

Town of Maxton, North Carolina

Financial Statements

For the Year Ended June 30, 2016

Town of Maxton, North Carolina
Financial Statements
For the Fiscal Year Ended June 30, 2016

Board of Town Commissioners

Emmett Morton, Mayor

Margaret Gilchrist, Mayor Pro-Tem

**Elizabeth Gilmore
Virgil Hutchinson
James McDougald
Paul McDowell**

*** * * * ***

**Angela Pitchford, Interim Town Manager
Myra Tyndall, Finance Officer**

Town of Maxton, North Carolina
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June 30, 2016

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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Town Commissioners
Town of Maxton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

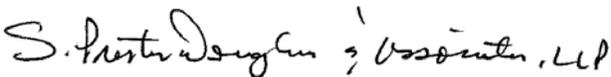
Supplementary and other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Maxton's basic financial statements. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Require by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016 on our consideration of the Town of Maxton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Maxton's internal control over financial reporting and compliance.



Lumberton, North Carolina
September 22, 2016

Town of Maxton, North Carolina
Management's Discussion and Analysis
June 30, 2016

Management's Discussion and Analysis

As management of the Town of Maxton, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Maxton for the fiscal year ended June 30, 2016.

Financial Highlights

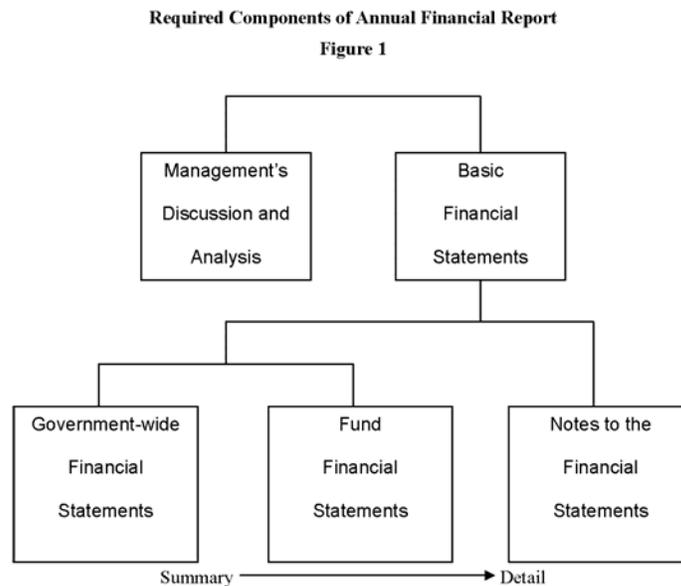
The assets of the Town of Maxton exceeded its liabilities at the close of the fiscal year by \$8,340,724.

The government's total net position increased by 5.03%, this was primarily due to revenues exceeding expenditures in governmental and business-type activities.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,298,492, an increase of \$315,292 in comparison with the prior year. There was \$935,255 in fund balance available for appropriation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Maxton's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and the 3) notes to 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Maxton.



Financial Statements

The first two statements 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 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.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2016

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to the 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 they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gage the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Maxton. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members, and because the Board is required to distribute a portion of its profits to the Town.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Maxton, like other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories, governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same 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 monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Maxton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2016

Basic Financial Statements (continued)

Proprietary funds. The Town of Maxton maintains 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. The Town uses the enterprise fund to account for its water and sewer activity.

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 19-40 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 Maxton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

Government-wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Town as a whole.

The following table provides a summary of the Town's net position:

The Town of Maxton's Net Position

	Governmental		Business-type		Totals	
	Activities 2016	Activities 2015	Activities 2016	Activities 2015	2016	2015
Current and other assets	\$ 1,809,164	\$ 1,474,915	\$ 967,816	\$ 913,495	\$ 2,776,980	\$ 2,388,410
Non-current assets	2,043,907	2,201,869	4,312,645	4,265,103	6,356,552	6,466,972
Total assets	<u>3,853,071</u>	<u>3,676,784</u>	<u>5,280,461</u>	<u>5,178,598</u>	<u>9,133,532</u>	<u>8,855,382</u>
Deferred Outflows of Resources	110,243	77,632	38,212	30,061	148,455	107,693
Current liabilities	79,728	93,991	142,444	141,549	222,172	235,540
Non-current liabilities	289,307	252,620	392,350	361,388	681,657	614,008
Total liabilities	<u>369,035</u>	<u>346,611</u>	<u>534,794</u>	<u>502,937</u>	<u>903,829</u>	<u>849,548</u>
Deferred Inflows of Resources	27,701	192,178	9,733	-	37,434	192,178
Net position						
Net investment in capital assets	1,800,664	1,862,106	3,892,242	3,872,603	5,692,906	5,734,709
Restricted	363,237	290,594	-	-	363,237	290,594
Unrestricted	1,402,677	1,062,927	881,904	833,119	2,284,581	1,896,046
Total net position	<u>\$ 3,566,578</u>	<u>\$ 3,215,627</u>	<u>\$ 4,774,146</u>	<u>\$ 4,705,722</u>	<u>\$ 8,340,724</u>	<u>\$ 7,921,349</u>

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2016

Government-wide Financial Analysis (continued)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded liabilities by \$8,340,724 as of June 30, 2016. The Town's net position increased by \$419,375 for the fiscal year ended June 30, 2016. The largest portion (68.25%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Maxton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Maxton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The Town of Maxton's net position reflects \$2,284,581 as unrestricted.

The following table provides a summary of the Town's changes in net position:

The Town of Maxton's Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Totals 2016	Totals 2015
Revenues:						
Program revenues						
Charges for services	\$ 261,188	\$ 261,197	\$ 716,719	\$ 756,579	\$ 977,907	\$ 1,017,776
Operating grants and contributions	102,017	112,751	-	23,500	102,017	136,251
Capital grants and contributions	-	-	132,934	90,849	132,934	90,849
General revenues					-	-
Property taxes	817,077	797,103	-	-	817,077	797,103
Other taxes	580	7,552	-	-	580	7,552
Other	774,808	707,587	292	24	775,100	707,611
Total revenues	1,955,670	1,886,190	849,945	870,952	2,805,615	2,757,142
Expenses:						
General government	476,519	536,501	-	-	476,519	536,501
Public safety	752,431	720,342	-	-	752,431	720,342
Transportation	237,012	168,845	-	-	237,012	168,845
Environmental protection	128,026	110,996	-	-	128,026	110,996
Cultural and recreation	31,255	24,697	-	-	31,255	24,697
Interest on long-term debt	11,946	11,408			11,946	11,408
Water and sewer	-	-	749,051	740,622	749,051	740,622
Transfers	(1,375)	(8,381)	1,375	8,381	-	-
Total expenses	1,635,814	1,564,408	750,426	749,003	2,386,240	2,313,411
Change in net position	319,856	321,782	99,519	121,949	419,375	443,731
Net position, beginning, previously reported	3,215,627	3,004,897	4,705,722	4,583,773	7,921,349	7,588,670
Restatement	31,095	(111,052)	(31,095)	-	-	(111,052)
Net position, beginning, restated	3,246,722	2,893,845	4,674,627	4,583,773	7,921,349	7,477,618
Net position, ending	\$ 3,566,578	\$ 3,215,627	\$ 4,774,146	\$ 4,705,722	\$ 8,340,724	\$ 7,921,349

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2016

Governmental activities. Governmental activities increased the Town's net position by \$319,856. Key elements of this increase are as follows:

- Revenues increased from the prior year amounts.
- Tax revenue and grant income increased.

Business-type activities. Business-type activities increased the Town of Maxton's net position by \$99,519. The key element of this increase was monitoring of expenses and an increase in capital contributions for the year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Maxton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$935,255, while total fund balance reached \$1,298,492. The Governing Body of the Town of Maxton has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 57.0% of General Fund expenditures.

At June 30, 2016, the governmental funds of the Town of Maxton reported a combined fund balance of \$1,298,492, a 24% increase over last year. Revenues were greater than the budgeted amounts primarily because property taxes collected were greater than anticipated and because local option sales taxes and miscellaneous revenues were much greater than anticipated. Also, expenditures were held to less than budgeted amounts.

Proprietary Funds. The Town of Maxton's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$881,904. The total increase in net position was \$99,519. Other factors concerning this fund have been discussed in the Town's business-type activities.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2016

Capital Asset and Debt Administration Capital Assets

The Town of Maxton's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$6,356,552 (net of accumulated depreciation). The investments in capital assets include buildings, streets, land, machinery and equipment, vehicles, and work in progress.

Town of Maxton's Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Totals 2016	Totals 2015
Land	\$ 98,005	\$ 98,005	\$ 131,166	\$ 131,166	\$ 229,171	\$ 229,171
Buildings and improvements	3,076,699	3,073,130	2,483,050	2,463,175	5,559,749	5,536,305
Furniture and equipment	561,128	557,831	2,031,464	2,015,240	2,592,592	2,573,071
Vehicles	760,000	732,812	140,170	64,298	900,170	797,110
Plant and distribution system	-	-	2,613,151	2,613,151	2,613,151	2,613,151
Work in Progress	-	-	223,783	90,849	223,783	90,849
Total depreciable assets	4,397,827	4,363,773	7,491,618	7,246,713	11,889,445	11,610,486
Less – Accumulated dep.	2,451,925	2,337,166	3,310,139	3,112,775	5,762,064	5,449,941
Total depreciable assets, net	1,945,902	2,026,607	4,181,479	4,133,938	6,127,381	6,160,545
Total capital assets, net	\$ 2,043,907	\$ 2,124,612	\$ 4,312,645	\$ 4,265,104	\$ 6,356,552	\$ 6,389,716

Additional information on the Town's capital assets can be found in the notes on pages 27 and 28 of this report.

Long-term debt. As of June 30, 2016, the Town of Maxton had total bonded debt outstanding of \$50,000, all backed by the full faith and credit of the Town.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Maxton is \$6,613,874.

Additional information regarding the Town of Maxton's long-term debt can be found on beginning on page 36 of this report.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2016

Economic Factors and Next Year's Budgets and Rates

The following is a key economic indicator of the Town of Maxton:

- The County unemployment rate of 7.4% is above the State average of 4.9% and the national rate of 4.9%.

Budget Highlights for the Next Fiscal Year

Governmental Activities. The governmental funds' primary revenue resources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2017, the budget increased over the prior year. These revenues will be used to decrease the amount of fund balance appropriated in the previous year to balance the budget.

Budgeted expenditures in the General Fund increased. The largest increases were in the police department.

Business-type Activities. The business-type funds budgeted revenue increased for the fiscal year ended June 30, 2017.

Budgeted expenditures increased.

Request for Information

This financial report is designed to provide a general overview of the Town of Maxton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Town of Maxton, 201 McCaskill Avenue, Maxton NC 28364.

Basic Financial Statements

Town of Maxton, North Carolina
Statement of Net Position
June 30, 2016

	<u>Primary Government</u>			Maxton ABC Board
	Governmental Activities	Business- Type Activities	Totals	
Assets				
Current assets				
Cash, cash equivalents, and investments	\$ 1,112,642	\$ 672,649	\$ 1,785,291	\$ 8,226
Taxes receivable - net	459,285	-	459,285	-
Accounts receivable - net	102,905	149,665	252,570	691
Due from other governments	92,834	-	92,834	-
Internal balances	(126,000)	126,000	-	-
Inventories	-	19,502	19,502	95,971
Prepaid expenses	-	-	-	-
Restricted cash and cash equivalents	167,498	-	167,498	-
Total current assets	<u>1,809,164</u>	<u>967,816</u>	<u>2,776,980</u>	<u>104,888</u>
Non-current assets				
Capital assets (Note 3)				
Land, non-depreciable	98,005	131,166	229,171	5,000
Other capital assets, net of depreciation	1,945,902	4,181,479	6,127,381	3,705
Total capital assets	<u>2,043,907</u>	<u>4,312,645</u>	<u>6,356,552</u>	<u>8,705</u>
Total assets	<u>3,853,071</u>	<u>5,280,461</u>	<u>9,133,532</u>	<u>113,593</u>
Deferred Outflows of Resources				
Pension deferrals	110,243	38,212	148,455	9,445
Total deferred outflows of resources	<u>110,243</u>	<u>38,212</u>	<u>148,455</u>	<u>9,445</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	51,387	10,531	61,918	70,633
Customer deposits	-	75,207	75,207	-
Current portion of long-term liabilities	28,341	56,706	85,047	-
Total current liabilities	<u>79,728</u>	<u>142,444</u>	<u>222,172</u>	<u>70,633</u>
Non-current liabilities				
Net pension liability	49,152	17,270	66,422	1,213
Due in more than one year	214,902	363,697	578,599	-
Compensated absences	25,253	11,383	36,636	-
Total non-current liabilities	<u>289,307</u>	<u>392,350</u>	<u>681,657</u>	<u>1,213</u>
Total liabilities	<u>369,035</u>	<u>534,794</u>	<u>903,829</u>	<u>71,846</u>
Deferred Inflows of Resources				
Pension deferrals	27,701	9,733	37,434	8,047
Total deferred inflows of resources	<u>27,701</u>	<u>9,733</u>	<u>37,434</u>	<u>8,047</u>
Net Position				
Net investment in capital assets	1,800,664	3,892,242	5,692,906	7,090
Restricted for:				
Stabilization by State Statute	195,739	-	195,739	-
Other Functions	167,498	-	167,498	20,656
Unrestricted	1,402,677	881,904	2,284,581	15,399
Total net position	<u>\$ 3,566,578</u>	<u>\$ 4,774,146</u>	<u>\$ 8,340,724</u>	<u>\$ 43,145</u>

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

Town of Maxton, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Maxton ABC Board
					Governmental Activities	Business-Type Activities	Totals	
Primary government								
Governmental activities								
General government	\$ 476,519	\$ -	\$ -	\$ -	\$ (476,519)	\$ -	\$ (476,519)	\$ -
Public safety	752,431	1,450	23,311	-	(727,670)	-	(727,670)	-
Transportation	237,012	-	78,706	-	(158,306)	-	(158,306)	-
Environmental protection	128,026	259,738	-	-	131,712	-	131,712	-
Cultural and recreational	31,255	-	-	-	(31,255)	-	(31,255)	-
Interest on long-term debt	11,946	-	-	-	(11,946)	-	(11,946)	-
Total governmental activities	1,637,189	261,188	102,017	-	(1,273,984)	-	(1,273,984)	-
Business-type activities								
Water and sewer	749,051	716,719	-	132,934	-	100,602	100,602	-
Total primary government	\$ 2,386,240	\$ 977,907	\$ 102,017	\$ 132,934	(1,273,984)	100,602	(1,173,382)	-
Component unit								
Maxton ABC board	\$ 667,527	\$ 693,331	\$ -	\$ -	\$ -	\$ -	\$ -	25,804
General revenues								
Taxes								
Property taxes, levied for general purpose					817,077	-	817,077	-
Other taxes					580	-	580	-
Grants and contributions not restricted to specific programs					685,979	-	685,979	-
Unrestricted investment earnings					698	292	990	1
Transfers					1,375	(1,375)	-	-
Miscellaneous					88,131	-	88,131	-
Total general revenues and transfers					1,593,840	(1,083)	1,592,757	1
Change in net position					319,856	99,519	419,375	25,805
Net position, beginning, previously reported					3,215,627	4,705,722	7,921,349	17,340
Restatement					31,095	(31,095)	-	-
Net position, beginning, restated					3,246,722	4,674,627	7,921,349	17,340
Net position, ending					\$ 3,566,578	\$ 4,774,146	\$ 8,340,724	\$ 43,145

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

Town of Maxton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>General</u>		<u>Governmental</u>
			<u>Funds</u>
Assets			
Cash, cash equivalents, and investments	\$ 1,112,642	\$ -	\$ 1,112,642
Restricted cash	167,498	-	167,498
Ad valorem taxes receivables, net	459,285	-	459,285
Accounts receivable, net	102,905	-	102,905
Due from other governments	92,834	-	92,834
Prepaid expenses	-	-	-
Total assets	1,935,164	-	1,935,164
Liabilities			
Accounts payable and accrued liabilities	51,387	-	51,387
Due to other funds	126,000	-	126,000
Total liabilities	177,387	-	177,387
Deferred inflows of resources			
Property taxes receivable	459,285	-	459,285
Total deferred inflows of resources	459,285	-	459,285
Fund balance			
Restricted			
Stabilization by State Statute	195,739	-	195,739
Streets	165,743	-	165,743
Public safety	1,755	-	1,755
Assigned			
Subsequent year's expenditures	-	-	-
Unassigned	935,255	-	935,255
Total fund balance	1,298,492	-	1,298,492
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,935,164	\$ -	

Amounts reported for governmental activities in the Statement of Net Position (Page 10) are different because:

Total fund balance, governmental funds		1,298,492
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 4,495,832	
Accumulated depreciation	(2,451,925)	2,043,907
Deferred outflows of resources related to pensions are not reported in the funds		110,243
Earned revenues considered deferred inflows of resources in fund statements		459,285
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt	\$ (288,184)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	44,941	
Net pension liability	(49,152)	(292,395)
Compensated absences not expected to be materially liquidated with expendable available resources		(25,253)
Deferred inflows of resources related to pensions are not reported in the funds		(27,701)
Net position reported as governmental activities		\$ 3,566,578

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

Town of Maxton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2016

	<u>Major Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u> <u>Funds</u>	<u>Governmental</u> <u>Funds</u>
Revenues			
Ad valorem taxes	\$ 793,758	\$ -	\$ 793,758
Other taxes and licenses	580	-	580
Unrestricted intergovernmental	685,979	-	685,979
Restricted intergovernmental	102,017	-	102,017
Sales and services	287,961	-	287,961
Investment earnings	698	-	698
Miscellaneous	61,358	-	61,358
Total revenues	<u>1,932,351</u>	<u>-</u>	<u>1,932,351</u>
Expenditures			
General government	451,536	-	451,536
Public safety	778,507	-	778,507
Transportation	183,649	-	183,649
Environmental protection	142,990	-	142,990
Cultural and recreational	31,255	-	31,255
Debt service			
Principal	44,941	-	44,941
Interest	11,946	-	11,946
Total expenditures	<u>1,644,824</u>	<u>-</u>	<u>1,644,824</u>
Excess of revenues over expenditures	287,527	-	287,527
Other financing sources (uses)			
Loan proceeds	26,390	-	26,390
Transfers in (out)	1,375	-	1,375
Net change in fund balance	315,292	-	315,292
Fund balances - beginning of year	<u>983,200</u>	<u>-</u>	<u>983,200</u>
Fund balances - end of year	<u>\$ 1,298,492</u>	<u>\$ -</u>	<u>\$ 1,298,492</u>

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

Town of Maxton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds (continued)
For the Year Ended June 30, 2016

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

Net changes in fund balances - total government funds	\$	315,292
<p>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</p>		
Capital outlay expenditures which were capitalized	\$ 34,054	
Depreciation expense for governmental assets	<u>(114,759)</u>	(80,705)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		74,496
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		23,319
<p>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 an effect on net position.</p> <p>This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(26,390)	
Principal payments on long-term debt	<u>44,941</u>	18,551
<p>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.</p>		
Compensated absences	3,103	
Pension expense	<u>(34,200)</u>	<u>(31,097)</u>
Total change in net position of governmental activities	\$	<u>319,856</u>

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

Town of Maxton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – General Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 733,400	\$ 733,400	\$ 793,758	\$ 60,358
Other taxes and licenses	-	-	580	580
Unrestricted intergovernmental	565,000	565,000	685,979	120,979
Restricted intergovernmental	98,500	98,500	102,017	3,517
Sales and services	307,145	307,145	287,961	(19,184)
Investment earnings	-	-	698	698
Miscellaneous	-	-	61,358	61,358
Total revenues	<u>1,704,045</u>	<u>1,704,045</u>	<u>1,932,351</u>	<u>228,306</u>
Expenditures				
General government	492,050	492,050	451,536	40,514
Public safety	816,415	816,415	778,507	37,908
Transportation	329,360	329,360	183,649	145,711
Environmental protection	166,985	166,985	142,990	23,995
Cultural and recreational	34,370	34,370	31,255	3,115
Debt service				
Principal retirement	40,000	40,000	44,941	(4,941)
Interest expense	17,630	17,630	11,946	5,684
Total expenditures	<u>1,896,810</u>	<u>1,896,810</u>	<u>1,644,824</u>	<u>251,986</u>
Revenue over (under) expenditures	(192,765)	(192,765)	287,527	480,292
Other financing sources (uses)				
Loan proceeds	26,390	26,390	26,390	-
Transfers to water & sewer Fund	(18,625)	(18,625)	1,375	20,000
Appropriated fund balance	185,000	185,000	-	(185,000)
Total other financing sources (uses)	<u>192,765</u>	<u>192,765</u>	<u>27,765</u>	<u>(165,000)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	315,292	<u>\$ 315,292</u>
Fund balance - beginning of year			<u>983,200</u>	
Fund balance - end of year			<u>\$ 1,298,492</u>	

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

Town of Maxton, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2016

	Enterprise Fund
	Water and Sewer Fund
Assets	
Current assets	
Cash, cash equivalents, and investments	\$ 672,649
Accounts receivable, net	149,665
Due from other governments	-
Due from other funds	126,000
Inventories	19,502
Total current assets	967,816
Capital assets	
Land	131,166
Other capital assets, net of depreciation	4,181,479
Total capital assets	4,312,645
Total assets	5,280,461
Deferred Outflows of Resources	
Pension deferrals	38,212
Total deferred outflows of resources	38,212
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	10,531
Customer deposits	75,207
Current maturities of log-term debt	56,706
Total current liabilities	142,444
Non-current liabilities	
Compensated absences	11,383
Long-term debt	363,697
Net pension liability	17,270
Total non-current liabilities	392,350
Total liabilities	534,794
Deferred Inflows of Resources	
Pension deferrals	9,733
Total deferred inflows of resources	9,733
Net Position	
Net investment in capital assets	3,892,242
Unrestricted	881,904
Total net position	\$ 4,774,146

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

Town of Maxton, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 703,040
Other operating revenues	13,679
Total operating revenues	716,719
Operating expenses	
Water and sewer department	536,335
Depreciation expense	197,364
Total operating expenses	733,699
Operating income (loss)	(16,980)
Non-operating revenue (expenses)	
Investment earnings	292
Grants	-
Interest and other charges	(15,352)
Total non-operating revenue (expenses)	(15,060)
Income (loss) before contributions and transfers	(32,040)
Capital contributions	132,934
Transfers from (to) general fund	(1,375)
Total contributions and transfers	131,559
Change in net position	99,519
Net position, beginning, previously reported	4,705,722
<i>Restatement</i>	(31,095)
Net position, beginning, restated	4,674,627
Net position, ending	\$ 4,774,146

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

Town of Maxton, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 721,911
Cash paid for goods and services	(240,622)
Cash paid to or on behalf of employees for services	(324,346)
Increase (decrease) in customer deposits	(1,599)
Net cash provided (used) by operating activities	155,344
Cash flows from noncapital financing activities	
Increase in advances to other funds	(1,375)
Decrease (increase) in due to other funds	18,000
Total cash flows from noncapital financing activities	16,625
Cash flows from capital and related financing activities	
Capital contributions	132,934
Acquisition and construction of capital assets	(244,906)
New debt	74,131
Installment debt and interest repayments	(31,780)
Principal paid on bonds	(26,000)
Interest paid on bond	(3,800)
Net cash provided (used) by capital and related financing activities	(99,421)
Cash flows from investing activities	
Interest on investments	292
Net increase (decrease) in cash, cash equivalents, and investments	72,840
Cash, cash equivalents, and investments - beginning of year	599,809
Cash, cash equivalents, and investments - end of year	\$ 672,649
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (29,223)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	197,364
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	5,192
(Increase) decrease in due from other governments	-
(Increase) decrease in inventories	(4,673)
Increase (decrease) in accounts payable and accrued liabilities	(11,717)
Increase (decrease) in customer deposits	(1,599)
(Increase) decrease in deferred outflows of resources for pensions	-
Total adjustments	184,567
Net cash provided (used) by operating activities	\$ 155,344

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

Town of Maxton, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Maxton, North Carolina, (the “Town”) and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A - Reporting Entity

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

Town of Maxton Alcoholic Beverage Control Board (“the ABC Board”)

The Town appoints the members of the ABC Board’s governing board. The ABC Board is required by State statute to distribute 65% of its surpluses to the General Fund of the Town and 35% to the general fund of Robeson County. The ABC Board, which has a June 30 year-end, is presented as if it were a Proprietary Fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Maxton ABC Board, 720 West Saunders Street, Maxton NC 28364.

B - Basis of Presentation - Fund Accounting

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

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

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

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

B - Basis of Presentation - Fund Accounting (continued)

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those 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, sanitation services, parks and recreation, and general government.

The Town reports the following non-major governmental fund:

Community Development. This fund is used to account for federal and state grant proceeds that are being used for renovation and rehabilitation of low income housing.

The Town reports the following major enterprise fund:

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

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

C - Measurement Focus and Basis of Accounting (continued)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Maxton because the tax is levied by Robeson County and then remitted to and distributed to the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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, certain special revenue, and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for certain Enterprise Fund capital projects funds, which are consolidated with the Enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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

Deposits and Investments

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

Cash and Cash Investments

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Restricted assets

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

Town of Maxton Restricted Cash: \$167,498

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies Ad Valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015.

Allowance 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.

Due To/From Other Funds

Amounts reported at June 30, 2015, as due to/from other funds, generally represent short-term advances, between funds. The amounts reported at year-end are not available for appropriation and are not an expendable available financial resources.

Inventories and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's Enterprise Fund and those of the ABC Board consist of materials and supplies held for subsequent use or sale. The cost of these inventories is expensed when consumed or sold rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements and expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Land, \$10,000; buildings, \$20,000; capital projects, \$10,000; infrastructure, \$15,000; and furniture and equipment, \$2,500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets 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 road network is reported at historical costs as reported to the North Carolina Department of Transportation under the Powell Bill program and the water and sewer system assets are reported at their historical costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Capital Assets (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Computer equipment	5 years
Furniture and equipment	10 years
Vehicles and motorized equipment	3 years
Buildings	40 years
Infrastructure	33-50 years

Capital assets of the Maxton ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10-25 years
Furniture and equipment	5-10 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meets the criterion, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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 are reported as deferred charges and amortized over the term of the related debt.

In the 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.

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty (20) days earned vacation leave with such leave being fully vested when earned. Earned vacation leave accumulated in excess of 160 hours is converted to sick leave. The current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the Governmental Funds. The Town's liability for accumulated earned vacation and the salary-related payments for Governmental Funds are recorded in the General Long-Term Debt Account Group. For the Town's Proprietary Fund and expense and a liability for compensated absences and the salary-related payments are recorded within the fund as the leave is earned.

ABC Board employees may accumulate up to a maximum of 10 days vacation, depending upon the number of years employed, and such leave is not fully vested. Since the Board has no obligation for vacation until it is actually taken, no accrual for vacation has been made.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Employees accumulate sick leave at the rate of one day per month of employment. The ABC Board's sick leave policy allows for the accumulation of up to 15 days. 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 neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position / Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; 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.

In the governmental fund financial statements, fund balance is composed of three 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:

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Restricted for Public Safety – portion of fund balance that is restricted for the juvenile justice grant.

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

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Net Position / Fund Balances (continued)

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

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

The Town has no formal minimum fund balance policy.

Pensions

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

Note 2 - Stewardship, Compliance, and Accountability

Noncompliance with North Carolina General Statutes

None noted.

Note 3 - Detail Notes on All Funds

A – Assets

Deposits

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Deposits (continued)

At June 30, 2016, the Town's deposits had a carrying amount of \$1,588,497 and a bank balance of \$1,629,852. Of the bank balance, all was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of the deposits for the ABC Board was \$7,551 and the bank was \$15,852. All of the bank balance was covered by federal depository insurance.

Investments

At June 30, 2016, the Town's investment balances were as follows:

	Fair Value	Maturity	Rating
North Carolina Capital Management Trust			
Cash Portfolio	\$ 364,292	N/A	AAAm

Interest Rate Risk. The Town has no policy regarding interest rate risk.

Credit Risk. The Town has no policy regarding credit risk. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016.

Custodial Credit Risk. The Town has no policy on custodial credit risk.

Concentration of Credit Risk. The Town places no limit on the amount that the Town may invest in any one issuer.

At June 30, 2016, the Town had \$364,292 invested with the NC Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard & Poor's. The Town has no policy regarding credit risk.

Receivable – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Governmental activities:		
General Fund:		
Taxes receivable	\$	14,000
Accounts receivable		5,934
		19,934
Business-type activities		18,489
Total	\$	38,423

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Capital Assets (continued)

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

General government	\$	29,965
Public safety		26,978
Transportation		56,385
Environmental protection		1,431
Total depreciation expense	\$	114,759

Business-type activities - Water and sewer fund - Capital assets	Beginning Balance	Increases	Decreases	Ending Balance
Land (non-depreciable)	\$ 131,166	\$ -	\$ -	\$ 131,166
Buildings and improvements	2,463,175	19,875	-	2,483,050
Plant and distribution system	2,613,151	-	-	2,613,151
Furniture and equipment	2,015,240	16,224	-	2,031,464
Vehicles	64,298	75,872	-	140,170
Work in progress	90,849	132,934	-	223,783
Total capital assets	7,377,879	244,905	-	7,622,784
Less - Accumulated depreciation				
Buildings and improvements	28,483	1,400	-	29,883
Plant and distribution system	1,180,388	60,509	-	1,240,897
Furniture and equipment	1,845,921	123,684	-	1,969,605
Vehicles	57,983	11,771	-	69,754
Total accumulated depreciation	3,112,775	197,364	-	3,310,139
Business-type activities Capital assets - net	\$ 4,265,104			\$ 4,312,645

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Capital Assets (continued)

Discretely Presented Component Unit

Capital assets activity for the ABC Board for the year ended June 30, 2016, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 5,000	\$ -	\$ -	\$ 5,000
Building and improvements	58,028	-	-	58,028
Furniture and equipment	61,473	2,082	-	63,555
Total capital assets	124,501	2,082	-	126,583
Less - accumulated depreciation				
Buildings and improvements	57,765	66	-	57,831
Furniture and equipment	59,646	401	-	60,047
Total depreciation	117,411	467	-	117,878
Total ABC Board capital assets - net	\$ 7,090			\$ 8,705

B – Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Maxton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Maxton's contractually required contribution rate for the year ended June 30, 2016, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Maxton were \$100,149 for the year ended June 30, 2016.

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

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

At June 30, 2016, the Town reported a liability of \$66,422 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the Town's proportion was 0.013%, which was a decrease of 0.001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$48,319. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,612
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	18,910
Changes in proportion and difference between Town contributions and proportionate share of contributions	48,306	2,912
Town contributions subsequent to the measurement date	100,149	-
Total	\$ 148,455	\$ 37,434

\$100,149 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (10,362)
2018	(10,362)
2019	(10,328)
2020	41,925
2021	-
Thereafter	-
	\$ 10,873

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

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

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 463,170	\$ 66,422	\$ (267,829)

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers’ Special Separation Allowance

Plan Description. The Town of Maxton 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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. 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 June 30, 2016, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total	9

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Instruments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. No formal plan or actuarial valuation exists as liability is considered immaterial.

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

Supplemental Retirement Income Plan for Regular and 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 the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016, were \$16,257, which consisted of \$12,147 from the Town and \$4,110 from the law enforcement officers.

Other Employment Benefits

The Town has elected to provide death benefits to Police Department 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Because the benefit payments are made by Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The contributions to the Death Benefit Plan cannot be separated between post-employment benefit amount and the other benefit amount.

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 one of three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through the pool, the Town obtains workers' compensation coverage up to statutory limits. The pool is reinsured through commercial companies for single occurrence claims in excess of \$300,000 up to statutory limits for workers' compensation. 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 no flood insurance as it contends no Town buildings are located in flood designated area.

In accordance with G.S. 159-29, the finance officer and tax collector are performance bonded for \$50,000. All employees in a position of trust are covered under a blanket employee dishonesty policy.

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Risk Management (continued)

The Maxton ABC Board 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 ABC Board has property, general liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. 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.

Long-Term Obligations

Installment Purchase Agreements

The Town entered into an installment purchase agreement with the USDA to finance the construction building dedicated to rescue squad use. The loan requires forty annual payments of \$9,934, including interest at 4.125% beginning 2008, through 2047.	\$ 172,016
On April, 2014, the Town entered into an installment purchase agreement with John Deere in connection with the purchase of a backhoe. The loan requires 60 monthly installments of \$1,395, including interest at 2.9%. Loan is collateralized by the equipment.	45,484
In May, 2015, the Town borrowed money from the USDA to purchase, in part, certain equipment, payable in annual installments of \$27,482, including interest at the rate of 3.5%, through 2030.	300,096
In December, 2015, the Town entered into two installment loan agreements with a local bank to finance several pieces of equipment allocated to two different funds, payable in sixty monthly installments of \$1,808, including interest at 3.25 %. Loans were collateralized by various equipment	91,089
Total installment purchase agreements	\$ 608,685

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Long-Term Obligations (continued)

Capital Lease Obligation

The Town entered into a capital lease obligation in May, 2014, payable in four annual installments of \$5,210, the first due at the lease inception. The imputed interest rate is 5%, with a bargain purchase option of \$1 at the end of the lease. The lease is collateralized by the Dell computer equipment. Book value of underlying computer at June 30, 2014 was \$19,082.

Lease payment	
2017	5,210
	5,210
less: amounts reporting interest	247
	\$ 4,963

General Obligation Indebtedness

The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2016, are comprised of the following individual issue:

General Obligation Bonds

\$569,000 in bonds purchased by the United States of America acting through the Farmer’s Home Administration. These call for interest payments annually at a rate of 5%, through June 2018.	\$ 76,000
Less – Current portion	26,000
Long-term portion of general obligation bonds	\$ 50,000

At June 30, 2016, the Town of Maxton had no bonds authorized but unissued and had a legal debt margin of \$6,613,874 which is computed by multiplying the property valuation by 8% and subtracting the debt detailed above.

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Changes in Long-Term Debt

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchases and capital leases	\$ 262,506	\$ 25,678	\$ 44,941	\$ 243,243	\$ 28,341
Compensated absences	28,356		3,103	25,253	
Net pension liability (LRS)	-	49,152	-	49,152	-
Total governmental activities	\$ 290,862	\$ 74,830	\$ 48,044	\$ 317,648	\$ 28,341
Business-type activities:					
Installment purchases	\$ 316,500	\$ 74,131	\$ 20,228	370,403	\$ 30,706
General obligation bonds	76,000	-	26,000	50,000	26,000
Compensated absences	11,292	91	-	11,383	
Net pension liability (LRS)	-	17,270	-	17,270	-
Total business-type activities	\$ 403,792	\$ 91,492	\$ 46,228	\$ 449,056	\$ 56,706

Maturities of Long-Term Debt

	Bond Obligation		Installment Purchases		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities:								
2017	\$ -	\$ -	\$ 23,378	\$ 8,889	\$ 4,963	\$ 247	\$ 28,341	\$ 9,136
2018	-	-	24,118	8,149	-	-	24,118	8,149
2019	-	-	22,088	7,389	-	-	22,088	7,389
2020	-	-	8,755	6,772	-	-	8,755	6,772
2021	-	-	3,337	6,597	-	-	3,337	6,597
2022-2026	-	-	18,864	30,806	-	-	18,864	30,806
2027-2031	-	-	23,089	26,581	-	-	23,089	26,581
2032-2036	-	-	28,261	21,409	-	-	28,261	21,409
2037-2041	-	-	34,590	15,080	-	-	34,590	15,080
2042-2046	-	-	42,339	7,331	-	-	42,339	7,331
2047	-	-	9,461	472	-	-	9,461	472
Total governmental activities	-	-	238,280	139,475	4,963	247	243,243	139,722
Business-type activities:								
2017	26,000	2,500	30,706	12,883	-	-	56,706	15,383
2018	24,000	1,200	32,180	11,409	-	-	56,180	12,609
2019	-	-	33,277	10,312	-	-	33,277	10,312
2020	-	-	34,412	9,177	-	-	34,412	9,177
2021	-	-	30,781	8,304	-	-	30,781	8,304
2022-2026	-	-	108,136	29,274	-	-	108,136	29,274
2027-2031	-	-	100,911	8,980	-	-	100,911	8,980
Total business-type activities	50,000	3,700	370,403	90,339	-	-	420,403	94,039
Total maturities of long-term debt	\$ 50,000	\$ 3,700	\$ 608,683	\$ 229,814	\$ 4,963	\$ 247	\$ 663,646	\$ 233,761

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 3 - Detail Notes on All Funds (continued)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of contributions to the pension plan in the current fiscal year of \$100,149 and pension related deferrals of \$48,307.

Deferred inflows of resources at year-end are comprised of property taxes receivable of \$459,285 and pension related deferrals of \$37,435.

Interfund Balances and Activity

Balances due to/from other funds at June 30, 2016, consisted of the following:

Due to the Enterprise Fund from the General Fund	<u>\$ 126,000</u>
--	-------------------

The outstanding balance results from the timing differences between when goods and services are provided, recorded, and then subsequently reimbursed.

Note 4 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 5 – Net Investments in Capital Assets

	Governmental	Business-type
Capital assets	\$ 2,043,907	\$ 4,312,645
less: long-term debt	243,243	420,403
Net investment in capital assets	\$ 1,800,664	\$ 3,892,242

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2016

Note 6 – Fund Balance

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

Total fund balance-General Fund	\$ 1,298,492
Less:	
Stabilization by State Statute	195,739
Street-Powell Bill	165,743
Other	1,755
Remaining Fund Balance	935,255

Note 7 – Subsequent Events

Subsequent events were evaluated through September 22, 2016, which is the date the financial statements were available to be issued.

Note 8 – Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, the net position for the governmental activities decreased by \$111,052 during the 2015 fiscal year. A restatement has been made during the fiscal year ending June 30, 2016 in the amount of \$31,095 to correctly allocate that portion from the governmental activities to the business-type activities net position.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

Town of Maxton, North Carolina
Town of Maxton's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Maxton's proportion of the net pension liability (asset) (%)	0.00015%	0.00013%	0.00014%
Maxton's proportion of the net pension liability (asset) (\$)	\$ 66,422	\$ (77,257)	\$ 163,932
Maxton's covered-employee payroll	\$ 896,336	\$ 884,086	\$ 751,278
Maxton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.41%	(8.74%)	21.82%
Plan fiduciary net position as a percentage of the total pension liability.	98.09%	102.64%	94.35%

**Town of Maxton, North Carolina
Town of Maxton's Contributions
Required Supplementary Information
Last Three Fiscal Years**

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 100,149	\$ 107,993	\$ 90,085
Contributions in relation to the contractually required contribution	<u>100,149</u>	<u>107,993</u>	<u>90,085</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Maxton's covered-employee payroll	\$ 896,336	\$ 884,086	\$ 751,278
Contributions as a percentage of covered-employee payroll	7.21%	7.21%	7.16%

Individual Fund Statements and Schedules

Town of Maxton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$	\$ 617,477	\$
Prior years		84,088	
Other - special district tax		2,397	
Fire tax		59,578	
Penalties		30,218	
Total ad valorem taxes	733,400	793,758	60,358
Other taxes and licenses			
Privilege licenses		410	
Dog tax		170	
Total other taxes and licenses	-	580	580
Unrestricted intergovernmental			
Local option sales tax		525,585	
Payments in lieu of taxes		1,513	
Utility franchise tax		148,389	
Beer and wine tax		10,492	
Total unrestricted intergovernmental	565,000	685,979	120,979
Restricted intergovernmental			
Powell bill allocation		78,706	
Grant revenue		14,811	
Juvenile justice grant		8,500	
Total restricted intergovernmental	98,500	102,017	3,517
Sales and services			
Refuse collection fees		259,738	
Courts costs, fee, and charges		4,204	
Cemetery revenue		2,775	
Property rents		18,035	
Zoning fees		1,759	
Fire inspection fees		1,450	
Total sales and services	307,145	287,961	(19,184)
Miscellaneous revenues			
Investment income - Powell Bill		372	
Investment income - other		326	
Insurance proceeds		37,360	
Miscellaneous		23,998	
Total miscellaneous revenues	-	62,056	62,056
Total revenues	\$ 1,704,045	\$ 1,932,351	\$ 228,306

Town of Maxton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2016

<u>Expenditures</u>	2016		Variance Positive (Negative)
	Budget	Actual	
General Government			
Governing body			
Salaries and employee benefits	\$	\$ 28,455	\$
Operating expenses		5,861	
Total governing body	<u>34,460</u>	<u>34,316</u>	<u>144</u>
Administration			
Salaries and employee benefits		88,255	
Operating expenses		4,216	
Professional fees		16,000	
Capital outlay		-	
Total administration	<u>118,625</u>	<u>108,471</u>	<u>10,154</u>
Public Buildings and general			
Salaries and employee benefits		35,031	
Operating expenses		243,233	
Capital outlay		30,485	
Total administration	<u>338,965</u>	<u>308,749</u>	<u>30,216</u>
Total general government	<u>492,050</u>	<u>451,536</u>	<u>40,514</u>
Public Safety			
Police department			
Salaries and employee benefits		503,643	
Operating expenses		60,939	
Capital outlay		-	
Total police department	<u>601,555</u>	<u>564,582</u>	<u>36,973</u>
Fire department			
Contribution to Queheel Fire District		40,000	
Total fire department	<u>40,000</u>	<u>40,000</u>	<u>-</u>

Town of Maxton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
<u>Expenditures (continued)</u>			
Rescue squad			
Operating expenses	\$	\$ 7,785	\$
Total rescue squad	<u>7,785</u>	<u>7,785</u>	<u>-</u>
Dispatcher department			
Salaries and employee benefits		165,716	
Operating expenses		424	
Total dispatcher department	<u>167,075</u>	<u>166,140</u>	<u>935</u>
Total public safety	<u>816,415</u>	<u>778,507</u>	<u>37,908</u>
Transportation			
Street department			
Salaries and employee benefits		95,406	
Operating expenses		27,647	
Capital outlay		-	
Total street department	<u>124,360</u>	<u>123,053</u>	<u>1,307</u>
Powell Bill			
Salaries and employee benefits		42,372	
Operating expenses		18,224	
Capital outlay		-	
Total Powell Bill	<u>205,000</u>	<u>60,596</u>	<u>144,404</u>
Total transportation	<u>329,360</u>	<u>183,649</u>	<u>145,711</u>
Environmental Protection			
Sanitation			
Salaries and employee benefits		60,973	
Operating expenses		6,641	
Landfill fees		29,800	
Contracted services		42,007	
Capital outlay		3,569	
Total sanitation	<u>166,985</u>	<u>142,990</u>	<u>23,995</u>
Total environmental protection	<u>166,985</u>	<u>142,990</u>	<u>23,995</u>

Town of Maxton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Cultural and Recreational			
Library			
Donation to library	\$	\$ 14,300	\$
Total library	<u>14,300</u>	<u>14,300</u>	<u>-</u>
Parks and recreation			
Activities		<u>16,955</u>	
Total parks and recreation	<u>20,070</u>	<u>16,955</u>	<u>3,115</u>
Total cultural and recreational	<u>34,370</u>	<u>31,255</u>	<u>3,115</u>
Debt service			
Debt service - principal		44,941	
Debt service - interest		<u>11,946</u>	
Total debt service	<u>57,630</u>	<u>56,887</u>	<u>743</u>
Total expenditures	<u>1,896,810</u>	<u>1,644,824</u>	<u>251,986</u>
Total revenues	1,704,045	1,932,351	228,306
Total expenditures	<u>1,896,810</u>	<u>1,644,824</u>	<u>251,986</u>
Revenue over (under) expenditures	(192,765)	287,527	480,292
Other financing sources (uses)			
Loan proceeds	26,390	26,390	-
Transfers to Water & Sewer Fund	(18,625)	1,375	20,000
Transfers from Water & Sewer Fund	-	-	-
Appropriated fund balance	<u>185,000</u>	<u>-</u>	<u>(185,000)</u>
	<u>192,765</u>	<u>27,765</u>	<u>(165,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>315,292</u>	<u>\$ 315,292</u>
Fund balance - beginning of year		<u>983,200</u>	
Fund balance - end of year		<u>\$ 1,298,492</u>	

Town of Maxton, North Carolina
Enterprise Fund – Water and Sewer Fund
Schedule of Revenues and Expenditures –
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Operating revenues			
Charges for services			
Water and sewer revenues	\$	\$ 703,040	\$
Other operating revenues		13,679	
Total operating revenues	<u>694,750</u>	<u>716,719</u>	<u>21,969</u>
Non-operating revenues			
Interest earned		292	
Total non-operating revenues	<u>-</u>	<u>292</u>	<u>292</u>
Total revenues	<u>694,750</u>	<u>717,011</u>	<u>22,261</u>
<u>Expenditures</u>			
Water and sewer			
Salaries and employee benefits		324,346	
Telephone and postage		9,768	
Utilities		49,976	
Travel and training		100	
Maintenance and repairs		19,134	
Supplies		50,459	
Contracted services		19,775	
Insurance and bonds		57,000	
Uniforms		2,504	
Professional services		10,900	
Dues and subscriptions		1,935	
Miscellaneous		2,681	
Total water and sewer	<u>637,700</u>	<u>548,578</u>	<u>89,122</u>
Debt service			
Interest		15,352	
Principal retirement		46,228	
Total debt service	<u>61,600</u>	<u>61,580</u>	<u>20</u>
Capital outlay	<u>111,446</u>	<u>111,413</u>	<u>33</u>
Total expenditures	<u>\$ 810,746</u>	<u>\$ 721,571</u>	<u>\$ 89,175</u>

Town of Maxton, North Carolina
Enterprise Fund – Water and Sewer Fund
Schedule of Revenues and Expenditures –
Budget and Actual (Non-GAAP) (continued)
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (115,996)	\$ (4,560)	\$ 111,436
Other financing sources (uses):			
Loan proceeds	\$ 73,646	74,131	485
Transfer from General Fund	20,000	-	(20,000)
Transfer to General Fund	(900)	(1,375)	(475)
Appropriated fund balance	23,250	-	(23,250)
Revenues and appropriated fund balance over expenditures	\$ -	\$ 68,196	\$ 68,196

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues and appropriated fund balance over expenditures	\$ 68,196
Reconciling items:	
Principal retirement	46,228
Capital outlay	111,413
Loan proceeds	(74,131)
Decrease in net pension asset	(20,244)
Increase in deferred outflows of resources - pensions	5,680
Increase in net pension liability	(17,270)
Decrease in deferred inflows of resources - pensions	44,077
Depreciation	(197,364)
Capital contribution	132,934
Total reconciling items	31,323
Change in net position	\$ 99,519

Town of Maxton, North Carolina
Enterprise Fund – Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures –
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2016

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Totals</u> <u>to Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<u>Revenues</u>					
Restricted intergovernmental:					
CDBG grant 14-I-2660 DENR	\$ 2,600,000	\$ -	\$ 132,934	\$ 132,934	\$ (2,467,066)
Total revenues	2,600,000	\$ -	132,934	132,934	(2,467,066)
<u>Expenditures</u>					
Administration	148,000	-	76,082	76,082	71,918
Design	179,000	-	56,852	56,852	122,148
Service	183,000	-	-	-	183,000
Construction	1,900,000	-	-	-	1,900,000
Contingency	190,000	-	-	-	190,000
Total expenditures	2,600,000	-	132,934	132,934	2,467,066
Revenue over (under) expenditures	-	-	-	-	-
Other financing sources (uses)	-	-	-	-	-
Revenue and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

Town of Maxton, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2016</u>
2015-2016	\$ -	\$ 727,752	\$ 620,345	\$ 107,407
2014-2015	93,892		25,100	68,792
2013-2014	70,585		12,551	58,034
2012-2013	64,353		12,025	52,328
2011-2012	50,577		7,435	43,142
2010-2011	41,276		3,436	37,840
2009-2010	34,713		1,825	32,888
2008-2009	33,542		2,269	31,273
2007-2008	23,857		1,253	22,604
2006-2007	19,930		953	18,977
2005-2006	17,241		17,241	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 449,966</u>	<u>\$ 727,752</u>	<u>\$ 704,433</u>	<u>\$ 473,285</u>
Less - allowance for uncollectible accounts				<hr/> <u>(14,000)</u>
Ad valorem taxes receivable - net				<u><u>\$ 459,285</u></u>
 Reconcilement with revenues:				
Taxes - ad valorem - general fund				\$ 793,758
Reconciling items -				
Penalties				(30,218)
Other				17,712
Special and fire taxes not included above				(59,578)
Taxes written off				<hr/> <u>(17,241)</u>
Total collections and credits				<u><u>\$ 704,433</u></u>

Town of Maxton, North Carolina
Analysis of Current Year's Tax Levy
For the Year Ended June 30, 2016

	Town-wide Levy			Total Levy	
	Property Valuation	Tax Rate (Per \$100 Valuation)	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Net levy	90,969,000	0.80	\$ 727,752	\$ 635,584	\$ 92,168
Uncollected property taxes at June 30, 2016			(107,407)	(107,407)	-
Current year taxes collected			\$ 620,345	\$ 528,177	\$ 92,168
Gross levy collection percentage			85.24%	83.10%	100.00%

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

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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
Board of Town Commissioners
Town of Maxton, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Town of Maxton's basic financial statements and have issued our report thereon dated September 22, 2016. The financial statements of the Maxton ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Maxton's internal control over financial reporting 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 Maxton'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, material weaknesses may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

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

S. Preston Douglas & Associates, LLP

Lumberton, North Carolina
September 22, 2016