

Town of Maxton, North Carolina

Financial Statements

For the Fiscal Year Ended June 30, 2011

Town of Maxton, North Carolina
Financial Statements
For the Fiscal Year Ended June 30, 2011

Board of Town Commissioners

Gladys Dean, Mayor
Emmett Morton, Mayor Pro-Tem

James McDougald
Vivian Morrison
Ray Oxendine
Victor Womack

* * * * *

Vince Long, Manager
Myra J. Tyndall, Finance Officer

Town of Maxton, North Carolina
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June 30, 2011

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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

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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

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 June 30, 2011, and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Maxton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Town of Maxton ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

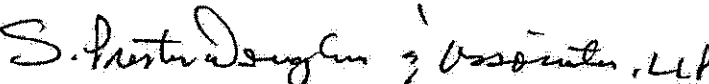
In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2011, on our consideration of the Town of Maxton's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. Not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

To the Honorable Mayor and
Members of the Board of Town Commissioners
Town of Maxton, North Carolina
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of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Maxton, North Carolina. The other schedules and statistical information listed in the table of contents, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

 S. Parker Doughton & Associates, LLP

Lumberton, North Carolina
August 17, 2011

Town of Maxton, North Carolina
Management's Discussion and Analysis
June 30, 2011

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, 2011.

Financial Highlights

The assets of the Town of Maxton exceeded its liabilities at the close of the fiscal year by \$7,152,494.

The government's total net assets decreased by 6.10%, this was primarily due to expenditures exceeding revenues in governmental activities.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$90,729, a decrease of \$417,541 in comparison with the prior year. There was \$-140,758 in fund balance available for appropriation.

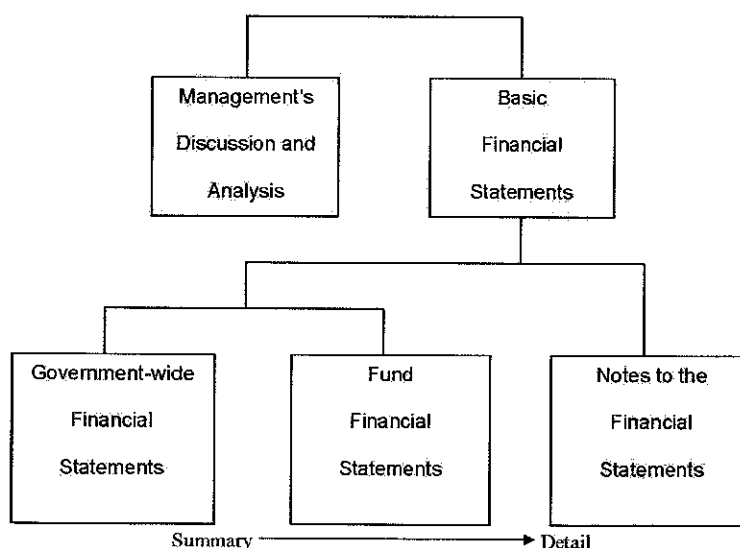
The Town's total debt decreased in the amount of \$91,023, during the current fiscal year.

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.

Required Components of Annual Financial Report

Figure 1



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.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to 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 assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets 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 Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

Basic Financial Statements (continued)

Governmental funds (continued). 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.

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 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 19-34 of this report.

Other information. Major funds and the component unit are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Government-wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net assets 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 assets:

The Town of Maxton's Net Assets

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Totals 2011	Totals 2010
Current and other assets	\$550,633	\$1,054,093	\$726,396	\$692,525	\$1,277,029	\$1,746,618
Capital assets	2,344,676	1,910,544	4,243,230	4,734,817	6,587,906	6,645,361
Total assets	2,895,309	2,964,637	4,969,626	5,427,342	7,864,935	8,391,979
Current liabilities	165,519	257,036	146,257	150,829	311,776	407,865
Non-current liabilities	246,665	216,099	154,000	179,500	400,665	395,599
Total liabilities	412,184	473,135	300,257	330,329	712,441	803,464
Net assets						
Invested in capital assets						
assets, net of related						
debt	2,081,416	1,684,713	4,063,730	4,530,817	6,145,146	6,215,530
Restricted	231,487	324,870	-	-	231,487	324,870
Unrestricted	170,222	481,919	605,639	566,196	775,861	1,048,115
Total net assets	\$2,483,125	\$2,491,502	\$4,669,369	\$5,097,013	\$7,152,494	\$7,588,515

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

Government-wide Financial Analysis (continued)

The assets of the Town exceeded liabilities by \$7,152,494 as of June 30, 2011. The Town's net assets decreased by \$436,021 for the fiscal year ended June 30, 2011. The largest portion (85.92%) 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. No portion of the Town of Maxton's net assets represent resources that are subject to external restrictions on how they may be used. The entire balance of \$775,861 is unrestricted.

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

	The Town of Maxton's Changes in Net Assets					
	Governmental	Governmental	Business-type	Business-type	Totals	Totals
	Activities	Activities	Activities	Activities		
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 294,692	\$ 290,491	\$ 747,231	\$ 814,641	\$ 1,041,923	\$ 1,105,132
Operating grants and contributions	724,276	1,166,590	-	-	724,276	1,166,590
Capital grants and contributions	-	-	-	1,995,391	-	1,995,391
General revenues					-	-
Property taxes	689,349	646,469	-	-	689,349	646,469
Other taxes	758,638	677,130	-	-	758,638	677,130
Other	40,211	20,222	60,010	333	100,521	20,023
Total revenues	2,513,272	2,800,912	807,241	2,810,425	3,320,513	5,611,337
Expenses:						
General Government	461,348	408,861	-	-	461,348	408,861
Public Safety	1,169,572	879,095	-	-	1,169,572	879,095
Transportation	235,567	368,668	-	-	235,567	368,668
Environmental Protection	390,737	233,116	-	-	390,737	233,116
Human Services	542,131	898,538	-	-	542,131	898,538
Cultural and Recreation	114,897	84,611	-	-	114,897	84,611
Interest on long-term debt	10,439	-	-	-	10,439	-
Water and Sewer	-	-	831,843	870,933	831,843	870,933
Capital asset transfers	(403,042)	-	403,042	-	-	-
Total expenses	2,521,649	2,872,889	1,234,885	870,933	3,756,534	3,743,822
Change in net assets	(8,377)	(71,977)	(427,644)	1,939,492	(436,021)	1,867,515
Net assets - Beginning of year	2,491,502	2,563,479	5,097,013	3,157,521	7,588,515	5,721,000
Net assets - End of year	\$ 2,483,125	\$ 2,491,502	\$ 4,669,369	\$ 5,097,013	\$ 7,152,494	\$ 7,588,515

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

Governmental activities. Governmental activities decreased the Town's net assets by \$8,377. Key elements of this decrease are as follows:

- Revenues decreased from the prior year amounts.
- Tax revenues decreased.

Business-type activities. Business-type activities decreased the Town of Maxton's net assets by \$427,644. The key element of this decrease is as follows is that operating expenses increased and operation revenue decreased.

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 \$-140,758, while total fund balance reached \$90,729. 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 -5.8% of General Fund expenditures.

At June 30, 2011, the governmental funds of the Town of Maxton reported a combined fund balance of \$90,729, a 82.15% decrease over last year. Included in this change in fund balance are a decrease in fund balance in the General and an increase in the Special Revenue Fund.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding options from external sources, such as federal and State grants.
- Amendments that appropriate increases which become necessary to maintain services and obligations from prior years not completed.

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.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$605,639. The total decrease in net assets was \$427,644. Other factors concerning this fund have been discussed in the Town's business-type activities.

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, 2011, totals \$6,587,906 (net of accumulated depreciation). The investments in capital assets include buildings, streets, land, machinery and equipment, and vehicles.

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

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Totals 2011	Totals 2010
Land	\$98,005	\$98,005	\$131,166	\$131,166	\$229,171	\$229,171
Buildings and improvements	2,902,044	2,223,697	2,254,217	32,400	5,156,261	2,256,097
Furniture and equipment	889,895	861,935	1,640,929	1,638,300	2,530,824	2,500,235
Vehicles	986,229	774,481	64,298	43,178	1,050,527	817,659
Plant and distribution system	0	0	2,613,151	2,613,151	2,613,151	2,613,151
Work in Progress	0	343,565	0	2,624,856	0	2,968,421
Total depreciable assets	4,778,168	4,203,678	6,572,595	6,951,885	11,350,763	11,155,563
Less – Accumulated dep.	2,531,497	2,391,139	2,460,531	2,348,235	4,992,028	4,739,374
Total depreciable assets, net	2,246,671	1,812,539	4,112,064	4,603,650	6,358,735	6,416,189
Total capital assets, net	\$2,344,676	\$1,910,544	\$4,243,230	\$4,734,816	\$6,587,906	\$6,645,360

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, 2011, the Town of Maxton had total bonded debt outstanding of \$179,500, all backed by the full faith and credit of the Town.

The Town of Maxton's bonded debt decreased by \$24,500 during the past fiscal year, due to principal payments on existing bonded debt.

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 \$6,558,662.

Additional information regarding the Town of Maxton's long-term debt can be found on page 32 of this report.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

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 13.2% is above the State average of 10.4% and the national rate of 9.3%.

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, 2011, 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, 2011.

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.

Town of Maxton, North Carolina
Statement of Net Assets
June 30, 2011

	Primary Government			
	Governmental Activities	Business- Type Activities	Totals	Maxton ABC Board
Current assets				
Cash, cash equivalents, and investments	\$ 147,049	\$ 346,043	\$ 493,092	\$ 19,544
Taxes receivable - Net	342,033	-	342,033	-
Accounts receivable - Net	61,367	182,068	243,435	-
Due from other governments	74,859	-	74,859	-
Internal balances	(188,341)	188,341	-	-
Inventories	-	9,944	9,944	87,999
Restricted cash and cash equivalents	113,666	-	113,666	-
Total current assets	550,633	726,396	1,277,029	107,543
Capital assets				
Land, non-depreciable	98,005	131,166	229,171	5,000
Other capital assets, net of depreciation	2,246,671	4,112,064	6,358,735	10,629
Total capital assets	2,344,676	4,243,230	6,587,906	15,629
Total assets	\$ 2,895,309	\$ 4,969,626	\$ 7,864,935	\$ 123,172
<u>Liabilities</u>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 117,771	\$ 45,433	\$ 163,204	\$ 74,048
Customer deposits	-	64,184	64,184	-
Compensated absences	31,153	11,140	42,293	-
General obligation bonds - Current	-	25,500	25,500	-
Installment notes payable - Current	16,595	-	16,595	-
Total current liabilities	165,519	146,257	311,776	74,048
Non-current liabilities				
General obligation bonds	-	154,000	154,000	-
Installment notes payable	246,665	-	246,665	-
Total non-current liabilities	246,665	154,000	400,665	-
Total liabilities	\$ 412,184	\$ 300,257	\$ 712,441	\$ 74,048
<u>Net Assets</u>				
Investment in capital assets, net of related debt	\$ 2,081,416	\$ 4,063,730	\$ 6,145,146	\$ 15,629
Restricted for:				
Stabilization by State Statute	117,821	-	117,821	-
Other Functions	113,666	-	113,666	16,078
Unrestricted	170,222	605,639	775,861	17,417
Total net assets	\$ 2,483,125	\$ 4,669,369	\$ 7,152,494	\$ 49,124

The accompanying notes are an integral part of these financial statements.

Town of Maxton, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government							
Governmental activities							
General Government	\$ 461,348	\$ 11,535	\$ -	\$ -	\$ (449,813)	\$ -	\$ (449,813)
Public Safety	1,169,572	7,795	-	-	(1,161,777)	-	(1,161,777)
Transportation	235,567	-	74,509	-	(161,058)	-	(161,058)
Environmental Protection	390,737	275,362	-	-	(115,375)	-	(115,375)
Human Services	542,131	-	649,767	-	107,636	-	107,636
Cultural and Recreational	114,897	-	-	-	(114,897)	-	(10,439)
Interest on long-term debt	10,439	-	-	-	(10,439)	-	-
Total governmental activities	2,924,691	294,692	724,276	-	(1,905,723)	-	(1,790,826)
Business-type activities							
Water and Sewer	831,843	747,231	-	-	-	(84,612)	-
Total primary government	\$ 3,756,534	\$ 1,041,923	\$ 724,276	\$ -	(1,905,723)	(84,612)	(1,790,826)
Component unit							
Maxton ABC Board	\$ 421,304	\$ 418,059	\$ -	\$ -	-	-	(3,245)
General revenues							
Taxes							
Property taxes, levied for general purposes					689,349	-	689,349
Other taxes					758,638	-	758,638
Unrestricted investment earnings					-	210	210
Transfers - capital assets					403,042	(403,042)	-
Miscellaneous					46,317	59,800	106,117
Total general revenues, special items, and transfers					1,897,346	(343,032)	1,554,314
Change in net assets					(8,377)	(427,644)	(436,021)
Net assets - Beginning of year, as previously reported					2,491,502	5,097,013	7,588,515
Net assets - End of year					\$ 2,483,125	\$ 4,669,369	\$ 7,152,494

The accompanying notes are an integral part of these financial statements.

Town of Maxton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2011

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>		
<u>ASSETS</u>			
Cash, cash equivalents, and investments	\$ 146,576	\$ 473	\$ 147,049
Restricted cash	113,666	-	113,666
Ad valorem taxes receivables, net	342,033	-	342,033
Accounts receivable, net	43,062	18,305	61,367
Due from other governments	74,759	-	74,759
Prepaid expenses	-	-	-
Total assets	<u>\$ 720,096</u>	<u>\$ 18,778</u>	<u>\$ 738,874</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable and accrued liabilities	\$ 98,993	\$ 18,778	\$ 117,771
Due to other funds	188,341	-	188,341
Deferred revenue	342,033	-	342,033
Total liabilities	<u>629,367</u>	<u>18,778</u>	<u>648,145</u>
Fund balances			
Restricted			
Stabilization by State Statute	\$ 117,821	\$ -	\$ 117,821
Streets	113,666	-	113,666
Unassigned	(140,758)	-	(140,758)
Total fund balances	<u>90,729</u>	<u>-</u>	<u>90,729</u>
Total liabilities and fund balances	<u>\$ 720,096</u>	<u>\$ 18,778</u>	<u>\$ 738,874</u>
Amounts reported for governmental activities in the statement of net assets are different because:			
Total Fund Balance, Governmental Funds			90,729
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			
Gross capital assets at historical cost	\$ 4,876,173		
Accumulated depreciation	<u>(2,531,497)</u>		2,344,676
Liabilities for earned but deferred revenues in fund statements			342,033
Other			100
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Gross long-term debt	\$ (287,244)		
Long-term debt included as net assets below (includes the addition of long-term debt and principal payments during the year.)	<u>23,984</u>		(263,260)
Compensated absences not expected to be materially liquidated with expendable available resources			(31,153)
Net assets reported as governmental activities			<u>\$ 2,483,125</u>

The accompanying notes are an integral part of the financial statements.

Town of Maxton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	<u>Major Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue Funds</u>	<u>Governmental Funds</u>
Revenues			
Ad Valorem taxes	\$ 689,349	\$ -	\$ 689,349
Other taxes and licenses	37,783	-	37,783
Unrestricted intergovernmental	582,236	-	582,236
Restricted intergovernmental	405,864	649,767	1,055,631
Sales and services	294,692	-	294,692
Investment earnings	-	-	-
Miscellaneous	46,317	-	46,317
Total revenues	<u>2,056,241</u>	<u>649,767</u>	<u>2,706,008</u>
Expenditures			
General Government	436,870	-	436,870
Public Safety	1,378,359	-	1,378,359
Transportation	203,339	-	203,339
Environmental Protection	372,428	-	372,428
Human services	-	669,862	669,862
Cultural and Recreational	114,897	-	114,897
Total expenditures	<u>2,505,893</u>	<u>669,862</u>	<u>3,175,755</u>
Excess of revenues over expenditures	(449,652)	(20,095)	(469,747)
Other financing sources (uses)			
Loan proceeds	52,206	-	52,206
Transfers in (out)	-	-	-
Net change in fund balance	(397,446)	(20,095)	(417,541)
Fund balances - Beginning of year	<u>488,175</u>	<u>20,095</u>	<u>508,270</u>
Fund balances - End of year	<u>\$ 90,729</u>	<u>\$ -</u>	<u>\$ 90,729</u>

The accompanying notes are an integral part of these financial statements.

Town of Maxton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds (continued)
For the Fiscal Year Ended June 30, 2011

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

Net changes in fund balances - total government funds	\$	(417,541)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 574,490	
Depreciation expense for governmental assets	<u>(140,358)</u>	434,132

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues		13,045
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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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(61,413)	
Principal payments on long-term debt	<u>23,984</u>	(37,429)

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.

Compensated absences		<u>(584)</u>
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Total change in net assets of governmental activities	\$	<u>(8,377)</u>
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The accompanying notes are an integral part of these financial statements.

Town of Maxton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Ad Valorem taxes	\$ 687,645	\$ 687,645	\$ 689,349	\$ 1,704
Other taxes and licenses	37,525	37,525	37,783	258
Unrestricted intergovernmental	590,500	590,500	582,236	(8,264)
Restricted intergovernmental	595,935	543,729	405,864	(137,865)
Sales and services	291,790	291,790	294,692	2,902
Investment earnings	-	-	-	-
Miscellaneous	69,561	69,561	46,317	(23,244)
Total revenues	<u>2,272,956</u>	<u>2,220,750</u>	<u>2,056,241</u>	<u>(164,509)</u>
Expenditures				
General Government	966,066	512,836	436,870	75,966
Public Safety	1,303,300	1,303,300	1,378,359	(75,059)
Transportation	93,940	203,360	203,339	21
Environmental Protection	142,905	372,455	372,428	27
Cultural and Recreational	-	114,260	114,897	(637)
Total expenditures	<u>2,506,211</u>	<u>2,506,211</u>	<u>2,505,893</u>	<u>318</u>
Revenue over (under) expenditures	<u>(233,255)</u>	<u>(285,461)</u>	<u>(449,652)</u>	<u>(164,191)</u>
Other financing sources (uses)				
Loan proceeds	-	52,206	52,206	-
Transfers to special revenue fund	-	-	-	-
Revenue and other financing sources over (under) expenditures and other financing uses	<u>(233,255)</u>	<u>(233,255)</u>	<u>(397,446)</u>	<u>(164,191)</u>
Appropriated fund balance	<u>233,255</u>	<u>233,255</u>	<u>-</u>	<u>(233,255)</u>
Revenues, other financing sources, and appropriated fund balance over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(397,446)</u>	<u>\$ (397,446)</u>
Fund balance - Beginning of year			<u>488,175</u>	
Fund balance - End of year			<u>\$ 90,729</u>	

The accompanying notes are an integral part of these financial statements.

Town of Maxton, North Carolina
Statement of Net Assets
Proprietary Fund
June 30, 2011

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<u>Assets</u>	
Current assets	
Cash, cash equivalents, and investments	\$ 346,043
Accounts receivable, net	182,068
Due from other governments	-
Due from other funds	188,341
Inventories	9,944
Total current assets	<u>726,396</u>
Capital assets	
Land	131,166
Other capital assets, net of depreciation	4,112,064
Total capital assets	<u>4,243,230</u>
Total assets	<u><u>\$ 4,969,626</u></u>
<u>Liabilities</u>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 45,433
Customer deposits	64,184
Compensated absences	11,140
General obligation bonds - Current	25,500
Total current liabilities	<u>146,257</u>
Non-current liabilities	
General obligation bonds	154,000
Total liabilities	<u><u>\$ 300,257</u></u>
<u>Net Assets</u>	
Investment in capital assets, net of related debt	\$ 4,063,730
Unrestricted	605,639
Total net assets	<u><u>\$ 4,669,369</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Maxton, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Enterprise Fund Water and Sewer Fund
Operating revenues	
Charges for services	\$ 691,683
Other operating revenues	55,548
Total operating revenues	<u>747,231</u>
Operating expenses	
Water and sewer department	709,347
Depreciation expense	112,296
Total operating expenses	<u>821,643</u>
Operating income (loss)	<u>(74,412)</u>
Non-operating revenue (expenses)	
Investment earnings	210
Grants	40,000
Rent income	19,800
Interest and other charges	(10,200)
Total non-operating revenue (expenses)	<u>49,810</u>
Income (loss) before contributions and transfers	(24,602)
Transfers out - capital assets - to government activities	(403,042)
Change in fund net assets	(427,644)
Net assets - Beginning of year, as restated	<u>5,097,013</u>
Net assets - End of year	<u><u>\$ 4,669,369</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Maxton, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Enterprise Fund Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 686,038
Cash paid for goods and services	(343,367)
Cash paid to or on behalf of employees for services	(356,524)
Increase (decrease) in customer deposits	4,595
Other operating revenue	55,548
Net cash provided (used) by operating activities	46,290
Cash flows from capital and related financing activities	
Grants	40,000
Rent income	19,800
Acquisition and construction of capital assets	(23,751)
Principal paid on bonds	(24,500)
Interest paid on bond	(10,200)
Net cash provided (used) by capital and related financing activities	1,349
Cash flows from investing activities	
Interest on investments	210
Net increase (decrease) in cash, cash equivalents, and investments	47,849
Cash, cash equivalents, and investments - Beginning of year	298,194
Cash, cash equivalents, and investments - End of year	\$ 346,043
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (74,412)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	112,296
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(5,645)
(Increase) decrease in due from other governments	21,458
(Increase) decrease in inventories	(1,835)
Increase (decrease) in accounts payable and accrued liabilities	(10,167)
Increase (decrease) in customer deposits	4,595
Total adjustments	120,702
Net cash provided (used) by operating activities	\$ 46,290
Schedule of Noncash Investing and Financial Transactions	
Capital asset transfer to Governmental activities	\$ 403,042

The accompanying notes are an integral part of these financial statements.

Town of Maxton, North Carolina
Notes to Financial Statements
June 30, 2011

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 Assets 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 Financial Statements (continued)
June 30, 2011

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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Scotland and Robeson Counties are responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Maxton. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Scotland County and Robeson County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenue. For vehicles registered and billed under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

C - Measurement Focus and Basis of Accounting (continued)

the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2011, because they are intended to finance the Town's operations during the 2011-12 fiscal year.

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

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

The Town has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

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, 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.

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, and Fund Equity (continued)

Deposits and Investments (continued)

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, a SEC-registered mutual fund. Investments are stated at cost or amortized cost.

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

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.

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.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies Ad Valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2006.

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, 2011, 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.

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, and Fund Equity (continued)

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. 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.

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or 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 Financial Statements (continued)
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, 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 Assets / Fund Balances

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

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.

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 2 - Stewardship, Compliance, and Accountability

Noncompliance with North Carolina General Statutes

North Carolina General Statute 159-8(a) dictates minimum amounts of unassigned General Fund fund balance which must be maintained by the Town. The Town of Maxton had a negative unassigned portion of fund balance in the amount of (\$140,758) at June 30, 2011. The Town intends to formally forgive the debt to the Water and Sewer Fund from the General Fund in the amount of \$188,341 prior to June 30, 2012 and this will have an immediate and direct effect on the unassigned portion of the General Fund fund balance next year. The Town is in the process of cutting costs and reviewing revenue sources and will endeavor to correct all deficiencies in connection with this matter.

Excess of expenditures over appropriations

For the fiscal year ended June 30, 2011, expenditures exceeded the authorized appropriations made by the governing board in the following areas: General Fund – Public Safety, specifically the Police Department . The Board will more closely review and monitor budget reports and expenditures to ensure compliance in future years.

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 undercollateralization, 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.

At June 30, 2011, the Town's deposits had a carrying amount of \$190,422 and a bank balance of \$198,011. 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 \$18,369 and the bank was \$20,841. All of the bank balance was covered by federal depository insurance.

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Investments

At June 30, 2011, the Town's investment balances were as follows:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
North Carolina Capital Management Trust Cash Portfolio	\$ 416,208	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, 2011.

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, 2011, the Town had \$416,208 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 Assets are net of the following allowances for doubtful accounts:

Governmental activities:	
General Fund:	
Taxes receivable	\$ 14,000
Accounts receivable	5,958
	<u>19,958</u>
Business-type activities	18,636
	<u>18,636</u>
Total	<u>\$ 38,594</u>

Due from Other Governmental Agencies

At June 30, 2011, funds due from other governmental agencies consisted of the following:

	<u>Governmental Activities</u>			
	<u>General</u>	<u>Non-Major Governmental</u>	<u>Total</u>	<u>Business-Type Activities</u>
Local option sales tax	\$ 74,759	\$ -	\$ 74,759	\$ -
Grants receivable				-
	<u>\$ 74,759</u>	<u>\$ -</u>	<u>\$ 74,759</u>	<u>\$ -</u>

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

Governmental activities -	Beginning Balances			Ending Balances
Capital assets	<u>7/1/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2011</u>
Land (non-depreciable)	\$ 98,005	\$ -	\$ -	\$ 98,005
Buildings and improvements	2,223,697	678,347	-	2,902,044
Furniture and equipment	861,935	27,960		889,895
Vehicles	774,481	211,748	-	986,229
Work in progress	343,565	-	343,565	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets	\$ 4,301,683	\$ 918,055	\$ 343,565	\$ 4,876,173
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less -				
Accumulated depreciation				
Buildings and improvements	\$ 905,996	\$ 59,109	\$ -	\$ 965,105
Furniture and equipment	759,999	28,354		\$ 788,353
Vehicles/motorized equipment	725,144	52,895	-	778,039
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	2,391,139	\$ 140,358	\$ -	2,531,497
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities -				
Capital assets - Net	<u>\$ 1,910,544</u>			<u>\$ 2,344,676</u>

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

General Government	\$ 35,060
Public Safety	51,252
Transportation	32,228
Environmental Protection	21,818
Cultural and Recreational	<u>-</u>
Total depreciation expense	<u>\$ 140,358</u>

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

A -- Assets (continued)

Capital Assets (continued)

Business-type activities - Water and Sewer Fund - Capital assets	Beginning Balances 7/1/2010	Increases	Decreases	Ending Balances 6/30/2011
Land (non-depreciable)	\$ 131,166	\$ -	\$ -	\$ 131,166
Buildings and improvements	32,400	2,221,817	-	2,254,217
Plant and distribution system	2,613,151	-	-	2,613,151
Furniture and equipment	1,638,300	2,629	-	1,640,929
Vehicles	43,178	21,120	-	64,298
Work in progress	2,624,856	-	2,624,856	-
Total capital assets	\$ 7,083,051	\$2,245,566	\$2,624,856	\$ 6,703,761
Less - Accumulated depreciation				
Buildings and improvements	\$ 21,483	\$ 1,400	\$ -	\$ 22,883
Plant and distribution system	831,520	77,069	-	908,589
Furniture and equipment	1,460,458	29,322	-	1,489,780
Vehicles	34,774	4,505	-	39,279
Total accumulated depreciation	2,348,235	\$ 112,296	\$ -	2,460,531
Business-type activities Capital assets - Net	\$ 4,734,816			\$ 4,243,230

Discretely Presented Component Unit

Capital assets activity for the ABC Board for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land (non-depreciable)	\$ 5,000	\$ -	\$ -	\$ 5,000
Building and improvements	58,028	-	-	58,028
Furniture and equipment	54,149	4,361	-	58,510
Total capital assets	117,177	4,361	-	121,538
Less - Accumulated depreciation				
Buildings and improvements	57,437	66	-	57,503
Furniture and equipment	45,470	2,936	-	48,406
Total depreciation	102,907	3,002	-	105,909
Total ABC Board capital assets - Net	\$ 14,270			\$ 15,629

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Maxton and the ABC Board contribute to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6% and 6%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.08% of annual covered payroll. The contribution requirements of members and of the Town of Maxton are established and may be amended by the North Carolina General Assembly. Total contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$122,896, \$102,839, and \$103,187 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009, were \$2,997, \$2,179, and \$2,460 respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>8</u>
Total	<u><u>8</u></u>

A separate report was not issued for the plan.

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

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.

Method Used to Value Instruments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. The Council has designated a portion of fund balance to be used for these expenditures when they are paid.

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. Since no formal plan exists at this time, no actuarial information is available for the plan.

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, 2010, were \$17,185, which consisted of \$15,100 from the Town and \$2,085 from the law enforcement officers.

Other Post-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.

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

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.

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.

Claims, Judgments, and Contingent Liabilities

At June 30, 2011, the Town was a defendant to a lawsuit. In the opinion of the Town's management, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Long-Term Obligations

Installment Purchase Agreements

During the year, the Town purchased some police vehicles and financed them with Lumbee Guaranty Bank. The loan requires five annual payments of \$11,492, including interest at 3.95%.	\$ 47,162
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During the year, 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.	184,607
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On April 18, 2007, the Town entered into an installment purchase agreement with a local bank in connection with the construction of the building mentioned immediately above. The loan requires ten annual payments of \$6,272, including interest at 5.9%, beginning in 2008.	31,491
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Total long-term obligations	<u>\$ 263,260</u>
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Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Long-Term Obligations (continued)

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, 2011, 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.	\$ 179,500
Less -- Current portion	<u>24,500</u>
Long-term portion of general obligation bonds	<u>\$ 155,000</u>

At June 30, 2011, the Town of Maxton had no bonds authorized but unissued and had a legal debt margin of \$6,558,662 which is computed by multiplying the property valuation by 8% and subtracting the debt detailed above.

Changes in Long-Term Debt

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2011:

	Beginning Balances 7/1/2010	Additions	Retirements	Ending Balances 6/30/2011	Due Within One Year
Governmental activities:					
Installment purchases	\$ 225,831	\$ 61,413	\$ 23,984	\$ 263,260	\$ 16,595
Compensated absences	30,469	684	-	31,153	31,153
Total governmental activities	<u>\$ 256,300</u>	<u>\$ 62,097</u>	<u>\$ 23,984</u>	<u>\$ 294,413</u>	<u>\$ 47,748</u>
Business-type activities:					
General obligation bonds	\$ 204,000	-	\$ 24,500	\$ 179,500	\$ 24,500
Compensated absences	11,418	-	277	11,141	11,141
Total business-type activities	<u>\$ 215,418</u>	<u>\$ -</u>	<u>\$ 24,777</u>	<u>\$ 190,641</u>	<u>\$ 35,641</u>

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Maturities of Long-Term Debt

	Bond Obligation		Installment Purchases		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities:						
2012	\$ -	\$ -	\$ 16,595	\$ 11,103	\$ 16,595	\$ 11,103
2013	-	-	17,363	10,335	17,363	10,335
2014	-	-	18,159	9,539	18,159	9,539
2015	-	-	18,993	8,706	18,993	8,706
2016	-	-	14,090	7,862	14,090	7,862
2017-2021	-	-	21,457	34,485	21,457	34,485
2022-2047	-	-	156,603	101,681	156,603	101,681
Total governmental activities	-	-	263,260	183,711	263,260	183,711
Business-type activities:						
2012	25,500	8,975	-	-	25,500	8,975
2013	26,000	7,700	-	-	26,000	7,700
2014	26,000	6,400	-	-	26,000	6,400
2015	26,000	5,100	-	-	26,000	5,100
2016	26,000	3,800	-	-	26,000	3,800
2017-2018	50,000	3,700	-	-	50,000	3,700
Total business-type activities	179,500	35,675	-	-	179,500	35,675
Total maturities of long-term debt	\$ 179,500	\$ 35,675	263,260	183,711	\$ 442,760	\$ 219,386

Deferred / Unearned Revenues

The balance in deferred/unearned revenues of the fund financial statements at June 30, 2011, consisted of the following elements:

	General	Non-Major Governmental	Total
Ad valorem taxes	\$ 342,033	\$ -	\$ 342,033

Interfund Balances and Activity

Balances due to/from other funds at June 30, 2011, consisted of the following:

Due to the Enterprise Fund from the General Fund	\$ 188,341
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The outstanding balance results from the timing differences between when goods and services are provided, recorded, and then subsequently reimbursed.

Town of Maxton, North Carolina
Notes to Financial Statements (continued)
June 30, 2011

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 – Subsequent Events

Subsequent events were evaluated through August 17, 2011, which is the date the financial statements were available to be issued.

Individual Fund Financial Statements Section

General Fund

Town of Maxton, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2011

	2011		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Ad Valorem taxes			
Current year	\$	\$ 509,741	\$
Prior years		102,507	
Vehicle taxes		41,268	
Penalties		35,833	
Total Ad Valorem taxes	<u>687,645</u>	<u>689,349</u>	<u>1,704</u>
Other taxes and licenses			
Privilege licenses		37,528	
Dog tax		255	
Cablevision franchise tax		-	
Total other taxes and licenses	<u>37,525</u>	<u>37,783</u>	<u>258</u>
Unrestricted intergovernmental			
Local option sales tax		435,632	
Payments in lieu of taxes		3,110	
Utility franchise tax		132,374	
Beer and wine tax		11,120	
Total unrestricted intergovernmental	<u>590,500</u>	<u>582,236</u>	<u>(8,264)</u>
Restricted intergovernmental			
Powell Bill allocation		74,509	
Drug money		1,803	
Other		329,552	
Total restricted intergovernmental	<u>543,729</u>	<u>405,864</u>	<u>(137,865)</u>
Sales and services			
Refuse collection fees		275,362	
Courts costs, fee, and charges		6,470	
Fire protection fees		1,325	
Cemetery revenue		5,750	
Property rents		5,785	
Fire inspection fees		-	
Total sales and services	<u>291,790</u>	<u>294,692</u>	<u>2,902</u>
Miscellaneous revenues			
Other		387	
Insurance reimbursement		-	
Tax refunds		19,239	
Donations and fundraising		12,738	
Miscellaneous		13,953	
Total miscellaneous revenues	<u>69,561</u>	<u>46,317</u>	<u>(23,244)</u>
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 2,220,750</u>	<u>\$ 2,056,241</u>	<u>\$ (164,509)</u>

Town of Maxton, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Fiscal Year Ended June 30, 2011

<u>Expenditures</u>	2011		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
General Government			
Governing body			
Salaries and employee benefits	\$	\$ 28,418	\$
Operating expenses		2,053	
Total governing body	<u>30,485</u>	<u>30,471</u>	<u>14</u>
Administration			
Salaries and employee benefits		86,778	
Operating expenses		301,039	
Debt service - Principal		10,582	
Debt service - Interest		-	
Professional fees		8,000	
Capital outlay		-	
Total administration	<u>482,351</u>	<u>406,399</u>	<u>75,952</u>
Total General Government	<u>512,836</u>	<u>436,870</u>	<u>75,966</u>
Public Safety			
Police department			
Salaries and employee benefits		750,417	
Operating expenses		153,527	
Debt service - Principal		6,919	
Debt service - Interest		715	
Capital outlay		223,974	
Total police department	<u>1,060,470</u>	<u>1,135,552</u>	<u>(75,082)</u>
Fire department			
Operating expenses		-	
Queheel Fire District		10,500	
Queheel Fire District - capital outlay		-	
Total fire department	<u>10,500</u>	<u>10,500</u>	<u>-</u>
Rescue squad			
Operating expenses		7,792	
Debt service - Principal		6,483	
Debt service - Interest		9,724	
Capital outlay		-	
Total rescue squad	<u>24,000</u>	<u>23,999</u>	<u>1</u>
Dispatcher department			
Salaries and employee benefits		195,462	
Operating expenses		622	
Capital outlay		12,224	
Total dispatcher department	<u>208,330</u>	<u>208,308</u>	<u>22</u>
Total Public Safety	<u>\$ 1,303,300</u>	<u>\$ 1,378,359</u>	<u>\$ (75,059)</u>

Town of Maxton, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Fiscal Year Ended June 30, 2011

	2011		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>Expenditures (continued)</u>			
Transportation			
Street department			
Salaries and employee benefits	\$	\$ -	\$
Operating expenses		109,412	
Total street department	<u>109,420</u>	<u>109,412</u>	<u>8</u>
Powell Bill			
Salaries and employee benefits		74,580	
Operating expenses		19,347	
Capital outlay		-	
Total Powell Bill	<u>93,940</u>	<u>93,927</u>	<u>13</u>
Total Transportation	<u>203,360</u>	<u>203,339</u>	<u>21</u>
Environmental Protection			
Sanitation			
Salaries and employee benefits		123,014	
Operating expenses		245,905	
Debt service - Principal		-	
Debt service - Interest		-	
Capital outlay		3,509	
Total sanitation	<u>372,455</u>	<u>372,428</u>	<u>27</u>
Total Environmental Protection	<u>372,455</u>	<u>372,428</u>	<u>27</u>
Cultural and Recreational			
Library			
Operating expenses		-	
Donation to library		14,300	
Total library	<u>14,300</u>	<u>14,300</u>	<u>-</u>
Parks and recreation			
Operating expenses		100,597	
Activities		-	
Capital outlay		-	
Total parks and recreation	<u>99,960</u>	<u>100,597</u>	<u>(637)</u>
Total Cultural and Recreational	<u>114,260</u>	<u>114,897</u>	<u>(637)</u>
Total expenditures	<u>\$ 2,506,211</u>	<u>\$ 2,505,893</u>	<u>\$ 318</u>

Town of Maxton, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Fiscal Year Ended June 30, 2011

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Total revenues	\$ 2,220,750	\$ 2,056,241	\$ (164,509)
Total expenditures	<u>2,506,211</u>	<u>2,505,893</u>	<u>318</u>
Revenue over (under) expenditures	(285,461)	(449,652)	(164,191)
Other financing sources			
Appropriated fund balance	233,255	-	(233,255)
Loan proceeds	52,206	52,206	-
Town match to URP07 project	-	-	-
	<u>52,206</u>	<u>#REF!</u>	<u>(233,255)</u>
Revenue and appropriated fund balance over expenditures	<u>\$ -</u>	<u>(397,446)</u>	<u>\$ (397,446)</u>
Fund balance - Beginning of year		<u>488,175</u>	
Fund balance - End of year		<u>\$ 90,729</u>	

Special Revenue Funds:

Community Development

21st Century Community Learning Center

Town of Maxton, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011

	<u>2011</u>		
	<u>Community Development Fund</u>	<u>21st Century Community Learning Center Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash, cash equivalents, and investments	\$ -	\$ 473	\$ 473
Accounts receivable, net	17,928	377	18,305
Total assets	<u><u>\$ 17,928</u></u>	<u><u>\$ 850</u></u>	<u><u>\$ 18,778</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable and accrued liabilities	\$ 17,928	\$ 850	\$ 18,778
Total liabilities	<u>17,928</u>	<u>850</u>	<u>18,778</u>
Fund balances			
Special Revenue Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 17,928</u></u>	<u><u>\$ 850</u></u>	<u><u>\$ 18,778</u></u>

Town of Maxton, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011

	2011		
	Community Development Fund	21st Century Community Learning Center Fund	Total Nonmajor Governmental Funds
Revenues:			
Restricted intergovernmental	\$ 520,932	\$ 128,835	\$ 649,767
Total revenues	<u>520,932</u>	<u>128,835</u>	<u>649,767</u>
Expenditures:			
Economic and physical development	540,818	-	540,818
Operating expenditures	<u>-</u>	<u>129,044</u>	<u>129,044</u>
Total expenditures	<u>540,818</u>	<u>129,044</u>	<u>669,862</u>
Revenues over expenditures	(19,886)	(209)	(20,095)
Other financing sources (uses)			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures and other financing uses	(19,886)	(209)	(20,095)
Fund balance			
Beginning of year - July 1	<u>19,886</u>	<u>209</u>	<u>20,095</u>
End of year - June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Town of Maxton, North Carolina
Special Revenue Fund - Community Development
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and For The Fiscal Year Ended June 30, 2011

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -
USDA	90,395	33,177	2,755	35,932	(54,463)
URP07	75,000	74,797	-	74,797	(203)
Other	-	11,300	-	11,300	11,300
State grant URP09	75,000	75,000	(667)	74,333	(667)
Community Development Block Grant - C	1,000,000	976,870	-	976,870	(23,130)
Local Contribution	1,500	1,500	-	1,500	-
Community Development Block Grant - R	429,050	52,075	518,844	570,919	141,869
Total revenues	1,670,945	1,224,719	520,932	1,745,651	74,706
Expenditures					
Community service - revitalization and development:					
USDA	90,395	44,477	-	44,477	(45,918)
URP07	78,000	77,797	-	77,797	(203)
State grant URP09	75,000	56,164	21,974	78,138	3,138
Community Development Block Grant - C	1,000,000	1,075,114	-	1,075,114	75,114
Town's portion	100,000	-	-	-	(100,000)
Community Development Block Grant - R	429,050	52,075	518,844	570,919	141,869
Total expenditures	1,772,445	1,305,627	540,818	1,846,445	74,000
Revenues over (under) expenditures	(101,500)	(80,908)	(19,886)	(100,794)	706
Other financing sources (uses)					
Transfers in from general fund - URP	1,500	2,250	-	2,250	750
Transfers in from general fund - CDGB	100,000	98,544	-	98,544	(1,456)
Total other financing sources (uses)	101,500	100,794	-	100,794	(706)
Net change in fund balance	\$ -	\$ 19,886	(19,886)	-	\$ -
Fund balance					
Beginning of year - July 1			19,886		
End of year - June 30			\$ -		

Town of Maxton, North Carolina
Special Revenue Fund - 21st Century Community Learning Center
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and For The Fiscal Year Ended June 30, 2011

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>					
Restricted intergovernmental:					
Grants	\$ 100,000	\$ 143,139	\$ 128,835	\$ 271,974	\$ 171,974
<u>Expenditures</u>					
Salaries and wages		81,188	78,085	159,273	
Supplies		24,826	17,917	42,743	
Other		36,916	33,042	69,958	
Total expenditures	<u>100,000</u>	<u>142,930</u>	<u>129,044</u>	<u>271,974</u>	<u>\$ (171,974)</u>
Revenues over (under) expenditures	<u>-</u>	<u>209</u>	<u>(209)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(209)</u>	<u>-</u>	<u>-</u>
Fund balance					
Beginning of year - July 1			<u>209</u>		
End of year - June 30			<u>\$ -</u>		

Enterprise Fund:

Water and Sewer Fund

Town of Maxton, North Carolina
Enterprise Fund - Water and Sewer Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Operating revenue			
Charges for services			
Water and sewer revenue	\$	\$ 691,683	\$
Other operating revenue		55,548	
Total operating revenue	<u>765,618</u>	<u>747,231</u>	<u>(18,387)</u>
Non-operating revenue			
Various grants		40,000	
Rent income		19,800	
Interest earned		210	
	<u>58,000</u>	<u>60,010</u>	<u>2,010</u>
Total revenues	<u>823,618</u>	<u>807,241</u>	<u>(16,377)</u>
<u>Expenditures</u>			
Water and sewer			
Salaries and employee benefits		356,524	
Telephone and postage		9,416	
Utilities		45,203	
Travel and training		3,352	
Maintenance and repairs		20,364	
Supplies		67,793	
Contracted services		139,643	
Insurance and bonds		36,011	
Uniforms		3,544	
Professional services		11,961	
Dues and subscriptions		3,710	
Miscellaneous		11,826	
Total water and sewer	<u>765,093</u>	<u>709,347</u>	<u>55,746</u>
Debt service			
Interest		10,200	
Principal retirement		24,500	
Total debt service	<u>34,700</u>	<u>34,700</u>	<u>-</u>
Capital outlay	<u>23,825</u>	<u>23,749</u>	<u>76</u>
Total expenditures	<u>\$ 823,618</u>	<u>\$ 767,796</u>	<u>\$ 55,822</u>

Town of Maxton, North Carolina
Enterprise Fund - Water and Sewer Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP) (continued)
For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues over (under) expenditures	\$ -	\$ 39,445	\$ 39,445
Other financing sources (uses):			
Transfer to Water and Sewer Capital Projects Fund	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u><u>\$ -</u></u>	<u><u>\$ 39,445</u></u>	<u><u>\$ 39,445</u></u>

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

Revenues and appropriated fund balance over expenditures	<u>\$ 39,445</u>
Reconciling items	
Transfer to Water and Sewer Capital Projects Fund	-
Capital contributions	-
Capital outlay	23,749
Depreciation	(112,296)
Debt principal retirement	<u>24,500</u>
Total reconciling items	<u>(64,047)</u>
Net income (loss)	<u><u>\$ (24,602)</u></u>

Town of Maxton, North Carolina
Enterprise Fund - Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2011

	<u>Project</u>	<u>Actual</u>		<u>Totals</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>to Date</u>	<u>Favorable</u>
		<u>Years</u>	<u>Year</u>		<u>(Unfavorable)</u>
<u>Revenues</u>					
Restricted intergovernmental:					
CWMTF	\$ 2,524,000	\$ 2,104,469	\$ -	\$ 2,104,469	\$ (419,531)
Rural center	391,200	373,418	-	373,418	(17,782)
Total revenues	2,915,200	2,477,887	-	2,477,887	(437,313)
<u>Expenditures</u>					
Sewer rehab	2,443,570	2,369,592	-	2,369,592	73,978
Equipment related	123,730	123,730	-	123,730	-
Management	197,000	106,665	-	106,665	90,335
Contingency	273,000	-	-	-	273,000
Total expenditures	3,037,300	2,599,987	-	2,599,987	437,313
Revenue over (under)					
expenditures	(122,100)	(122,100)	-	(122,100)	-
<u>Other financing sources (uses)</u>					
Transfer from Water and					
Sewer Fund	122,100	122,100	-	122,100	-
Revenue and other financing					
sources over (under)					
expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

Town of Maxton, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2011

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2011</u>
2010-2011	\$ -	\$ 677,660	\$ 554,931	\$ 122,729
2009-2010	111,509		51,512	59,997
2008-2009	65,611		15,406	50,205
2007-2008	46,583		12,181	34,402
2006-2007	36,188		8,378	27,810
2005-2006	32,610		8,809	23,801
2004-2005	16,285		4,170	12,115
2003-2004	7,851		2,034	5,817
2002-2003	18,242		1,463	16,779
2001-2002	3,627		1,249	2,378
2000-2001	4,482		4,482	-
	<u>\$ 342,988</u>	<u>\$ 677,660</u>	<u>\$ 664,615</u>	<u>\$ 356,033</u>
Less - Allowance for uncollectible accounts				<u>(14,000)</u>
Ad Valorem taxes receivable - Net				<u><u>\$ 342,033</u></u>
Reconcilement with revenues:				
Taxes - Ad Valorem - General Fund				\$ 656,551
Reconciling items -				
Prior years taxes released and discounts, net				11,946
Taxes written off				<u>(3,882)</u>
Total collections and credits				<u><u>\$ 664,615</u></u>

Town of Maxton, North Carolina
Analysis of Current Year's Tax Levy
For the Fiscal Year Ended June 30, 2011

	Town-wide Levy			Total Levy	
	Property Valuation	Tax Rate (Per \$100 Valuation)	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 85,591,250	0.80	684,730	617,303	67,427
Downtown Revitalization	\$ 3,266,600	0.10	3,267	3,267	
Larte listing			384	384	
Total property valuation	<u>\$ 88,857,850</u>				
Total levy			688,381	620,954	67,427
Less releases and adjustments	1,340,073	0.80	(10,721)	(6,398)	(4,323)
Less releases and adjustments	<u>-</u>	0.10	<u>-</u>	<u>-</u>	<u>-</u>
Total net levy	<u>87,517,777</u>		677,660	614,556	63,104
Uncollected taxes - June 30, 2009			(123,285)	(101,449)	(21,836)
Downtown			<u>(951)</u>	<u>(951)</u>	<u>-</u>
Current year taxes collected			<u>\$ 553,424</u>	<u>\$ 512,156</u>	<u>\$ 41,268</u>
Gross levy collection percentage			<u>81.67%</u>	<u>83.34%</u>	<u>65.40%</u>

Compliance Section

Supplementary Information:

Compliance Section

- **Report On Internal Control Over Financial Reporting Based And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance with *Government Auditing Standards***
- **Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act**
- **Schedule of Findings and Questioned Costs**
- **Corrective Action Plan**
- **Summary Schedule of Prior Year Audit Findings**
- **Schedule of Expenditures of Federal and State Awards**

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2011, which collectively comprises the Town of Maxton's basic financial statements, and have issued our report thereon dated, August 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Maxton ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the Town of Maxton is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Maxton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Maxton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

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

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Town Commission, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

A handwritten signature in black ink, reading "S. Preston Douglas, Jr., CPA". The signature is written in a cursive style with a large, stylized "S" and "D".

Lumberton, North Carolina
August 17, 2011

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited the Town of Maxton, North Carolina, compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Maxton's major federal programs for the year ended June 30, 2011. The Town of Maxton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Maxton's management. Our responsibility is to express an opinion on the Town of Maxton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Maxton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Maxton's compliance with those requirements.

In our opinion, the Town of Maxton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Town of Maxton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Maxton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over

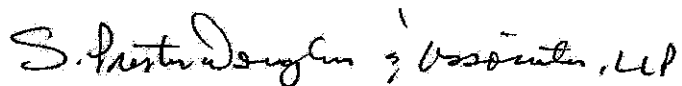
To the Honorable Mayor and
Members of the Board of Town Commissioners
Town of Maxton, North Carolina

compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Town Commission, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

 S. Preston Douglas, CPA

Lumberton, North Carolina
August 17, 2011

TOWN OF MAXTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are
not considered to be material weaknesses _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? _____ yes X no
- Significant deficiency(s) identified that are
not considered to be material weaknesses _____ yes X none reported

Noncompliance material to federal awards _____ yes X no

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance with
Section 510(a) of Circular A-133 _____ yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

TOWN OF MAXTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

Section II. Financial Statement Findings

None

Section III. Federal Award Findings and Questioned Costs

None

Section IV. State Award Findings and Questioned Costs

None

TOWN OF MAXTON, NORTH CAROLINA
Corrective Action Plan
For the Fiscal Year Ended June 30, 2011

Not Applicable

TOWN OF MAXTON, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2011

There were no prior year findings.

Town of Maxton, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-through Grantor's Number</u>	<u>Federal (Direct Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
<u>U.S. Department of Housing and Urban Development</u> Passed-through NC Department of Commerce Grant - Small Cities program	14.228	09-R-1968	\$518,844	\$ -
<u>U.S. Department of Department of Agriculture</u> Communities Facilities Loans and Grants Housing Preservation Grant	10.766		54,707	-
Police car grant	10.766		153,630	-
Rescue squad grant	10.766		2,099	-
<u>U.S. Department of Education</u> Passed-through NC Department of Public Instruction 21st and 22nd Century Community Learning Centers	84.287		113,953	-
State Grants:				
<u>N.C. Department of Environment and Natural Resources</u> Tree grant	N/A		-	190
<u>N.C. Department of Juvenile Justice and Delinquency Prevention</u> Junvenile Justice Grant	N/A	N/A	-	23,551
<u>N.C. Housing Finance Agency</u> Urgent repair	14.999	URP-09	21,974	0
<u>N.C. Rural Center</u>	N/A	NC STEP	-	78,500
	N/A	CPI Water	-	40,000
<u>N.C. Department of Transportation</u> Powell Bill	N/A	N/A	-	93,927
			<u>\$ 865,207</u>	<u>\$ 236,168</u>

Notes to the Schedule of Federal and State Financial Awards:

The accompanying schedule of expenditures of federal and State awards includes the federal and State Grant activity of the Town of Maxton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.