

**Town of Maxton, North Carolina**  
**Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**Town of Maxton, North Carolina**  
**Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**Board of Town Commissioners**

**Sallie McLean, Mayor**

**Cynthia Johnson, Mayor Pro-Tem**

**Margaret Gilchrist**

**Mark McEachin**

**Emmett Morton**

**Victor Womack**

**\* \* \* \* \***

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

**Town of Maxton, North Carolina**  
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**June 30, 2014**

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**Town of Maxton, North Carolina**  
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# **S. Preston Douglas & Associates, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
American Institute of CPAs  
N. C. Association of CPAs

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

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

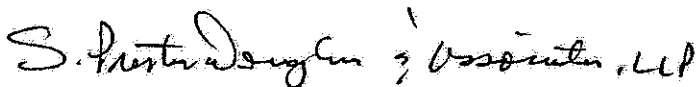
### ***Supplementary and other Information***

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

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

### ***Other Reporting Require by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of the Town of Maxton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Maxton's internal control over financial reporting and compliance.



Lumberton, North Carolina  
October 31, 2014

**Town of Maxton, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**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, 2014.

**Financial Highlights**

The assets of the Town of Maxton exceeded its liabilities at the close of the fiscal year by \$7,588,670.

The government's total net position increased by 5.3%, this was primarily due to revenues exceeding expenditures in governmental activities.

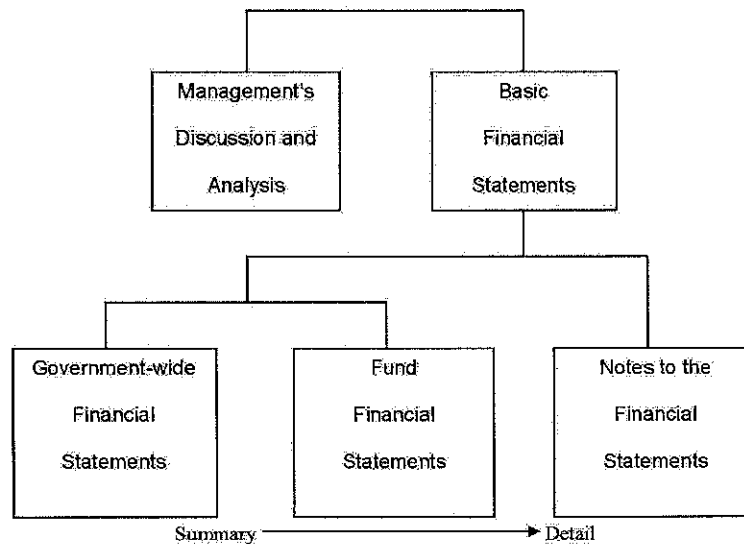
As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$641,082, an increase of \$303,306 in comparison with the prior year. There was \$391,977 in fund balance available for appropriation.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Maxton's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and the 3) notes to financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Maxton.

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

**Town of Maxton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2014**

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 position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Maxton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.



**Town of Maxton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2014**

**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 position may be observed and used to discuss the changing financial position of the Town as a whole.

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

**The Town of Maxton's Net Position**

	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Business-type Activities 2014</b>	<b>Business-type Activities 2013</b>	<b>Totals 2014</b>	<b>Totals 2013</b>
Current and other assets	\$1,148,070	\$841,119	\$824,761	\$751,505	\$1,972,831	\$1,592,624
Capital assets	2,251,878	2,224,688	3,960,843	3,920,534	6,212,721	6,145,222
<b>Total assets</b>	<b>3,399,948</b>	<b>3,065,807</b>	<b>4,785,604</b>	<b>4,672,039</b>	<b>8,185,552</b>	<b>7,737,846</b>
Current liabilities	133,366	98,349	125,831	120,719	259,197	219,068
Non-current liabilities	261,685	211,144	76,000	102,000	337,685	313,144
<b>Total liabilities</b>	<b>395,051</b>	<b>309,493</b>	<b>201,831</b>	<b>222,719</b>	<b>596,882</b>	<b>532,212</b>
Net position						
Net investment in						
capital assets	1,951,131	1,995,385	3,858,843	3,792,534	5,809,974	5,787,919
Restricted	249,105	203,830	-	-	249,105	203,830
Unrestricted	804,661	557,099	724,930	656,786	1,529,591	1,213,885
<b>Total net position</b>	<b>\$3,004,897</b>	<b>\$2,756,314</b>	<b>\$4,583,773</b>	<b>\$4,449,320</b>	<b>\$7,588,670</b>	<b>\$7,205,634</b>

As noted earlier, net position 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, 2014**

**Government-wide Financial Analysis (continued)**

The assets of the Town exceeded liabilities by \$7,588,670 as of June 30, 2014. The Town's net position increased by \$308,036 for the fiscal year ended June 30, 2014. The largest portion (76.56%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Maxton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Maxton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The Town of Maxton's net position reflects \$1,529,591 as unrestricted.

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

**The Town of Maxton's Changes in Net Position**

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Totals 2014	Totals 2013
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 265,138	\$ 270,611	\$ 716,042	\$ 734,338	\$ 981,180	\$ 1,004,949
Operating grants and contributions	113,972	80,168	-	-	113,972	80,168
Capital grants and contributions	-	-	185,510	-	185,510	-
General revenues						
Property taxes	830,590	743,678	-	-	830,590	743,678
Other taxes	8,682	43,489	-	-	8,682	43,489
Other	631,857	615,893	13	61	631,870	615,954
<b>Total revenues</b>	<b>1,850,239</b>	<b>1,753,839</b>	<b>901,565</b>	<b>734,399</b>	<b>2,751,804</b>	<b>2,488,238</b>
<b>Expenses:</b>						
General government	483,831	430,426	-	-	483,831	430,426
Public safety	820,123	788,016	-	-	820,123	788,016
Transportation	124,302	148,715	-	-	124,302	148,715
Environmental protection	123,085	176,256	-	-	123,085	176,256
Human services	-	-	-	-	-	-
Cultural and recreation	22,515	22,990	-	-	22,515	22,990
Interest on long-term debt	9,800	10,335	-	-	9,800	10,335
Water and sewer	-	-	785,112	802,375	785,112	802,375
Transfers	18,000	-	(18,000)	-	-	-
<b>Total expenses</b>	<b>1,601,656</b>	<b>1,576,738</b>	<b>767,112</b>	<b>802,375</b>	<b>2,368,768</b>	<b>2,379,113</b>
<b>Change in net position</b>	<b>248,583</b>	<b>177,101</b>	<b>134,453</b>	<b>(67,976)</b>	<b>383,036</b>	<b>109,125</b>
<b>Net position - beginning of year</b>	<b>2,756,314</b>	<b>2,579,213</b>	<b>4,449,320</b>	<b>4,517,296</b>	<b>7,205,634</b>	<b>7,096,509</b>
<b>Net position - end of year</b>	<b>\$ 3,004,897</b>	<b>\$ 2,756,314</b>	<b>\$ 4,583,773</b>	<b>\$ 4,449,320</b>	<b>\$ 7,588,670</b>	<b>\$ 7,205,634</b>

**Town of Maxton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2014**

**Governmental activities.** Governmental activities increased the Town's net position by \$248,583. Key elements of this increase are as follows:

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

**Business-type activities.** Business-type activities increased the Town of Maxton's net position by \$134,453. The key element of this increase was the capital grant contribution.

**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 \$391,977, while total fund balance reached \$641,082. 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 23.94% of General Fund expenditures.

At June 30, 2014, the governmental funds of the Town of Maxton reported a combined fund balance of \$641,082, a 47% increase over last year. Revenues were greater than the budgeted amounts primarily because property taxes collected were greater than anticipated and because local option sales taxes and miscellaneous revenues were much greater than anticipated. Also, expenditures were held to less than budgeted amounts.

**Proprietary Funds.** The Town of Maxton's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$724,930. The total increase in net position was \$134,453. Other factors concerning this fund have been discussed in the Town's business-type activities.

**Town of Maxton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2014**

**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, 2014, totals \$6,212,722 (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 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Totals 2014	Totals 2013
Land	\$98,005	\$98,005	\$131,166	\$131,166	\$229,171	\$229,171
Buildings and improvements	3,073,130	3,054,145	2,445,027	2,254,217	5,518,157	5,308,362
Furniture and equipment	762,618	630,391	1,652,004	1,652,004	2,414,622	2,282,395
Vehicles	957,400	957,400	64,298	64,298	1,021,698	1,021,698
Plant and distribution system	-	-	2,613,151	2,613,151	2,613,151	2,613,151
Work in Progress	-	-	-	-	-	-
<b>Total depreciable assets</b>	<b>4,793,148</b>	<b>4,641,936</b>	<b>6,774,480</b>	<b>6,583,670</b>	<b>11,567,628</b>	<b>11,225,606</b>
Less – Accumulated dep.	2,639,275	2,515,253	2,944,802	2,794,302	5,584,077	5,309,555
<b>Total depreciable assets, net</b>	<b>2,153,873</b>	<b>2,126,683</b>	<b>3,829,678</b>	<b>3,789,368</b>	<b>5,983,551</b>	<b>5,916,051</b>
<b>Total capital assets, net</b>	<b>\$2,251,878</b>	<b>\$2,224,688</b>	<b>\$3,960,844</b>	<b>\$3,920,534</b>	<b>\$6,212,722</b>	<b>\$6,145,222</b>

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, 2014, the Town of Maxton had total bonded debt outstanding of \$102,000, all backed by the full faith and credit of the Town.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Maxton is \$6,799,813.

Additional information regarding the Town of Maxton's long-term debt can be found on pages 32-33 of this report.

**Town of Maxton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2014**

**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 9.3% is above the State average of 6.4% and the national rate of 6.1%.

**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, 2014, 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, 2014.

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 Position**  
**June 30, 2014**

	<b>Primary Government</b>			<b>Maxton ABC Board</b>
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Totals</b>	
<b>Assets</b>				
<b>Current assets</b>				
Cash, cash equivalents, and investments	\$ 616,578	\$ 507,276	\$ 1,123,854	\$ 13,227
Taxes receivable - net	444,387	-	444,387	-
Accounts receivable - net	49,352	136,846	186,198	-
Due from other governments	77,279	4,663	81,942	-
Internal balances	(162,000)	162,000	-	-
Inventories	-	13,976	13,976	82,788
Prepaid expenses	-	-	-	-
Restricted cash and cash equivalents	122,474	-	122,474	-
<b>Total current assets</b>	<b>1,148,070</b>	<b>824,761</b>	<b>1,972,831</b>	<b>96,015</b>
<b>Capital assets</b>				
Land, non-depreciable	98,005	131,166	229,171	5,000
Other capital assets, net of depreciation	2,153,873	3,829,677	5,983,550	4,269
<b>Total capital assets</b>	<b>2,251,878</b>	<b>3,960,843</b>	<b>6,212,721</b>	<b>9,269</b>
<b>Total assets</b>	<b>3,399,948</b>	<b>4,785,604</b>	<b>8,185,552</b>	<b>105,284</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	62,601	17,614	80,215	55,859
Customer deposits	-	72,551	72,551	-
Compensated absences	31,703	9,666	41,369	-
Current portion of long-term liabilities	39,062	26,000	65,062	9,057
<b>Total current liabilities</b>	<b>133,366</b>	<b>125,831</b>	<b>259,197</b>	<b>64,916</b>
<b>Non-current liabilities</b>				
Due in more than one year	261,685	76,000	337,685	3,893
<b>Total non-current liabilities</b>	<b>261,685</b>	<b>76,000</b>	<b>337,685</b>	<b>3,893</b>
<b>Total liabilities</b>	<b>395,051</b>	<b>201,831</b>	<b>596,882</b>	<b>68,809</b>
<b>Net Position</b>				
Net investment in capital assets	1,951,131	3,858,843	5,809,974	(3,681)
Restricted for:				
Stabilization by State Statute	126,631	-	126,631	-
Other Functions	122,474	-	122,474	14,607
Unrestricted	804,661	724,930	1,529,591	25,549
<b>Total net position</b>	<b>\$3,004,897</b>	<b>\$4,583,773</b>	<b>\$ 7,588,670</b>	<b>\$ 36,475</b>

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, 2014**

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	<u>Primary Government</u>			<u>Maxton ABC Board</u>
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 483,831	\$ -	\$ -	\$ (483,831)	\$ -	\$ (483,831)	\$ -
Public safety	820,123	2,700	34,417	(783,006)	-	(783,006)	-
Transportation	124,302	-	79,555	(44,747)	-	(44,747)	-
Environmental protection	123,085	262,438	-	139,353	-	139,353	-
Cultural and recreational	22,515	-	-	(22,515)	-	-	-
Interest on long-term debt	9,800	-	-	(9,800)	-	(9,800)	-
<b>Total governmental activities</b>	<b>1,583,656</b>	<b>265,138</b>	<b>113,972</b>	<b>(1,204,546)</b>	<b>-</b>	<b>(1,182,031)</b>	<b>-</b>
<b>Business-type activities</b>							
Water and sewer	785,112	716,042	185,510	-	116,440	-	-
<b>Total primary government</b>	<b>\$ 2,368,768</b>	<b>\$ 981,180</b>	<b>\$ 185,510</b>	<b>(1,204,546)</b>	<b>116,440</b>	<b>(1,182,031)</b>	<b>-</b>
<b>Component unit</b>							
Maxton ABC board	\$ 493,325	\$ 490,683	\$ -	\$ -	\$ -	\$ -	(2,642)
<b>General revenues</b>							
Taxes							
Property taxes, levied for general purposes				830,590	-	830,590	-
Other taxes				8,682	-	8,682	-
Grants and contributions not restricted to specific programs				581,897	-	581,897	-
Unrestricted investment earnings				268	13	281	141
Transfers				(18,000)	18,000	-	-
Miscellaneous				49,692	-	49,692	-
<b>Total general revenues, special items, and transfers</b>				<b>1,453,129</b>	<b>18,013</b>	<b>1,471,142</b>	<b>141</b>
Change in net position				248,583	134,453	383,036	(2,501)
<b>Net position - beginning of year</b>				<b>2,756,314</b>	<b>4,449,320</b>	<b>7,205,634</b>	<b>38,976</b>
<b>Net position - end of year</b>				<b>\$ 3,004,897</b>	<b>\$ 4,583,773</b>	<b>\$ 7,588,670</b>	<b>\$ 36,475</b>

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

**Town of Maxton, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>		
<b>Assets</b>			
Cash, cash equivalents, and investments	\$ 616,578	\$ -	\$ 616,578
Restricted cash	122,474	-	122,474
Ad valorem taxes receivables, net	444,387	-	444,387
Accounts receivable, net	49,352	-	49,352
Due from other governments	77,279	-	77,279
Prepaid expenses	-	-	-
<b>Total assets</b>	<u>1,310,070</u>	<u>-</u>	<u>1,310,070</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	62,601	-	62,601
Due to other funds	162,000	-	162,000
<b>Total liabilities</b>	<u>224,601</u>	<u>-</u>	<u>224,601</u>
<b>Deferred inflows of resources</b>			
Property taxes receivable	444,387		444,387
<b>Total deferred inflows of resources</b>	<u>444,387</u>	<u>-</u>	<u>444,387</u>
<b>Fund balance</b>			
Restricted			
Stabilization by State Statute	126,631	-	126,631
Streets	122,474	-	122,474
Unassigned	391,977	-	391,977
<b>Total fund balance</b>	<u>641,082</u>	<u>-</u>	<u>641,082</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 1,310,070</u>	<u>\$ -</u>	

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

Total Fund Balance, Governmental Funds	641,082
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	

Gross capital assets at historical cost	\$ 4,891,153	
Accumulated depreciation	<u>(2,639,275)</u>	2,251,878

Liabilities for earned revenues considered deferred inflows of resources in fund statements	444,387
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Long-term liabilities used in governmental activities are not financial uses  
and therefore are not reported in the funds

Gross long-term debt	\$ (326,532)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	<u>25,785</u>	(300,747)

Compensated absences not expected to be materially liquidated with expendable available resources	<u>(31,703)</u>
<b>Net position reported as governmental activities</b>	<u><u>\$ 3,004,897</u></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, 2014**

	<u>Major Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue Funds</u>	<u>Governmental Funds</u>
<b>Revenues</b>			
Ad valorem taxes	\$ 841,201	\$ -	\$ 841,201
Other taxes and licenses	8,682	-	8,682
Unrestricted intergovernmental	581,897	-	581,897
Restricted intergovernmental	113,972	-	113,972
Sales and services	281,497	-	281,497
Investment earnings	268	-	268
Miscellaneous	33,333	-	33,333
<b>Total revenues</b>	<u>1,860,850</u>	<u>-</u>	<u>1,860,850</u>
<b>Expenditures</b>			
General government	474,400	-	474,400
Public safety	788,692	-	788,692
Transportation	189,702	-	189,702
Environmental protection	125,879	-	125,879
Cultural and recreational	22,515	-	22,515
Debt service			
Principal	25,785	-	25,785
Interest	9,800	-	9,800
<b>Total expenditures</b>	<u>1,636,773</u>	<u>-</u>	<u>1,636,773</u>
Excess of revenues over expenditures	224,077	-	224,077
<b>Other financing sources (uses)</b>			
Loan proceeds	97,229	-	97,229
Transfers in (out)	(18,000)	-	(18,000)
<b>Net change in fund balance</b>	303,306	-	303,306
<b>Fund balances - beginning of year</b>	<u>337,776</u>	<u>-</u>	<u>337,776</u>
<b>Fund balances - end of year</b>	<u><u>\$ 641,082</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 641,082</u></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, 2014**

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

Net changes in fund balances - total government funds	\$	303,306
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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	\$ 151,212	
Depreciation expense for governmental assets	<u>(124,022)</u>	27,190

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		(10,611)
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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 position. 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	(97,229)	
Principal payments on long-term debt	<u>25,785</u>	(71,444)

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>142</u>
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<b>Total change in net position of governmental activities</b>	<b>\$</b>	<b><u>248,583</u></b>
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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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Ad valorem taxes	\$ 717,400	\$ 717,400	\$ 841,201	\$ 123,801
Other taxes and licenses	15,000	15,000	8,682	(6,318)
Unrestricted intergovernmental	480,000	480,000	581,897	101,897
Restricted intergovernmental	97,625	97,625	113,972	16,347
Sales and services	251,450	251,450	281,497	30,047
Investment earnings	-	-	268	268
Miscellaneous	28,500	28,500	33,333	4,833
<b>Total revenues</b>	<u>1,589,975</u>	<u>1,589,975</u>	<u>1,860,850</u>	<u>270,875</u>
<b>Expenditures</b>				
General government	466,440	476,520	474,400	2,120
Public safety	803,220	803,220	788,692	14,528
Transportation	208,065	285,889	189,702	96,187
Environmental protection	126,340	126,340	125,879	461
Cultural and recreational	22,700	22,700	22,515	185
Debt service				
Principal retirement	19,090	26,835	25,785	1,050
Interest expense	9,545	9,800	9,800	-
<b>Total expenditures</b>	<u>1,655,400</u>	<u>1,751,304</u>	<u>1,636,773</u>	<u>114,531</u>
<b>Revenue over (under) expenditures</b>	(65,425)	(161,329)	224,077	385,406
<b>Other financing sources (uses)</b>				
Loan proceeds	-	97,229	97,229	-
Transfers to water & sewer Fund	(18,000)	(18,000)	(18,000)	-
Appropriated fund balance	83,425	82,100	-	(82,100)
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	303,306	<u>\$ 303,306</u>
<b>Fund balance - beginning of year</b>			<u>337,776</u>	
<b>Fund balance - end of year</b>			<u>\$ 641,082</u>	

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

**Town of Maxton, North Carolina**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2014**

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b><u>Assets</u></b>	
<b>Current assets</b>	
Cash, cash equivalents, and investments	\$ 507,276
Accounts receivable, net	136,846
Due from other governments	4,663
Due from other funds	162,000
Inventories	13,976
<b>Total current assets</b>	<u>824,761</u>
<b>Capital assets</b>	
Land	131,166
Other capital assets, net of depreciation	3,829,677
<b>Total capital assets</b>	<u>3,960,843</u>
<b>Total assets</b>	<u>\$ 4,785,604</u>
<b><u>Liabilities</u></b>	
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	\$ 17,614
Customer deposits	72,551
Compensated absences	9,666
General obligation bonds - current	26,000
<b>Total current liabilities</b>	<u>125,831</u>
<b>Non-current liabilities</b>	
General obligation bonds	76,000
<b>Total liabilities</b>	<u>\$ 201,831</u>
<b><u>Net Position</u></b>	
Investment in capital assets, net of related debt	\$ 3,858,843
Unrestricted	724,930
<b>Total net position</b>	<u>\$ 4,583,773</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 Position**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Enterprise Fund Water and Sewer Fund</u>
<b>Operating revenues</b>	
Charges for services	\$ 712,116
Other operating revenues	<u>3,926</u>
<b>Total operating revenues</b>	<u>716,042</u>
<b>Operating expenses</b>	
Water and sewer department	628,212
Depreciation expense	<u>150,500</u>
<b>Total operating expenses</b>	<u>778,712</u>
<b>Operating income (loss)</b>	<u>(62,670)</u>
<b>Non-operating revenue (expenses)</b>	
Investment earnings	13
Rent income	-
Interest and other charges	<u>(6,400)</u>
<b>Total non-operating revenue (expenses)</b>	<u>(6,387)</u>
<b>Income (loss) before contributions and transfers</b>	(69,057)
Capital contribution	185,510
Transfers from general fund	<u>18,000</u>
<b>Change in net position</b>	134,453
<b>Net position - beginning of year</b>	<u>4,449,320</u>
<b>Net position - end of year</b>	<u><u>\$ 4,583,773</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, 2014**

	<b>Enterprise Fund Water and Sewer Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 714,338
Cash paid for goods and services	(307,761)
Cash paid to or on behalf of employees for services	(311,945)
Increase (decrease) in customer deposits	1,483
Other operating revenue	3,926
<b>Net cash provided (used) by operating activities</b>	<u>100,041</u>
<b>Cash flows from noncapital financing activities</b>	
Decrease in due to other funds	18,000
<b>Total cash flows from noncapital financing activities</b>	<u>18,000</u>
<b>Cash flows from capital and related financing activities</b>	
Grants	-
Capital contributions	185,510
Acquisition and construction of capital assets	(190,809)
Principal paid on bonds	(26,000)
Interest paid on bond	(6,400)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(37,699)</u>
<b>Cash flows from investing activities</b>	
Interest on investments	13
<b>Net increase (decrease) in cash, cash equivalents, and investments</b>	<u>80,355</u>
<b>Cash, cash equivalents, and investments - Beginning of year</b>	<u>426,921</u>
<b>Cash, cash equivalents, and investments - End of year</b>	<u><u>\$ 507,276</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	<u>\$ (62,670)</u>
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	150,500
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	2,222
(Increase) decrease in due from other governments	13,337
(Increase) decrease in inventories	(8,460)
Increase (decrease) in accounts payable and accrued liabilities	3,629
Increase (decrease) in customer deposits	1,483
<b>Total adjustments</b>	<u>162,711</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 100,041</u></u>

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

**Town of Maxton, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1 - Summary of Significant Accounting Policies**

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

**A - Reporting Entity**

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

**Town of Maxton Alcoholic Beverage Control Board ("the ABC Board")**

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

**B - Basis of Presentation - Fund Accounting**

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

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

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

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

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**B - Basis of Presentation - Fund Accounting (continued)**

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

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

The Town reports the following major enterprise fund:

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

**C - Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

*Government-wide and Proprietary Fund Financial Statements*. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.



**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**C - Measurement Focus and Basis of Accounting (continued)**

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

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, Deferred Outflows/Inflows of Resources, and Fund Equity**

**Deposits and Investments**

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, a SEC-registered mutual fund. Investments are stated at cost or amortized cost.

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**Deposits and Investments (continued)**

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.

Town of Maxton Restricted Cash: \$122,474

**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, 2013.

**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, 2014, 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, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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

**Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion for this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meets the criterion for this category – property taxes receivable.

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Compensated Absences**

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

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Employees accumulate sick leave at the rate of one day per month of employment. The ABC Board's sick leave policy allows for the accumulation of up to 15 days. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Net Position / Fund Balances**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

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

The governmental fund types classify fund balances as follows:

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

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**Net Position / Fund Balances (continued)**

*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.

The Town has no formal minimum fund balance policy.

**Note 2 - Stewardship, Compliance, and Accountability**

**Noncompliance with North Carolina General Statutes**

None noted.

**Note 3 - Detail Notes on All Funds**

**A – Assets**

**Deposits**

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for 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, 2014, the Town's deposits had a carrying amount of \$948,035 and a bank balance of \$967,960. 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 \$12,522 and the bank was \$14,809. All of the bank balance was covered by federal depository insurance.

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 3 - Detail Notes on All Funds (continued)**

**A – Assets (continued)**

**Investments**

At June 30, 2014, 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	<u>\$ 298,293</u>	<u>N/A</u>	<u>AAAm</u>

*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, 2014.

*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, 2014, the Town had \$298,293 invested with the NC Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard & Poor's. The Town has no policy regarding credit risk.

**Receivable – Allowances for Doubtful Accounts**

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

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

**Due from Other Governmental Agencies**

At June 30, 2014, funds due from other governmental agencies consisted of the following:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>
	<u>General</u>	<u>Non-Major Governmental</u>	<u>Total</u>	
Local option sales tax	\$ 77,279	\$ -	\$ 77,279	\$ -
Grants receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 77,279</u>	<u>\$ -</u>	<u>\$ 77,279</u>	<u>\$ -</u>

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 3 - Detail Notes on All Funds (continued)**

**A -- Assets (continued)**

**Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>			<u>Ending Balances</u>
<b>Governmental activities -</b>	<b>7/1/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>6/30/2014</b>
<b>Capital assets</b>				
Land (non-depreciable)	\$ 98,005	\$ -	\$ -	\$ 98,005
Buildings and improvements	3,054,145	18,985	-	3,073,130
Furniture and equipment	630,391	132,227	-	762,618
Vehicles	957,400	-	-	957,400
Work in progress	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total capital assets	<u>\$ 4,739,941</u>	<u>\$ 151,212</u>	<u>\$ -</u>	<u>\$ 4,891,153</u>
<b>Less -</b>				
<b>Accumulated depreciation</b>				
Buildings and improvements	\$ 1,074,475	\$ 37,947	\$ -	\$ 1,112,422
Furniture and equipment	612,026	14,226	-	626,252
Vehicles/motorized equipment	828,752	71,849	-	900,601
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total accumulated depreciation	<u>2,515,253</u>	<u>\$ 124,022</u>	<u>\$ -</u>	<u>2,639,275</u>
<b>Governmental activities -</b>				
<b>Capital assets - net</b>	<u><u>\$ 2,224,688</u></u>			<u><u>\$ 2,251,878</u></u>

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

Public Safety	52,281
Transportation	42,018
Environmental Protection	745
Cultural and Recreational	<u>-</u>
Total depreciation expense	<u><u>\$ 124,022</u></u>

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 3 - Detail Notes on All Funds (continued)**

**A – Assets (continued)**

**Capital Assets (continued)**

<b>Business-type activities - Water and Sewer Fund - Capital assets</b>	<b>Beginning Balances 7/1/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances 6/30/2014</b>
Land (non-depreciable)	\$ 131,166	\$ -	\$ -	\$ 131,166
Buildings and improvements	2,254,217	190,810	-	2,445,027
Plant and distribution system	2,613,151	-	-	2,613,151
Furniture and equipment	1,652,004	-	-	1,652,004
Vehicles	64,298	-	-	64,298
Work in progress	-	-	-	-
<b>Total capital assets</b>	<b>\$ 6,714,836</b>	<b>\$ 190,810</b>	<b>\$ -</b>	<b>\$ 6,905,646</b>
<b>Less - Accumulated depreciation</b>				
Buildings and improvements	\$ 25,683	\$ 1,400	\$ -	\$ 27,083
Plant and distribution system	1,059,370	60,509	-	1,119,879
Furniture and equipment	1,660,400	83,806	-	1,744,206
Vehicles	48,849	4,785	-	53,634
<b>Total accumulated depreciation</b>	<b>2,794,302</b>	<b>\$ 150,500</b>	<b>\$ -</b>	<b>2,944,802</b>
<b>Business-type activities Capital assets - net</b>	<b>\$ 3,920,534</b>			<b>\$ 3,960,844</b>

**Discretely Presented Component Unit**

Capital assets activity for the ABC Board for the year ended June 30, 2014, was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Land (non-depreciable)	\$ 5,000	\$ -	\$ -	\$ 5,000
Building and improvements	58,028	-	-	58,028
Furniture and equipment	61,473	-	-	61,473
<b>Total capital assets</b>	<b>124,501</b>	<b>-</b>	<b>-</b>	<b>124,501</b>
<b>Less - Accumulated depreciation</b>				
Buildings and improvements	57,634	66	-	57,700
Furniture and equipment	54,474	3,058	-	57,532
<b>Total depreciation</b>	<b>112,108</b>	<b>3,124</b>	<b>-</b>	<b>115,232</b>
<b>Total ABC Board capital assets - Net</b>	<b>\$ 12,393</b>			<b>\$ 9,269</b>



**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**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, 2014, 2013, and 2012 were \$90,085, \$84,256, and \$97,042 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012, were \$1,860, \$1,712, and \$2,649 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, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>9</u>
Total	<u><u>9</u></u>

A separate report was not issued for the plan.

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**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. No formal plan or actuarial valuation exists as liability is considered immaterial.

**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, 2014, were \$14,572, which consisted of \$8,911 from the Town and \$5,661 from the law enforcement officers.

**Other Employment Benefits**

The Town has elected to provide death benefits to Police Department employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Because the benefit payments are made by Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The contributions to the Death Benefit Plan cannot be separated between post-employment benefit amount and the other benefit amount.

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**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.

**Long-Term Obligations**

***Installment Purchase Agreements***

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%, through 2016.	\$ 16,658
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The Town entered into an installment purchase agreement with the USDA to finance the construction building dedicated to rescue squad use. The loan requires forty annual payments of \$9,934, including interest at 4.125% beginning 2008, through 2047.	177,359
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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.	17,127
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On April, 2014, the Town entered into an installment purchase agreement with John Deere in connection with the purchase of a backhoe. The loan requires 60 monthly installments of \$1,395, including interest at 2.9%. Loan is collateralized by the equipment.	75,408
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<b>Total installment purchase agreements</b>	<u>\$ 286,552</u>
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**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

**Long-Term Obligations (continued)**

***Capital Lease Obligation***

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

Lease payment	
2015	\$ 5,210
2016	5,210
2017	5,210
	<hr/> 15,630
less: amounts reporting interest	1,435
	<hr/> <u>\$ 14,195</u>

***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, 2014, 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.

\$ 102,000

Less -- Current portion

26,000

Long-term portion of general obligation bonds

\$ 76,000

At June 30, 2014, the Town of Maxton had no bonds authorized but unissued and had a legal debt margin of \$6,799,813 which is computed by multiplying the property valuation by 8% and subtracting the debt detailed above.

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

**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, 2014:

	<u>Beginning Balances 7/1/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances 6/30/2014</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Installment purchases and capital leases	\$ 229,303	\$ 97,229	\$ 25,785	\$ 300,747	\$ 39,062
Compensated absences	31,845	-	142	31,703	31,703
<b>Total governmental activities</b>	<u>\$ 261,148</u>	<u>\$ 97,229</u>	<u>\$ 25,927</u>	<u>\$ 332,450</u>	<u>\$ 70,765</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 128,000	\$ -	\$ 26,000	\$ 102,000	\$ 26,000
Compensated absences	8,583	1,083	-	9,666	9,666
<b>Total business-type activities</b>	<u>\$ 136,583</u>	<u>\$ 1,083</u>	<u>\$ 26,000</u>	<u>\$ 111,666</u>	<u>\$ 35,666</u>

**Maturities of Long-Term Debt**

	<u>Bond Obligation</u>		<u>Installment Purchases</u>		<u>Capital Lease</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<b>Governmental activities:</b>								
2015	\$ -	\$ -	\$ 33,738	\$ 10,701	\$ 4,504	\$ 707	\$ 38,242	\$ 11,408
2016	-	-	29,269	9,423	4,728	482	33,997	9,905
2017	-	-	24,512	8,434	4,963	247	29,475	8,681
2018	-	-	19,043	7,631	-	-	19,043	7,631
2019	-	-	16,846	7,038	-	-	16,846	7,038
2020-2024	-	-	17,398	32,272	-	-	17,398	32,272
2025-2029	-	-	21,296	28,374	-	-	21,296	28,374
2030-2034	-	-	26,065	23,604	-	-	26,065	23,604
2035-2039	-	-	31,904	17,766	-	-	31,904	17,766
2040-2044	-	-	39,050	10,620	-	-	39,050	10,620
2045-2047	-	-	27,431	2,372	-	-	27,431	2,372
<b>Total governmental activities</b>	<u>-</u>	<u>-</u>	<u>286,552</u>	<u>158,235</u>	<u>14,195</u>	<u>1,436</u>	<u>300,747</u>	<u>159,671</u>
<b>Business-type activities:</b>								
2015	26,000	5,100	-	-	-	-	26,000	5,100
2016	26,000	3,800	-	-	-	-	26,000	3,800
2017	26,000	2,500	-	-	-	-	26,000	2,500
2018	24,000	1,200	-	-	-	-	24,000	1,200
<b>Total business-type activities</b>	<u>102,000</u>	<u>12,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,000</u>	<u>12,600</u>
<b>Total maturities of long-term debt</b>	<u>\$ 102,000</u>	<u>\$ 12,600</u>	<u>\$ 286,552</u>	<u>\$ 158,235</u>	<u>\$ 14,195</u>	<u>\$ 1,436</u>	<u>\$ 402,747</u>	<u>\$ 172,271</u>

The Maxton ABC Board has a note payable to Lumbee Guaranty Bank due in monthly installments of \$786, including interest at 4.27%.

Current	\$ 9,057
Longterm	3,893
	<u>\$ 12,950</u>

**Town of Maxton, North Carolina**  
**Notes to Financial Statements (continued)**  
**June 30, 2014**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

**Deferred Inflows of Resources**

Deferred inflows of resources at year-end are comprised of property taxes receivable of \$444,387.

**Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2014, consisted of the following:

Due to the Enterprise Fund from the General Fund	\$ 162,000
--	------------

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

**Note 4 – Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**Note 5 – Net Investments in Capital Assets**

	<u>Governmental</u>	<u>Business-type</u>
<b>Capital assets</b>	\$ 2,251,878	\$ 3,960,843
less: long-term debt	300,747	102,000
<b>Net investment in capital assets</b>	\$ 1,951,131	\$ 3,858,843

**Note 6 – Fund Balance**

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

Total fund balance-General Fund	\$ 641,082
Less:	
Stabilization by State Statute	126,631
Street-Powell Bill	122,474
Remaining Fund Balance	391,977

**Note 7 – Subsequent Events**

Subsequent events were evaluated through October 31, 2014, which is the date the financial statements were available to be issued.

**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, 2014**

	2014		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues</b>			
<b>Ad valorem taxes</b>			
Current year	\$	\$ 624,060	\$
Prior years		124,185	
Other - special district tax		2,323	
Fire tax		59,242	
Tax discounts		-	
Penalties		31,391	
<b>Total ad valorem taxes</b>	<b>717,400</b>	<b>841,201</b>	<b>123,801</b>
<b>Other taxes and licenses</b>			
Privilege licenses		8,677	
Dog tax		5	
Cablevision franchise tax		-	
<b>Total other taxes and licenses</b>	<b>15,000</b>	<b>8,682</b>	<b>(6,318)</b>
<b>Unrestricted intergovernmental</b>			
Local option sales tax		445,927	
Payments in lieu of taxes		1,392	
Utility franchise tax		124,097	
Beer and wine tax		10,481	
<b>Total unrestricted intergovernmental</b>	<b>480,000</b>	<b>581,897</b>	<b>101,897</b>
<b>Restricted intergovernmental</b>			
Powell bill allocation		79,555	
Grant revenue		9,059	
Juvenile justice grant		25,358	
<b>Total restricted intergovernmental</b>	<b>97,625</b>	<b>113,972</b>	<b>16,347</b>
<b>Sales and services</b>			
Refuse collection fees		262,438	
Courts costs, fee, and charges		4,878	
Cemetery revenue		2,400	
Property rents		7,861	
Zoning fees		1,220	
Fire inspection fees		2,700	
<b>Total sales and services</b>	<b>251,450</b>	<b>281,497</b>	<b>30,047</b>
<b>Miscellaneous revenues</b>			
Investment income - Powell Bill		11	
Investment income - other		257	
Insurance proceeds		11,130	
Miscellaneous		22,203	
<b>Total miscellaneous revenues</b>	<b>28,500</b>	<b>33,601</b>	<b>5,101</b>
<b>Total revenues</b>	<b>\$ 1,589,975</b>	<b>\$ 1,860,850</b>	<b>\$ 270,875</b>

**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, 2014**

<u>Expenditures</u>	2014		Variance Positive (Negative)
	Budget	Actual	
<b>General Government</b>			
<b>Governing body</b>			
Salaries and employee benefits	\$	\$ 30,498	\$
Operating expenses		1,268	
<b>Total governing body</b>	32,375	31,766	609
<b>Administration</b>			
Salaries and employee benefits		83,347	
Operating expenses		7,255	
Professional fees		17,495	
Contracted services		9,535	
Capital outlay		19,405	
<b>Total administration</b>	138,610	137,037	1,573
<b>Public Buildings</b>			
Salaries and employee benefits		28,507	
Operating expenses		277,090	
Capital outlay		-	
<b>Total administration</b>	305,535	305,597	(62)
<b>Total General Government</b>	476,520	474,400	2,120
<b>Public Safety</b>			
<b>Police department</b>			
Salaries and employee benefits		488,803	
Operating expenses		69,497	
Capital outlay		20,850	
<b>Total police department</b>	587,065	579,150	7,915
<b>Fire department</b>			
Contribution to Queheel Fire District		40,000	
<b>Total fire department</b>	45,000	40,000	5,000



**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, 2014**

	2014		Variance
	Budget	Actual	Positive (Negative)
<b><u>Expenditures (continued)</u></b>			
<b>Rescue squad</b>			
Operating expenses	\$	\$ 7,785	\$
<b>Total rescue squad</b>	<u>7,785</u>	<u>7,785</u>	<u>-</u>
<b>Dispatcher department</b>			
Salaries and employee benefits		161,360	
Operating expenses		397	
<b>Total dispatcher department</b>	<u>163,370</u>	<u>161,757</u>	<u>1,613</u>
<b>Total Public Safety</b>	<u>803,220</u>	<u>788,692</u>	<u>14,528</u>
<b>Transportation</b>			
<b>Street department</b>			
Salaries and employee benefits		45,114	
Operating expenses		1,618	
Capital outlay		107,418	
<b>Total street department</b>	<u>154,189</u>	<u>154,150</u>	<u>39</u>
<b>Powell Bill</b>			
Salaries and employee benefits		21,778	
Operating expenses		13,774	
Capital outlay		-	
<b>Total Powell Bill</b>	<u>131,700</u>	<u>35,552</u>	<u>96,148</u>
<b>Total Transportation</b>	<u>285,889</u>	<u>189,702</u>	<u>96,187</u>
<b>Environmental Protection</b>			
<b>Sanitation</b>			
Salaries and employee benefits		80,488	
Contracted services		15,433	
Operating expenses		26,419	
Capital outlay		3,539	
<b>Total sanitation</b>	<u>126,340</u>	<u>125,879</u>	<u>461</u>
<b>Total Environmental Protection</b>	<u>126,340</u>	<u>125,879</u>	<u>461</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, 2014**

	<b>2014</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
<b>Cultural and Recreational</b>			
<b>Library</b>			
Donation to library	\$	\$ 14,300	\$
<b>Total library</b>	<u>14,300</u>	<u>14,300</u>	<u>-</u>
<b>Parks and recreation</b>			
Activities		8,215	
<b>Total parks and recreation</b>	<u>8,400</u>	<u>8,215</u>	<u>185</u>
<b>Total Cultural and Recreational</b>	<u>22,700</u>	<u>22,515</u>	<u>185</u>
<b>Debt service</b>			
Debt service - principal		25,785	
Debt service - interest		9,800	
<b>Total debt service</b>	<u>36,635</u>	<u>35,585</u>	<u>1,050</u>
<b>Total expenditures</b>	<u>1,751,304</u>	<u>1,636,773</u>	<u>114,531</u>
<b>Total revenues</b>	1,589,975	1,860,850	270,875
<b>Total expenditures</b>	<u>1,751,304</u>	<u>1,636,773</u>	<u>114,531</u>
<b>Revenue over (under)     expenditures</b>	(161,329)	224,077	385,406
<b>Other financing sources (uses)</b>			
Loan proceeds	97,229	97,229	-
Transfers to Water & Sewer Fund	(18,000)	(18,000)	-
Appropriated fund balance	82,100	-	(82,100)
	<u>64,100</u>	<u>(18,000)</u>	<u>(82,100)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>303,306</u>	<u>\$ 303,306</u>
<b>Fund balance - beginning of year</b>		<u>337,776</u>	
<b>Fund balance - end of year</b>		<u>\$ 641,082</u>	

**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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b><u>Revenues</u></b>			
<b>Operating revenues</b>			
Charges for services			
Water and sewer revenue	\$	\$ 712,116	\$
Other operating revenue		3,926	
<b>Total operating revenues</b>	<u>666,940</u>	<u>716,042</u>	<u>49,102</u>
<b>Non-operating revenues</b>			
Various grants		-	
Rent income		-	
Interest earned		13	
<b>Total non-operating revenues</b>	<u>-</u>	<u>13</u>	<u>13</u>
<b>Total revenues</b>	<u>666,940</u>	<u>716,055</u>	<u>49,115</u>
<b><u>Expenditures</u></b>			
<b>Water and sewer</b>			
Salaries and employee benefits		311,945	
Telephone and postage		10,444	
Utilities		60,053	
Travel and training		1,485	
Maintenance and repairs		28,959	
Supplies		60,358	
Contracted services		48,185	
Insurance and bonds		51,974	
Uniforms		3,118	
Professional services		12,850	
Dues and subscriptions		6,665	
Miscellaneous		32,176	
<b>Total water and sewer</b>	<u>668,640</u>	<u>628,212</u>	<u>40,428</u>
<b>Debt service</b>			
Interest		6,400	
Principal retirement		26,000	
<b>Total debt service</b>	<u>32,400</u>	<u>32,400</u>	<u>-</u>
<b>Capital outlay</b>	<u>5,300</u>	<u>5,300</u>	<u>-</u>
<b>Total expenditures</b>	<u>\$ 706,340</u>	<u>\$ 665,912</u>	<u>\$ 40,428</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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues over (under) expenditures</b>	\$ (39,400)	\$ 50,143	\$ 89,543
<b>Other financing sources (uses):</b>			
Transfer from General Fund	18,000	18,000	-
Appropriated fund balance	<u>21,400</u>	<u>-</u>	<u>(21,400)</u>
<b>Revenues and appropriated fund balance over expenditures</b>	<u>\$ -</u>	<u>\$ 68,143</u>	<u>\$ 68,143</u>

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

<b>Revenues and appropriated fund balance over expenditures</b>	<u>\$ 68,143</u>
<b>Reconciling items</b>	
Capital contribution	185,510
Capital outlay	5,300
Depreciation	(150,500)
Debt principal retirement	<u>26,000</u>
<b>Total reconciling items</b>	<u>66,310</u>
<b>Change in net position</b>	<u>\$ 134,453</u>

**Town of Maxton, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2014**

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2014</u>
2013-2014	\$ -	\$ 790,913	\$ 689,017	\$ 101,896
2012-2013	136,215		53,232	82,983
2011-2012	91,956		20,774	71,182
2010-2011	68,602		15,283	53,319
2009-2010	42,896		3,821	39,075
2008-2009	40,030		4,505	35,525
2007-2008	28,270		3,315	24,955
2006-2007	23,624		2,717	20,907
2005-2006	20,286		2,023	18,263
2004-2005	11,419		1,137	10,282
2003-2004	5,700		5,700	-
	<u>-</u>			
	<u>\$ 468,998</u>	<u>\$ 790,913</u>	<u>\$ 801,524</u>	<u>\$ 458,387</u>
Less - allowance for uncollectible accounts				<u>(14,000)</u>
<b>Ad valorem taxes receivable - net</b>				<u><u>\$ 444,387</u></u>
<b>Reconcilement with revenues:</b>				
Taxes - ad valorem - general fund				\$ 841,201
Reconciling items -				
Penalties				(31,391)
Prior years taxes released and discounts, net				(2,671)
Taxes written off				<u>(5,615)</u>
<b>Total collections and credits</b>				<u><u>\$ 801,524</u></u>

**Town of Maxton, North Carolina**  
**Analysis of Current Year's Tax Levy**  
**For the Fiscal Year Ended June 30, 2014**

	Town-wide Levy			Total Levy	
	Property Valuation	Tax Rate (Per \$100 Valuation)	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy</b>					
Property taxed at current year's rate	\$ 91,641,000	0.80	733,128	633,192	99,936
<b>Total levy of property taxes</b>			733,128	633,192	99,936
<b>Less releases and adjustments</b>	(1,609,000)	0.80	(12,872)	(11,049)	(1,823)
<b>Net levy</b>	\$ 90,032,000		720,256	622,143	98,113
<b>Uncollected property taxes at June 30, 2014</b>			(101,896)	(93,242)	(8,654)
<b>Current year taxes collected</b>			618,360	528,901	89,459
<b>Gross levy collection percentage</b>			85.85%	85.01%	91.18%

**Information related to additional, not required, analysis:**

Downtown Revitalization	3,018,200	0.10	3,018	3,018	
Fire tax	68,044,700	0.10	68,045	68,045	
Late listing			437	437	
Less releases and adjustments	(818,140)	0.10	(818)	(818)	
Late listing			(25)	(25)	
<b>Total property valuation, plus other assorted taxes</b>	<u>\$ 160,276,760</u>		790,913	692,800	98,113
<b>Total levy - all taxes</b>			790,913	692,800	98,113
<b>Uncollected other taxes - June 30, 2014:</b>					
Downtown			(924)	(924)	
Fire			(12,698)	(12,698)	
Late listing			(169)	(169)	-
Uncollected other taxes at June 30, 2014			(13,791)	(13,791)	-
<b>Current year taxes collected - property, fire and other</b>			<u>\$ 675,226</u>	<u>\$ 585,767</u>	<u>\$ 89,459</u>

# **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***

# **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, 2014, which collectively comprises the Town of Maxton's basic financial statements, and have issued our report thereon dated, October 31, 2014. 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.

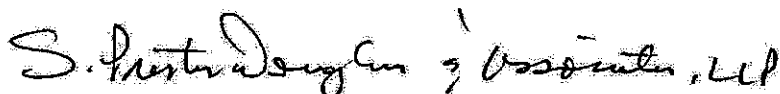
Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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



#### 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 that reads "S. Justin Dwyer, CPA". The signature is written in a cursive, flowing style.

Lumberton, North Carolina  
October 31, 2014