of \$0 is included with Land in the Right to Use Leased Asset section of the notes (III.A.4.).

On July 1, 2021, the Town entered into a 228 month lease as Lessee for the use of 15 E Third Street. An initial lease liability was recorded in the amount of \$55,473. As of June 30, 2023, the value of the lease liability is \$49,547. The Town is required to make annual fixed payments of \$3,600. The lease has an interest rate of 2.4550%. The estimated useful life of the building was 228 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$55,473 with accumulated amortization of \$5,839 is included with Buildings is included with Land in the Right to Use Leased Asset section of the notes (III.A.4.). The Town has 2 extension option(s), each for 120 months. The Town had a termination period of 84 months as of the lease commencement.

On December 29, 2021, the Town entered into a 63 month lease as Lessee for the use of a C200 Mail System. An initial lease liability was recorded in the amount of \$3,344. As of June 30, 2023, the value of the lease liability is \$2,412. The Town is required to make quarterly fixed payments of \$165. The lease has an interest rate of 1.2960%. The estimated useful life of the equipment was 63 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$3,344 with accumulated amortization of \$959 is included with Equipment on the Lease Class activities table found below.

On January 27, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 25KWNK. An initial lease liability was recorded in the amount of \$27,831. As of June 30, 2023, the value of the lease liability is \$18,501. The Town is required to make monthly fixed payments of \$610. The lease has an interest rate of 1.6950%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$27,831 with accumulated amortization of \$9,907 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$8,916.

On January 27, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 25KWNS. An initial lease liability was recorded in the amount of \$27,831. As of June 30, 2023, the value of the lease liability is \$18,500. The Town is required to make monthly fixed payments of \$610. The lease has an interest rate of 1.6950%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$27,831 with accumulated amortization of \$9,906 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$8,916.

On January 27, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 25KWMM. An initial lease liability was recorded in the amount of \$27,831. As of June 30, 2023, the value of the lease liability is \$18,501. The Town is required to make monthly fixed payments of \$610. The lease has an interest rate of 1.6950%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$27,831 with accumulated amortization of \$9,907 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$8,916.

On January 27, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 25KX4T. An initial lease liability was recorded in the amount of \$27,831. As of June 30, 2023, the value of the lease liability is \$18,500. The Town is required to make monthly fixed payments of \$610. The lease has an interest

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

rate of 1.6950%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$27,831 with accumulated amortization of \$9,906 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$8,916.

On January 27, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 25KWP2. An initial lease liability was recorded in the amount of \$27,831. As of June 30, 2023, the value of the lease liability is \$18,501. The Town is required to make monthly fixed payments of \$610. The lease has an interest rate of 1.6950%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$27,831 with accumulated amortization of \$9,907 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$8,916.

On January 27, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 25KWSS. An initial lease liability was recorded in the amount of \$27,831. As of June 30, 2023, the value of the lease liability is \$18,500. The Town is required to make monthly fixed payments of \$610. The lease has an interest rate of 1.6950%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$27,831 with accumulated amortization of \$9,906 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$8,916.

On January 27, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 25KWN6. An initial lease liability was recorded in the amount of \$27,831. As of June 30, 2023, the value of the lease liability is \$18,501. The Town is required to make monthly fixed payments of \$610. The lease has an interest rate of 1.6950%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$27,831 with accumulated amortization of \$9,907 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$8,916.

On July 29, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 262PHQ. An initial lease liability was recorded in the amount of \$22,612. As of June 30, 2023, the value of the lease liability is \$17,576. The Town is required to make monthly fixed payments of \$494. The lease has an interest rate of 2.4450%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$22,612 with accumulated amortization of \$5,206 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$6,891.

On July 29, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 262PGX. An initial lease liability was recorded in the amount of \$22,612. As of June 30, 2023, the value of the lease liability is \$17,576. The Town is required to make monthly fixed payments of \$494. The lease has an interest rate of 2.4450%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$22,612 with accumulated amortization of \$5,206 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$6,891.

On July 29, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 262PG5. An initial lease liability was recorded in the amount of \$22,612. As of June 30, 2023, the value of the lease liability is \$17,576. The Town is required to make monthly fixed payments of \$494. The lease has an interest rate of 2.4450%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$22,612 with accumulated amortization of \$5,206 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$6,891.

On August 12, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle - 26663W. An initial lease liability was recorded in the amount of \$38,495. As of June 30, 2023, the value of the lease

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

liability is \$30,371. The Town is required to make monthly fixed payments of \$831. The lease has an interest rate of 2.4450%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$38,495 with accumulated amortization of \$8,417 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$11,659.

On August 12, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle – 26663L. An initial lease liability was recorded in the amount of \$38,495. As of June 30, 2023, the value of the lease liability is \$30,371. The Town is required to make monthly fixed payments of \$831. The lease has an interest rate of 2.4450%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$38,495 with accumulated amortization of \$8,417 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$11,659.

On December 7, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle – 2666ZR. An initial lease liability was recorded in the amount of \$33,353. As of June 30, 2023, the value of the lease liability is \$28,945. The Town is required to make monthly fixed payments of \$732. The lease has an interest rate of 3.4090%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$33,353 with accumulated amortization of \$4,648 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$9,948.

On December 8, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle – 2666ZL. An initial lease liability was recorded in the amount of \$33,333. As of June 30, 2023, the value of the lease liability is \$28,945. The Town is required to make monthly fixed payments of \$732. The lease has an interest rate of 3.4090%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$33,333 with accumulated amortization of \$4,625 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$9,948.

On December 12, 2022, the Town entered into a 48 month lease as Lessee for the use of Vehicle – 2666ZQ. An initial lease liability was recorded in the amount of \$33,251. As of June 30, 2023, the value of the lease liability is \$28,945. The Town is required to make monthly fixed payments of \$732. The lease has an interest rate of 3.4090%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$33,251 with accumulated amortization of \$4,535 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$9,948.

On March 24, 2023, the Town entered into a 48 month lease as Lessee for the use of Vehicle – 26CXC4. An initial lease liability was recorded in the amount of \$40,880. As of June 30, 2023, the value of the lease liability is \$38,228. The Town is required to make monthly fixed payments of \$896. The lease has an interest rate of 2.8160%. The estimated useful life of the vehicle was 48 months as of the contract commencement. The value of the right to use asset as of June 30, 2023 of \$40,880 with accumulated amortization of \$2,740 is included with Vehicles in the Right to Use Leased Asset section of the notes (III.A.4.). The lease has a guaranteed residual value payment of \$12,015.

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**Principal and Interest Requirements to Maturity**

Governmental Activities

Year	Principal	Interest	Total
2024	\$ 121,386	\$ 8,978	\$ 130,364
2025	124,274	6,090	130,364
2026	105,813	3,189	109,002
2027	28,868	1,277	30,145
2028	2,626	974	3,600
2029-2033	14,132	3,868	18,000
2034-2038	15,954	2,046	18,000
2039-2041	6,943	257	7,200
	<u>\$ 419,996</u>	<u>\$ 26,679</u>	<u>\$ 446,675</u>

**8. Subscriptions Payable**

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On July 1, 2021, the Town entered into a 36 month subscription for the use of Granicus. An initial subscription liability was recorded in the amount of \$10,560. As of June 20, 2023, the value of the subscription liability is \$3,763. The Town is required to make annual fixed payments of \$3,300. The subscription has an interest rate of 0.4110%. The value of the right to use asset as of June 30, 2023 of \$10,560 with accumulated amortization of \$7,040 is included with Software in the Right to Use Leased Asset section of the notes (III.A.5.).

On November 15, 2022, the Town entered into a 48 month subscription for the use of Revize Annual Software. An initial subscription liability was recorded in the amount of \$14,843. As of June 20, 2023, the value of the subscription liability is \$10,945. The Town is required to make annual fixed payments of \$3,900. The subscription has an interest rate of 3.4090%. The value of the right to use asset as of June 30, 2023 of \$14,843 with accumulated amortization of \$2,329 is included with Software in the Right to Use Leased Asset section of the notes (III.A.5.).

On November 14, 2022, the Town entered into a 36 month subscription for the use of ClearGov. An initial subscription liability was recorded in the amount of \$60,889. As of June 20, 2023, the value of the subscription liability is \$50,169. The Town is required to make annual fixed payments of \$17,400. The subscription has an interest rate of 3.3780%. The value of the right to use asset as of June 30, 2023 of \$60,889 with accumulated amortization of \$14,580 is included with Software in the Right to Use Leased Asset section of the notes (III.A.5.).

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**Principal and Interest Requirements to Maturity**

Governmental Activities

Year	Principal	Interest	Total
2024	\$ 24,346	\$ 732	\$ 25,078
2025	19,928	1,372	21,300
2026	20,603	697	21,300
	<u>\$ 64,877</u>	<u>\$ 2,801</u>	<u>\$ 67,678</u>

**9. Changes in Long-Term Obligation**

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Governmental activities:					
Note payable direct borrowing					
BB&T Note Payable 2017	\$ 527,500	\$ -	\$ 105,500	\$ 422,000	\$ 105,500
Truist Bank 2022	11,300,170	-	753,345	10,546,825	753,345
KS Bank Loan	900,000	-	100,000	800,000	100,000
Total OPEB liability	5,780,689	-	1,160,156	4,620,533	-
Net pension liability (LGERS)	693,032	2,173,942	-	2,866,974	-
Total pension liability (LEO)	1,100,793	-	102,571	998,222	-
Leases payable	240,501	285,645	106,150	419,996	121,386
Subscriptions payable	7,264	75,732	18,119	64,877	24,346
Compensated absences	357,493	24,572	-	382,065	382,065
Governmental activity long-term liabilities	<u>\$20,907,442</u>	<u>\$ 2,559,891</u>	<u>\$ 2,345,841</u>	<u>\$ 21,121,492</u>	<u>\$ 1,486,642</u>
Business-type activities:					
Federal Revolving Loan	\$ 381,886	\$ -	\$ 381,886	\$ -	\$ -
Business-type activity long-term liabilities	<u>\$ 381,886</u>	<u>\$ -</u>	<u>\$ 381,886</u>	<u>\$ -</u>	<u>\$ -</u>

**10. Transfer of assets and operations**

The Town entered into an agreement to transfer its water and sewer fund assets and operations to the City of Raleigh. This agreement was effective October 2, 2006. As a result of this agreement, \$6,978,946 in net position was transferred to the City of Raleigh during the year ended June 30, 2006. As of June 30, 2023, the debt is paid in full.

**Town of Wendell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**11. Fund Balance**

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

Total fund balance - General Fund	\$ 16,444,318
Less:	
Stabilization by State Statute	1,465,954
Subsequent years expenditures	3,888,658
Streets	-
Remaining Fund Balance	\$ 11,089,706

The Town of Wendell has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director 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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Wendell has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures. Any portion of the General Fund balance in excess of 40% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

**IV. Summary Disclosure of Significant Contingencies**

**State Assisted Programs**

The Town has received proceeds from 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 moneys 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.

**V. Subsequent Events – Date of Management’s Review**

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors’ report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

**VI. Commitments**

The Town has contracted with GFL (previously known as Waste Industries) for the provision of solid waste and recycling collection from July 1, 2020 through June 30, 2025. Obligations are based on agreed-upon rates applied to the number of homes serviced. The Town paid \$1,067,842 for services rendered under this agreement during the year ended June 30, 2023.

## REQUIRED SUPPLEMENTAL FINANCIAL DATA

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This section contains additional information required by generally accepted accounting principles.

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Schedule of Changes in the Total OPEB Liability and Related Ratios

Schedule of the Proportionate Share of the Net Pension Liability (Asset) for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

**Town of Wendell**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Required Supplementary Information**  
**June 30, 2022**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>						
Service Cost	\$ 256,999	\$ 243,287	\$ 189,875	\$ 169,040	\$ 181,114	\$ 207,073
Interest	129,786	120,679	157,108	144,970	147,010	129,727
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(120,638)	(7,022)	(460,215)	11,412	(463,841)	23,602
Changes of assumptions	(1,367,845)	234,446	1,086,400	300,693	(215,215)	(469,241)
Benefit payments	(58,458)	(55,736)	(53,631)	(54,192)	(49,556)	(93,268)
<b>Net change in total OPEB liability</b>	<b>(1,160,156)</b>	<b>535,654</b>	<b>919,537</b>	<b>571,923</b>	<b>(400,488)</b>	<b>(202,107)</b>
<b>Total OPEB liability - beginning</b>	<b>5,780,689</b>	<b>5,245,035</b>	<b>4,325,498</b>	<b>3,753,575</b>	<b>4,154,063</b>	<b>4,356,170</b>
<b>Total OPEB liability - ending</b>	<b>\$ 4,620,533</b>	<b>\$ 5,780,689</b>	<b>\$ 5,245,035</b>	<b>\$ 4,325,498</b>	<b>\$ 3,753,575</b>	<b>\$ 4,154,063</b>
<b>Covered payroll</b>	<b>\$ 4,617,457</b>	<b>\$ 2,745,723</b>	<b>\$ 2,169,362</b>	<b>\$ 2,718,137</b>	<b>\$ 2,355,277</b>	<b>\$ 2,108,238</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>100.07%</b>	<b>210.53%</b>	<b>241.78%</b>	<b>159.13%</b>	<b>159.37%</b>	<b>197.04%</b>

**Notes to Schedule**

Changes in assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period

<b>Fiscal year</b>	<b>Rate</b>
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.09%
2018	3.18%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.



**Town of Wendell**  
**Town of Wendell's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Ten Fiscal Years\***

**Local Government Employees' Retirement System**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Wendell's proportion of the net pension liability (asset) (%)	0.05082%	0.04519%	0.04034%	0.03516%	0.03633%	0.03718%	0.03787%	0.03714%	0.03646%	0.03820%
Wendell's proportion of the net pension liability (asset) (\$)	\$ 2,866,974	\$ 2,866,974	\$ 1,441,520	\$ 960,192	\$ 861,872	\$ 568,008	\$ 803,729	\$ 166,683	\$ (215,021)	\$ 460,457
Wendell's covered payroll	\$ 2,745,723	\$ 2,169,362	\$ 2,718,137	\$ 2,355,277	\$ 2,108,238	\$ 2,090,524	\$ 1,972,882	\$ 1,695,390	\$ 1,838,782	\$ 1,838,782
Wendell's proportionate share of the net pension liability(asset) as a percentage of its covered payroll	104.41600%	132.15747%	53.03338%	40.76769%	40.88115%	27.17060%	40.73883%	9.83154%	(11.69366%)	25.04141%
Plan fiduciary net position as a percentage of the total pension liability*	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Wendell  
Town of Wendell Contributions  
Required Supplementary Information  
Last Ten Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 569,841	\$ 294,186	\$ 221,207	\$ 247,663	\$ 189,829	\$ 172,578	\$ 159,048	\$ 144,231	\$ 135,248	\$ 129,421
Contributions in relation to the contractually required contribution	569,841	294,186	221,207	247,663	189,829	172,578	159,048	144,231	135,248	129,421
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wendell's covered payroll	\$ 4,617,475	\$ 2,745,723	\$ 2,169,362	\$ 2,718,137	\$ 2,355,277	\$ 2,108,238	\$ 2,095,958	\$ 2,090,524	\$ 1,972,882	\$ 1,695,390
Contributions as a percentage of covered payroll	12.34%	10.71%	10.20%	9.11%	8.06%	8.19%	7.59%	6.90%	6.86%	7.63%

**Town of Wendell**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2023**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 1,100,793	\$ 1,008,358	\$ 714,728	\$ 639,343	\$ 605,877	\$ 547,625	\$ 539,477
Service Cost	53,017	51,379	31,697	27,080	30,449	24,147	25,610
Interest on the total pension liability	24,489	19,118	22,720	22,625	18,635	20,721	18,874
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	42,768	89,796	20,399	37,539	45,068	(3,698)	(14,738)
Changes of assumptions or other inputs	(198,068)	(32,282)	254,390	23,717	(28,336)	38,680	(21,598)
Benefit payments	(24,777)	(35,576)	(35,576)	(35,576)	(32,350)	(21,598)	(21,598)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 998,222</u>	<u>\$ 1,100,793</u>	<u>\$ 1,008,358</u>	<u>\$ 714,728</u>	<u>\$ 639,343</u>	<u>\$ 605,877</u>	<u>\$ 526,027</u>

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Town of Wendell**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2023**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 998,222	\$ 1,100,793	\$ 1,008,358	\$ 714,728	\$ 639,343	\$ 605,877	\$ 547,625
Covered payroll	1,224,440	1,093,294	1,101,875	990,654	874,020	869,793	874,149
Total pension liability as a percentage of covered payroll	81.52%	100.69%	91.51%	72.15%	73.15%	69.66%	62.65%

Notes to the schedules:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Town of Wendell  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive(Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 6,044,031	\$
Penalties and interest		10,454	
Total	<u>6,026,573</u>	<u>6,054,485</u>	<u>27,912</u>
Permits and licenses:			
DMV tax revenue		634,178	
Motor vehicle licenses		274,164	
Golf cart fees		15,792	
Beer & wine license - town		576	
Total	<u>905,150</u>	<u>924,710</u>	<u>19,560</u>
Unrestricted intergovernmental:			
Local option sales taxes		3,304,041	
Utilities sales tax		558,361	
Beer and wine tax		48,505	
South Wake landfill revenue		4,954	
Solid waste disposal tax		8,209	
ABC Net Revenue		50,986	
Total	<u>3,803,900</u>	<u>3,975,056</u>	<u>171,156</u>
Restricted intergovernmental:			
Powell Bill allocation		297,241	
American Rescue Plan funds		1,366,734	
State law enforcement forfeiture		130	
NCDOT - Mowing		3,778	
Grant - Clean Water		693,250	
Grant - NCDOT - LAPP		49,620	
Grant - CDBG Projects		184,583	
Grant - EPA Brownfield		2,341	
Grant - Wake ABC		39,200	
Grant - PARTF		149,360	
Total	<u>2,993,787</u>	<u>2,786,237</u>	<u>(207,550)</u>
Permits and fees:			
Street closing fees		805	
Wendell Market Fees		4,575	
Development and planning fees		298,679	
Code enforcement fees		2,571	
Court revenue		657	
Administrative fees		15,055	
Raleigh transaction fees		919	
Stormwater fees		102,240	
Sidewalk & Driveway fees		40,720	
Engineer Review fees		139,058	
Revenue - Fee in Lieu of Open Space		44,435	
Revenue - Fee in Lieu of Sidewalks		5,800	
Revenue - Fee in Lieu of Streets		73,030	
Development Obligation Revenue		875,000	
Total	<u>1,705,950</u>	<u>1,603,544</u>	<u>(102,406)</u>

**Town of Wendell  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive(Negative)</u>
Sales and services:			
Solid waste disposal		1,312,364	
Cemetery fees		31,800	
Recreation revenue		281,200	
Wake transit revenue		2,250	
Total	<u>1,539,134</u>	<u>1,627,614</u>	<u>88,480</u>
Investment earnings	<u>304,200</u>	<u>340,426</u>	<u>36,226</u>
Miscellaneous	<u>300</u>	<u>51,277</u>	<u>50,977</u>
Total revenues	<u>17,278,994</u>	<u>17,363,349</u>	<u>84,355</u>
<b>Expenditures:</b>			
<b>Governing Board:</b>			
Personnel services		41,984	
Operating expenses		70,217	
Total	<u>124,800</u>	<u>112,201</u>	<u>12,599</u>
<b>Administration</b>			
Personnel services		631,154	
Capital outlay		-	
Operating expenses		154,326	
Total	<u>838,000</u>	<u>785,480</u>	<u>52,520</u>
<b>Information Technology</b>			
Personnel services		100,090	
Capital outlay		70,020	
Operating expenses		252,136	
Total	<u>453,748</u>	<u>422,246</u>	<u>31,502</u>
<b>Finance</b>			
Personnel services		408,665	
Capital outlay		60,889	
Operating expenses		66,000	
Total	<u>559,700</u>	<u>535,554</u>	<u>24,146</u>
<b>Economic Development</b>			
Personnel services		87,717	
Operating expenses		22,096	
Total	<u>241,000</u>	<u>109,813</u>	<u>131,187</u>
<b>Community Development and Planning</b>			
Personnel services		592,653	
Capital outlay		-	
Operating expenses		250,644	
Total	<u>906,145</u>	<u>843,297</u>	<u>62,848</u>
<b>Police-Law Enforcement</b>			
Personnel services		2,108,955	
Capital outlay		140,817	
Operating expenses		430,469	

**Town of Wendell  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2023**

	Budget	Actual	Variance Positive(Negative)
Total	<u>2,773,892</u>	<u>2,680,241</u>	<u>93,651</u>
<b>Fire Service</b>	<u>11,200</u>	<u>5,932</u>	<u>5,268</u>
<b>Public Buildings and Grounds</b>			
Operating expenses		617,270	
Capital outlay		8,200,680	
Total	<u>9,834,327</u>	<u>8,817,950</u>	<u>1,016,377</u>
<b>Public Works</b>			
Personnel services		1,456,769	
Capital outlay		450,670	
Operating expenses		2,012,341	
Streets		510,814	
Stormwater		81,079	
Total	<u>4,641,475</u>	<u>4,511,673</u>	<u>129,802</u>
<b>Parks and Recreation</b>			
Personnel services		694,988	
Capital outlay		371,809	
Operating expenses		411,186	
Total	<u>1,965,979</u>	<u>1,477,983</u>	<u>487,996</u>
<b>Non-departmental</b>			
Operating expenses		939,189	
Total	<u>1,037,536</u>	<u>939,189</u>	<u>98,347</u>
<b>Debt service</b>			
Principal retirement		1,083,114	
Interest and other charges		266,533	
Total	<u>1,550,683</u>	<u>1,349,647</u>	<u>201,036</u>
Total expenditures	<u>24,938,485</u>	<u>22,591,206</u>	<u>2,347,279</u>
Revenues over (under) expenditures	<u>(7,659,491)</u>	<u>(5,227,857)</u>	<u>2,431,634</u>
<b>Other financing sources (uses):</b>			
Loan Proceeds - Facilities	6,087,141	-	(6,087,141)
Lease Liabilities Issued	-	285,645	285,645
SBITA Liabilities Issued	-	75,732	75,732
Sale of Capital Assets	30,000	13,190	(16,810)
Appropriated Fund Balance	1,542,350	-	(1,542,350)
Total	<u>7,659,491</u>	<u>374,567</u>	<u>(7,284,924)</u>
Revenues and other financing sources over expenditures and other financing uses	\$ <u>-</u>	<u>(4,853,290)</u>	\$ <u>(4,853,290)</u>
Fund balances, beginning		21,297,608	
Fund balances, ending		\$ <u>16,444,318</u>	

**Town of Wendell  
Water Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2023**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Charges for water	\$	\$ -	\$
Other charges		-	
Total		-	-
Sales tax refunds	-	-	-
Other operating revenues			
Total operating revenues	-	-	-
Non-operating revenues:			
Interest earnings			
Total revenues	-	-	-
<b>Expenditures:</b>			
<b>Water systems operations</b>			
Other operating expenditures			
Total	-	-	-
<b>Non-departmental</b>			
Other operating expenditures	-	-	
Total	-	-	-
<b>Debt service</b>			
Interest and other charges		-	
Principal retirement	-	-	
Total debt service	-	-	-
Total expenditures	-	-	-
Other financing sources (uses):			
City of Raleigh - debt payment	-	-	-
Transfer - in from general fund	-	-	-
Transfer - out to general fund	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	\$ -



**Town of Wendell**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ -	
Reconciling items:			
Principal retirement		-	
Principal reimbursement		<u>-</u>	
Total reconciling items		<u>-</u>	
Net income		\$ <u><u>-</u></u>	

**Town of Wendell  
Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2023**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Charges for sewer	\$	\$ -	\$
Other charges		-	
Total	-	-	-
Sales tax refunds	-	-	-
Other operating revenues		-	
Total operating revenues	-	-	-
Non-operating revenues:			
Interest earnings		-	
Total non-operating revenues	-	-	-
Total revenues	-	-	-
<b>Expenditures:</b>			
<b>Sewer systems operations</b>			
Personnel services		-	
Other operating expenditures		-	
Capital outlay		-	
Total	-	-	-
<b>Wastewater treatment</b>			
Personnel services		-	
Other operating expenditures		-	
Total	-	-	-
<b>Non-departmental</b>			
Capital outlay	-	-	
Other operating expenditures		-	
Total	-	-	-
<b>Debt service</b>			
Interest and other charges		8,802	
Principal retirement	-	381,886	
Total debt service	390,688	390,688	-
Total expenditures	390,688	390,688	-

**Town of Wendell  
Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
City of Raleigh - debt payment	390,688	390,688	-
Transfer (to) from general fund	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>390,688</u>	<u>390,688</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ -	
Reconciling items:			
Principal retirement		381,886	
Principal reimbursement		<u>(381,886)</u>	
Total reconciling items		<u>-</u>	
Net income		<u>\$ -</u>	

**Town of Wendell  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
For the Fiscal Year Ended June 30, 2023**

Tax Year	Uncollected Balance June 30, 2022	Additions	Collections And Credits	Uncollected Balance June 30, 2023
2022	\$ -	\$ 6,676,404	\$ 6,652,281	\$ 24,123
2021	28,287	-	14,472	13,815
2020	12,492	-	2,543	9,949
2019	10,602	-	1,726	8,876
2018	4,318	-	340	3,978
2017	3,304	-	585	2,719
2016	1,521	-	232	1,289
2015	1,607	-	231	1,376
2014	895	-	-	895
2013	6,036	-	6,036	-
	<u>\$ 69,062</u>	<u>\$ 6,676,404</u>	<u>\$ 6,678,446</u>	<u>\$ 67,020</u>

Ad valorem taxes receivable - net \$ 67,020

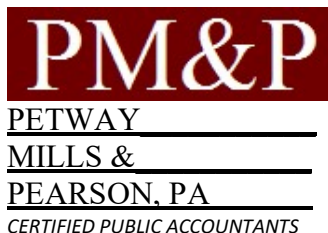
Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 6,664,800
Reconciling items:	
Interest collected	(10,454)
Adjustments	<u>24,101</u>
Subtotal	<u>13,647</u>
Total collections and credits	<u>\$ 6,678,447</u>

**Town of Wendell  
Analysis of Current Tax Levy  
Town - Wide Levy  
For the Fiscal Year Ended June 30, 2023**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current					
Real and personal property	\$ 1,292,896,583	0.47	\$ 6,076,615	\$ 6,076,615	\$ -
Registered motor vehicles taxed					
at prior year's rate	136,650,729	0.47	643,722	-	643,722
Discoveries	2,206,383	0.47	10,370	10,370	-
Releases	(11,553,830)	0.47	(54,303)	(54,303)	-
Total Property Valuation	<u>\$ 1,420,199,865</u>		<u>\$ 6,676,404</u>	<u>\$ 6,032,682</u>	<u>\$ 643,722</u>
Net levy			\$ 6,676,404	\$ 6,032,682	\$ 643,722
Uncollected taxes at June 30, 2023			<u>(24,123)</u>	<u>(22,356)</u>	<u>(1,767)</u>
Current year's taxes collected			<u>\$ 6,652,281</u>	<u>\$ 6,010,326</u>	<u>\$ 641,955</u>
Current levy collection percentage			<u>99.64%</u>	<u>99.63%</u>	<u>99.73%</u>

## COMPLIANCE SECTION



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## 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 Board of Commissioners  
Town of Wendell  
Wendell, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Wendell, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Wendell's basic financial statements, and have issued our report thereon dated October 31, 2023.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Wendell'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 Wendell's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency as item 2023-001 that we consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wendell'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 an instance of noncompliance or other matters , described in the accompanying schedule of findings and questioned costs as item 2023-001.hat are required to be reported under *Government Auditing Standards*.

#### Response to Audit Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Wendell's response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Wendell's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Town of Wendell is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Town of Wendell's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

#### Purpose of this Report

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

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 31, 2023





PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

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## **Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act**

### **Independent Auditors' Report**

To the Honorable Mayor  
And Members of the Board of Commissioners  
Town of Wendell  
Wendell, North Carolina

#### **Report on Compliance for Each Major Federal Program**

We have audited Town of Wendell's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Town of Wendell's major Federal program as of and for the year ended June 30, 2023. Town of Wendell's major Federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Wendell's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2023.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Wendell and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal compliance determination of Town of Wendell's Federal programs.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, rules and provisions of contracts, or grants applicable to Town of Wendell's Federal programs.

#### **Auditors' Responsibility for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Wendell's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of *Title 2*

*U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Wendell's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment/ maintain professional skepticism throughout our audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Wendell's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Wendell's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Town of Wendell's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on The Town of Wendell 's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Wendell's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable

possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Wendell's response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Wendell's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Town of Wendell is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Town of Wendell's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose

*Petway Mills & Pearson, PA*

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PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 31, 2023



PETWAY

MILLS &

PEARSON, PA

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## **Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act**

### **Independent Auditors' Report**

To the Honorable Mayor  
And the Board of Commissioners  
Town of Wendell  
Wendell, North Carolina

#### **Report on Compliance for Each Major State Program**

We have audited Town of Wendell'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 Town of Wendell's major State program as of and for the year ended June 30, 2023. Town of Wendell's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Wendell 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, 2023.

#### **Basis for Opinion on Each Major State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Wendell and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal compliance determination of Town of Wendell's state programs.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, rules and provisions of contracts, or grants applicable to Town of Wendell's State programs.

#### **Auditors' Responsibility for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Wendell's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Wendell's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment/ maintain professional skepticism throughout our audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Wendell's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Wendell's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Town of Wendell's internal control over compliance. Accordingly, no such opinion is expressed.

#### **Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Petway Mills & Pearson, PA*

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PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 31, 2023

**Town of Wendell  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

**SECTION II. – FINANCIAL STATEMENT FINDINGS**

Material Weakness  
Finding 2023-001

Criteria	UG 200.512(a) requires the audit report be submitted to the Federal Audit Clearinghouse within 30 days of receipt.
Condition	The June 30, 2022 report was not submitted timely.
Effect	The report was not available for public review.
Cause	Inexperience with federal funding requirements. Failure to accumulate all federal grant data that is needed to prepare the submission.
Recommendation	Reports should be submitted timely to the Federal Audit Clearinghouse.
Town's Views:	Reports will be submitted timely.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

See Finding 2023-001 above

**SECTION IV - STATE AWARDS FINDINGS AND QUESTIONED COSTS**

None Reported.

**Town of Wendell  
Corrective Action Plan  
For the Year Ended June 30, 2023**

**SECTION II. – FINANCIAL STATEMENT FINDINGS**

Corrective Action Plan:      The Town plans to develop a reporting structure to ensure federal data is accumulated for access by all staff to facilitate timely reporting.

Contact                              Garrett Johnson, Finance Director

Completion Date                  June 30, 2024.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

See Section Two Above.

**SECTION IV - STATE AWARDS FINDINGS AND QUESTIONED COSTS**

**Town of Wendell  
Summary Schedule of Prior Year's Audit Findings  
For the Year Ended June 30, 2023**

**SECTION II. – FINANCIAL STATEMENT FINDINGS**

There were no prior year audit financial statement findings.



**Town of Wendell**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2023**

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	ASSISTANCE LISTING NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
<b>FEDERAL GRANTS:</b>			
<u>U.S. Environmental Protection Agency</u>			
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements (Direct)	66.818		\$ 2,341
<u>U.S. Department of Housing and Urban Development</u>			
Passed-through N.C. Department of Commerce: Passed-through Wake County: Community Development Block Grant	14.228		184,584
<u>U.S. Department of Transportation</u>			
Highway Planning and Construction (Direct)	20.205		49,620
<u>U.S. Department of Treasury</u>			
Coronavirus State and Local Fiscal Recovery Funds (Direct)	21.027		1,366,734
<b>TOTAL FEDERAL AWARDS</b>			<b>1,603,279</b>
<b>State Grants:</b>			
<u>N.C. Department of Natural and Cultural Resources:</u>			
Park and Recreation Trust Fund (Direct)		2022-954	149,360
N.C. Land and Water Fund (Direct)		2022-087	693,250
<u>N.C. Department of Transportation:</u>			
Powell Bill (Direct)		DOT-4	297,570
<b>TOTAL STATE AWARDS</b>			<b>1,140,180</b>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<b>\$ 2,743,459</b>

Note 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 the Town of Wendell under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the Town of Wendell, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Wendell.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

**Note 3: Indirect Costs**

The Town has not elected to charge a 10% de minimis indirect cost rate as allowed under Uniform Guidance.