

Town of Maxton, North Carolina

Financial Statements

For the Year Ended June 30, 2015

Town of Maxton, North Carolina
Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015

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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina, as of and for the year ended June 30, 2015, 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 and opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and other Information

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

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

Other Reporting Require by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 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 28, 2015

Town of Maxton, North Carolina
Management's Discussion and Analysis
June 30, 2015

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, 2015.

Financial Highlights

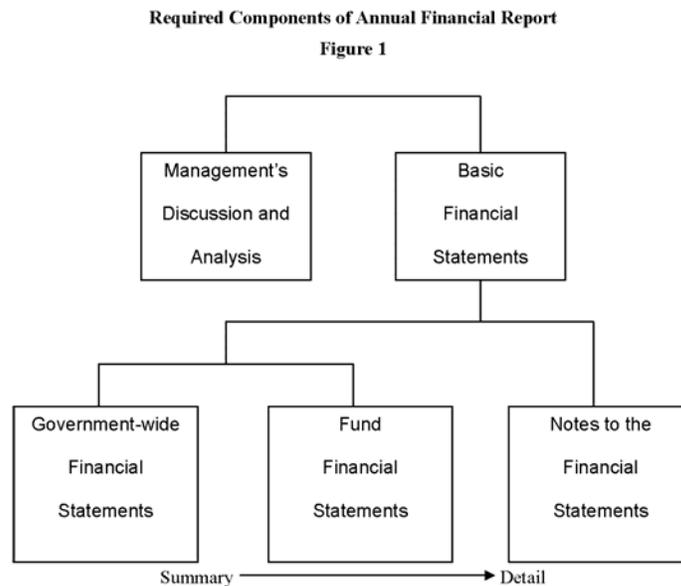
The assets of the Town of Maxton exceeded its liabilities at the close of the fiscal year by \$7,921,349.

The government's total net position increased by 4.2%, this was primarily due to revenues exceeding expenditures in governmental and business-type activities.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$983,200, an increase of \$342,118 in comparison with the prior year. There was \$672,606 in fund balance available for appropriation.

Overview of the Financial Statements

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



Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

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

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2015

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

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gage the Town's financial condition.

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

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

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

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

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

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2015

Basic Financial Statements (continued)

Proprietary funds. The Town of Maxton maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-40 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Maxton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

Government-wide Financial Analysis

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

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

The Town of Maxton's Net Position

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Totals 2015	Totals 2014
Current and other assets	\$ 1,474,915	\$ 1,148,070	\$ 913,495	\$ 824,761	\$ 2,388,410	\$ 1,972,831
Non-current assets	2,201,869	2,251,878	4,265,103	3,960,843	6,466,972	6,212,721
Total assets	3,676,784	3,399,948	5,178,598	4,785,604	8,855,382	8,185,552
Deferred Outflows of Resources	77,632	-	30,061	-	107,693	-
Current liabilities	93,991	133,366	141,549	125,831	235,540	259,197
Non-current liabilities	252,620	261,685	361,388	76,000	614,008	337,685
Total liabilities	346,611	395,051	502,937	201,831	849,548	596,882
Deferred Inflows of Resources	192,178	-	-	-	192,178	-
Net position						
Net investment in capital assets	1,862,106	1,951,131	3,872,603	3,858,843	5,734,709	5,809,974
Restricted	290,594	249,105	-	-	290,594	249,105
Unrestricted	1,062,927	804,661	833,119	724,930	1,896,046	1,529,591
Total net position	\$ 3,215,627	\$ 3,004,897	\$ 4,705,722	\$ 4,583,773	\$ 7,921,349	\$ 7,588,670

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2015

Government-wide Financial Analysis (continued)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded liabilities by \$7,921,349 as of June 30, 2015. The Town's net position increased by \$332,679 for the fiscal year ended June 30, 2015. The largest portion (72.40%) 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 \$1,896,046 as unrestricted. Also, the Town of Maxton implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows or resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$111,052. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Maxton's management.

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 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Totals 2015	Totals 2014
Revenues:						
Program revenues						
Charges for services	\$ 261,197	\$ 265,138	\$ 756,579	\$ 716,042	\$ 1,017,776	\$ 981,180
Operating grants and contributions	112,751	113,972	23,500	-	136,251	113,972
Capital grants and contributions	-	-	90,849	185,510	90,849	185,510
General revenues					-	-
Property taxes	797,103	830,590	-	-	797,103	830,590
Other taxes	7,552	8,682	-	-	7,552	8,682
Other	707,587	631,857	24	13	707,611	631,870
Total revenues	1,886,190	1,850,239	870,952	901,565	2,757,142	2,751,804
Expenses:						
General government	536,501	483,831	-	-	536,501	483,831
Public safety	720,342	820,123	-	-	720,342	820,123
Transportation	168,845	124,302	-	-	168,845	124,302
Environmental protection	110,996	123,085	-	-	110,996	123,085
Cultural and recreation	24,697	22,515	-	-	24,697	22,515
Interest on long-term debt	11,408	9,800			11,408	9,800
Water and sewer	-	-	740,622	785,112	740,622	785,112
Transfers	(8,381)	18,000	8,381	(18,000)	-	-
Total expenses	1,564,408	1,601,656	749,003	767,112	2,313,411	2,368,768
Change in net position	321,782	248,583	121,949	134,453	443,731	383,036
Net position, beginning, previously reported	3,004,897	2,756,314	4,583,773	4,449,320	7,588,670	7,205,634
Restatement	(111,052)	-	-	-	(111,052)	-
Net position, beginning, restated	2,893,845	2,756,314	4,583,773	4,449,320	7,477,618	7,205,634
Net position, ending	\$ 3,215,627	\$ 3,004,897	\$ 4,705,722	\$ 4,583,773	\$ 7,921,349	\$ 7,588,670

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2015

Governmental activities. Governmental activities increased the Town's net position by \$321,782. Key elements of this increase are as follows:

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

Business-type activities. Business-type activities increased the Town of Maxton's net position by \$121,949. The key element of this increase was revenues increased and expenses decreased compared to the prior year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Maxton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$672,606, while total fund balance reached \$983,200. 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 63.0% of General Fund expenditures.

At June 30, 2015, the governmental funds of the Town of Maxton reported a combined fund balance of \$983,200, a 35% 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 \$833,119. The total increase in net position was \$129,949. 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, 2015

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, 2015, 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 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Totals 2015	Totals 2014
Land	\$ 98,005	\$ 98,005	\$ 131,166	\$ 131,166	\$ 229,171	\$ 229,171
Buildings and improvements	3,073,130	3,054,145	2,463,175	2,254,217	5,536,305	5,308,362
Furniture and equipment	557,831	630,391	2,015,240	1,652,004	2,573,071	2,282,395
Vehicles	732,812	957,400	64,298	64,298	797,110	1,021,698
Plant and distribution system	-	-	2,613,151	2,613,151	2,613,151	2,613,151
Work in Progress	-	-	90,849	-	90,849	-
Total depreciable assets	4,363,773	4,641,936	7,246,713	6,583,670	11,610,486	11,225,606
Less – Accumulated dep.	2,337,166	2,515,253	3,112,775	2,794,302	5,449,941	5,309,555
Total depreciable assets, net	2,026,607	2,126,683	4,133,938	3,789,368	6,160,545	5,916,051
Total capital assets, net	\$ 2,124,612	\$ 2,224,688	\$ 4,265,104	\$ 3,920,534	\$ 6,389,716	\$ 6,145,222

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, 2015, the Town of Maxton had total bonded debt outstanding of \$76,000, 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 \$6,473,924.

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

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2015

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 9.1% is above the State average of 5.8% and the national rate of 5.3%.

Budget Highlights for the Next Fiscal Year

Governmental Activities. The governmental funds' primary revenue resources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2016, 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, 2016.

Budgeted expenditures increased.

Request for Information

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

Basic Financial Statements

Town of Maxton, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government			Maxton ABC Board
	Governmental Activities	Business- Type Activities	Totals	
Assets				
Current assets				
Cash, cash equivalents, and investments	\$ 892,355	\$ 599,809	\$ 1,492,164	\$ 1,364
Taxes receivable - net	435,966	-	435,966	-
Accounts receivable - net	51,325	154,857	206,182	616
Due from other governments	82,470	-	82,470	-
Internal balances	(144,000)	144,000	-	-
Inventories	-	14,829	14,829	68,630
Prepaid expenses	7,883	-	7,883	-
Restricted cash and cash equivalents	148,916	-	148,916	-
Total current assets	1,474,915	913,495	2,388,410	70,610
Non-current assets				
Net pension asset	77,257	-	77,257	1,887
Capital assets (Note 3)				
Land, non-depreciable	98,005	131,166	229,171	5,000
Other capital assets, net of depreciation	2,026,607	4,133,937	6,160,544	2,090
Total capital assets	2,124,612	4,265,103	6,389,715	7,090
Total assets	3,676,784	5,178,598	8,855,382	79,587
Deferred Outflows of Resources				
Contributions to pension plan in current fiscal year	77,632	30,061	107,693	1,860
Total deferred outflows of resources	77,632	30,061	107,693	1,860
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	55,749	22,339	78,088	55,320
Customer deposits	-	76,806	76,806	-
Current portion of long-term liabilities	38,242	42,404	80,646	3,893
Total current liabilities	93,991	141,549	235,540	59,213
Non-current liabilities				
Due in more than one year	224,264	350,096	574,360	-
Compensated absences	28,356	11,292	39,648	-
Total non-current liabilities	252,620	361,388	614,008	-
Total liabilities	346,611	502,937	849,548	59,213
Deferred Inflows of Resources				
Pension deferrals	192,178	-	192,178	4,894
Total deferred inflows of resources	192,178	-	192,178	4,894
Net Position				
Net investment in capital assets	1,862,106	3,872,603	5,734,709	7,090
Restricted for:				
Stabilization by State Statute	141,678	-	141,678	-
Other Functions	148,916	-	148,916	15,630
Unrestricted	1,062,927	833,119	1,896,046	(5,380)
Total net position	\$ 3,215,627	\$ 4,705,722	\$ 7,921,349	\$ 17,340

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

Town of Maxton, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Primary Government</u>			<u>Maxton ABC Board</u>
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	
Primary government								
Governmental activities								
General government	\$ 536,501	\$ -	\$ -	\$ -	\$ (536,501)	\$ -	\$ (536,501)	\$ -
Public safety	720,342	1,825	33,050	-	(685,467)	-	(685,467)	-
Transportation	168,845	-	79,701	-	(89,144)	-	(89,144)	-
Environmental protection	110,996	259,372	-	-	148,376	-	148,376	-
Cultural and recreational	24,697	-	-	-	(24,697)	-	(24,697)	-
Interest on long-term debt	11,408	-	-	-	(11,408)	-	(11,408)	-
Total governmental activities	1,572,789	261,197	112,751	-	(1,198,841)	-	(1,198,841)	-
Business-type activities								
Water and sewer	740,622	756,579	23,500	90,849	-	130,306	130,306	-
Total primary government	\$ 2,313,411	\$ 1,017,776	\$ 136,251	\$ 90,849	(1,198,841)	130,306	(1,068,535)	-
Component unit								
Maxton ABC board	\$ 541,092	\$ 524,918	\$ -	\$ -	\$ -	\$ -	\$ -	(16,174)
General revenues								
Taxes								
Property taxes, levied for general purpose					797,103	-	797,103	-
Other taxes					7,552	-	7,552	-
Grants and contributions not restricted to specific programs					647,799	-	647,799	-
Unrestricted investment earnings					36	24	60	1
Transfers					8,381	(8,381)	-	-
Miscellaneous					59,752	-	59,752	-
Total general revenues and transfers					1,520,623	(8,357)	1,512,266	1
Change in net position					321,782	121,949	443,731	(16,173)
Net position, beginning, previously reported					3,004,897	4,583,773	7,588,670	36,475
Restatement					(111,052)	-	(111,052)	(2,962)
Net position, beginning, restated					2,893,845	4,583,773	7,477,618	33,513
Net position, ending					\$ 3,215,627	\$ 4,705,722	\$ 7,921,349	\$ 17,340

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

Town of Maxton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>General</u>		<u>Governmental</u>
			<u>Funds</u>
Assets			
Cash, cash equivalents, and investments	\$ 892,355	\$ -	\$ 892,355
Restricted cash	148,916	-	148,916
Ad valorem taxes receivables, net	435,966	-	435,966
Accounts receivable, net	51,325	-	51,325
Due from other governments	82,470	-	82,470
Prepaid expenses	7,883	-	7,883
Total assets	1,618,915	-	1,618,915
Liabilities			
Accounts payable and accrued liabilities	55,749	-	55,749
Due to other funds	144,000	-	144,000
Total liabilities	199,749	-	199,749
Deferred inflows of resources			
Property taxes receivable	435,966	-	435,966
Total deferred inflows of resources	435,966	-	435,966
Fund balance			
Restricted			
Stabilization by State Statute	141,678	-	141,678
Streets	148,916	-	148,916
Assigned			
Subsequent year's expenditures	20,000	-	20,000
Unassigned	672,606	-	672,606
Total fund balance	983,200	-	983,200
Total liabilities, deferred inflows			
of resources, and fund balance	\$ 1,618,915	\$ -	

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

Total fund balance, governmental funds		983,200
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 4,461,778	
Accumulated depreciation	(2,337,166)	2,124,612
Net pension asset		77,257
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		77,632
Earned revenues considered deferred inflows of resources in fund statements		435,966
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt	\$ (300,747)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	38,241	(262,506)
Compensated absences not expected to be materially liquidated with expendable available resources		(28,356)
Pension related deferrals		(192,178)
Net position reported as governmental activities		\$ 3,215,627

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

Town of Maxton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2015

	<u>Major Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u> <u>Funds</u>	<u>Governmental</u> <u>Funds</u>
Revenues			
Ad valorem taxes	\$ 805,524	\$ -	\$ 805,524
Other taxes and licenses	7,552	-	7,552
Unrestricted intergovernmental	647,799	-	647,799
Restricted intergovernmental	112,751	-	112,751
Sales and services	273,006	-	273,006
Investment earnings	36	-	36
Miscellaneous	47,943	-	47,943
Total revenues	<u>1,894,611</u>	<u>-</u>	<u>1,894,611</u>
Expenditures			
General government	511,697	-	511,697
Public safety	706,161	-	706,161
Transportation	144,681	-	144,681
Environmental protection	123,989	-	123,989
Cultural and recreational	24,697	-	24,697
Debt service			
Principal	38,241	-	38,241
Interest	11,408	-	11,408
Total expenditures	<u>1,560,874</u>	<u>-</u>	<u>1,560,874</u>
Excess of revenues over expenditures	333,737	-	333,737
Other financing sources (uses)			
Loan proceeds	-	-	-
Transfers in (out)	8,381	-	8,381
Net change in fund balance	342,118	-	342,118
Fund balances - beginning of year	<u>641,082</u>	<u>-</u>	<u>641,082</u>
Fund balances - end of year	<u>\$ 983,200</u>	<u>\$ -</u>	<u>\$ 983,200</u>

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

Town of Maxton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds (continued)
For the Year Ended June 30, 2015

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

Net changes in fund balances - total government funds	\$	342,118
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures which were capitalized	\$ 7,599	
Depreciation expense for governmental assets	<u>(134,865)</u>	(127,266)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		77,632
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(8,421)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position.</p> <p>This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	-	
Principal payments on long-term debt	<u>38,241</u>	38,241
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	3,347	
Pension expense	<u>(3,869)</u>	<u>(522)</u>
Total change in net position of governmental activities	\$	<u><u>321,782</u></u>

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

Town of Maxton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – General Fund
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 704,500	\$ 704,500	\$ 805,524	\$ 101,024
Other taxes and licenses	7,900	7,900	7,552	(348)
Unrestricted intergovernmental	515,000	515,000	647,799	132,799
Restricted intergovernmental	147,975	118,225	112,751	(5,474)
Sales and services	267,950	267,950	273,006	5,056
Investment earnings	-	-	36	36
Miscellaneous	24,750	24,750	47,943	23,193
Total revenues	<u>1,668,075</u>	<u>1,638,325</u>	<u>1,894,611</u>	<u>256,286</u>
Expenditures				
General government	555,240	525,490	511,697	13,793
Public safety	735,580	735,580	706,161	29,419
Transportation	288,705	288,705	144,681	144,024
Environmental protection	143,235	143,235	123,989	19,246
Cultural and recreational	25,550	25,550	24,697	853
Debt service				
Principal retirement	40,000	40,000	38,241	1,759
Interest expense	10,165	10,165	11,408	(1,243)
Total expenditures	<u>1,798,475</u>	<u>1,768,725</u>	<u>1,560,874</u>	<u>207,851</u>
Revenue over (under) expenditures	(130,400)	(130,400)	333,737	464,137
Other financing sources (uses)				
Loan proceeds	-	-	-	-
Transfers to water & sewer Fund	(9,600)	(9,600)	8,381	17,981
Appropriated fund balance	140,000	140,000	-	(140,000)
Total other financing sources (uses)	<u>130,400</u>	<u>130,400</u>	<u>8,381</u>	<u>(122,019)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	342,118	<u>\$ 342,118</u>
Fund balance - beginning of year			<u>641,082</u>	
Fund balance - end of year			<u>\$ 983,200</u>	

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

Town of Maxton, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2015

	Enterprise Fund
	Water and Sewer Fund
Assets	
Current assets	
Cash, cash equivalents, and investments	\$ 599,809
Accounts receivable, net	154,857
Due from other governments	-
Due from other funds	144,000
Inventories	14,829
Total current assets	913,495
Capital assets	
Land	131,166
Other capital assets, net of depreciation	4,133,937
Total capital assets	4,265,103
Total assets	5,178,598
Deferred Outflows of Resources	
Contributions to pension plan	30,061
Total deferred outflows of resources	30,061
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	22,339
Customer deposits	76,806
Current maturities of log-term debt	42,404
Total current liabilities	141,549
Non-current liabilities	
Compensated absences	11,292
Long-term debt	350,096
Total non-current liabilities	361,388
Total liabilities	502,937
Net Position	
Net investment in capital assets	3,872,603
Unrestricted	833,119
Total net position	\$ 4,705,722

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

Town of Maxton, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Enterprise Fund
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 701,738
Other operating revenues	54,841
Total operating revenues	756,579
Operating expenses	
Water and sewer department	567,549
Depreciation expense	167,973
Total operating expenses	735,522
Operating income (loss)	21,057
Non-operating revenue (expenses)	
Investment earnings	24
Grants	23,500
Interest and other charges	(5,100)
Total non-operating revenue (expenses)	18,424
Income (loss) before contributions and transfers	39,481
Capital contributions	90,849
Transfers from (to) general fund	(8,381)
Total contributions and transfers	82,468
Change in net position	121,949
Net position - beginning of year	4,583,773
Net position - end of year	\$ 4,705,722

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

Town of Maxton, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 738,568
Cash paid for goods and services	(246,739)
Cash paid to or on behalf of employees for services	(340,680)
Increase (decrease) in customer deposits	4,225
Net cash provided (used) by operating activities	155,374
Cash flows from noncapital financing activities	
Increase in advances to other funds	(8,381)
Decrease (increase) in due to other funds	18,000
Total cash flows from noncapital financing activities	9,619
Cash flows from capital and related financing activities	
Grants	23,500
Capital contributions	90,849
Acquisition and construction of capital assets	(472,233)
New debt	316,500
Principal paid on bonds	(26,000)
Interest paid on bond	(5,100)
Net cash provided (used) by capital and related financing activities	(72,484)
Cash flows from investing activities	
Interest on investments	24
Net increase (decrease) in cash, cash equivalents, and investments	92,533
Cash, cash equivalents, and investments - beginning of year	507,276
Cash, cash equivalents, and investments - end of year	\$ 599,809
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 21,057
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	167,973
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(18,011)
(Increase) decrease in due from other governments	4,663
(Increase) decrease in inventories	(853)
Increase (decrease) in accounts payable and accrued liabilities	6,351
Increase (decrease) in customer deposits	4,255
(Increase) decrease in deferred outflows of resources for pensions	(30,061)
Total adjustments	134,317
Net cash provided (used) by operating activities	\$ 155,374

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

Town of Maxton, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

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

A - Reporting Entity

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

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

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

B - Basis of Presentation - Fund Accounting

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

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

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

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

B - Basis of Presentation - Fund Accounting (continued)

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

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

The Town reports the following major enterprise fund:

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

C - Measurement Focus and Basis of Accounting

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

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

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

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

C - Measurement Focus and Basis of Accounting (continued)

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

D - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, certain special revenue, and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for certain Enterprise Fund capital projects funds, which are consolidated with the Enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

Cash and Cash Investments

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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

Restricted assets

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

Town of Maxton Restricted Cash: \$148,916

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies Ad Valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014.

Allowance for Doubtful Accounts

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

Due To/From Other Funds

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

Inventories and Prepaid Items

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

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

Capital Assets

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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

Capital Assets (continued)

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

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meets the criterion, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

Long-Term Obligations

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

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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

Compensated Absences

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

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

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

Net Position / Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

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)

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

The Town has no formal minimum fund balance policy.

Pensions

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

Note 2 - Stewardship, Compliance, and Accountability

Noncompliance with North Carolina General Statutes

None noted.

Note 3 - Detail Notes on All Funds

A – Assets

Deposits

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Deposits (continued)

At June 30, 2015, the Town's deposits had a carrying amount of \$1,311,250 and a bank balance of \$1,336,259. 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 \$1,364 and the bank was \$16,950. All of the bank balance was covered by federal depository insurance.

Investments

At June 30, 2015, the Town's investment balances were as follows:

	Fair Value	Maturity	Rating
North Carolina Capital Management Trust			
Cash Portfolio	\$ 329,830	N/A	AAAm

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

Credit Risk. The Town has no policy regarding credit risk. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2015.

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, 2015, the Town had \$329,830 invested with the NC Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard & Poor's. The Town has no policy regarding credit risk.

Receivable – Allowances for Doubtful Accounts

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

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Due from Other Governmental Agencies

At June 30, 2015, funds due from other governmental agencies consisted of the following:

	Governmental Activities			Business-Type Activities
	General	Non-Major Governmental	Total	
Local option sales tax	\$ 82,470	\$ -	\$ 82,470	\$ -
Grants receivable	-	-	-	-
	-	-	-	-
	<u>\$ 82,470</u>	<u>\$ -</u>	<u>\$ 82,470</u>	<u>\$ -</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental activities -	Beginning			Ending
Capital assets	Balance	Increases	Decreases	Balance
Land (non-depreciable)	\$ 98,005	\$ -	\$ -	\$ 98,005
Buildings and improvements	3,073,130	-	-	3,073,130
Furniture and equipment	762,618	7,599	212,386	557,831
Vehicles	957,400	-	224,588	732,812
Work in progress	-	-	-	-
	<u>4,891,153</u>	<u>7,599</u>	<u>436,974</u>	<u>4,461,778</u>
Total capital assets				
Less -				
Accumulated depreciation				
Buildings and improvements	1,112,422	94,432	-	1,206,854
Furniture and equipment	626,252	3,388	212,386	417,254
Vehicles/motorized equipment	900,601	37,045	224,588	713,058
	<u>2,639,275</u>	<u>134,865</u>	<u>436,974</u>	<u>2,337,166</u>
Total accumulated depreciation				
Governmental activities -				
Capital assets - net	<u>\$ 2,251,878</u>			<u>\$ 2,124,612</u>

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Capital Assets (continued)

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

General government	\$	32,781
Public safety		68,809
Transportation		33,275
Total depreciation expense	\$	<u>134,865</u>

Business-type activities -	Beginning			Ending
Water and sewer fund -	Balance	Increases	Decreases	Balance
Capital assets				
Land (non-depreciable)	\$ 131,166	\$ -	\$ -	\$ 131,166
Buildings and improvements	2,445,027	18,148	-	2,463,175
Plant and distribution system	2,613,151	-	-	2,613,151
Furniture and equipment	1,652,004	363,236	-	2,015,240
Vehicles	64,298	-	-	64,298
Work in progress	-	90,849	-	90,849
Total capital assets	<u>6,905,646</u>	<u>472,233</u>	<u>-</u>	<u>7,377,879</u>
Less -				
Accumulated depreciation				
Buildings and improvements	27,083	1,400	-	28,483
Plant and distribution system	1,119,879	60,509	-	1,180,388
Furniture and equipment	1,744,206	101,715	-	1,845,921
Vehicles	53,634	4,349	-	57,983
Total accumulated depreciation	<u>2,944,802</u>	<u>167,973</u>	<u>-</u>	<u>3,112,775</u>
Business-type activities				
Capital assets - net	<u>\$ 3,960,844</u>			<u>\$ 4,265,104</u>

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Capital Assets (continued)

Discretely Presented Component Unit

Capital assets activity for the ABC Board for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land (non-depreciable)	\$ 5,000	\$ -	\$ -	\$ 5,000
Building and improvements	58,028	-	-	58,028
Furniture and equipment	61,473	-	-	61,473
Total capital assets	124,501	-	-	124,501
 Less - accumulated depreciation				
Buildings and improvements	57,700	65	-	57,765
Furniture and equipment	57,532	2,114	-	59,646
Total depreciation	115,232	2,179	-	117,411
Total ABC Board capital assets - net	\$ 9,269			\$ 7,090

B – Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Maxton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Maxton's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Maxton were \$107,993 for the year ended June 30, 2015.

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

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

At June 30, 2015, the Town reported an asset of \$77,257 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.014%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$3,869. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,442
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	179,851
Changes in proportion and difference between Town contributions and proportionate share of contributions	-	3,885
Town contributions subsequent to the measurement date	107,693	-
Total	\$ 107,693	\$ 192,178

\$107,693 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (48,052)
2017	(48,052)
2018	(48,052)
2019	(48,022)
2020	-
Thereafter	-
	\$ (192,178)

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

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

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 262,243	\$ (77,257)	\$ (363,104)

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers’ Special Separation Allowance

Plan Description. The Town of Maxton administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law-enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time law enforcement officers of the Town. At June 30, 2015, the Separation Allowance’s membership consisted of:

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

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

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

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

Contributions

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

Supplemental Retirement Income Plan for Regular and Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015, were \$15,428, which consisted of \$11,289 from the Town and \$4,139 from the law enforcement officers.

Other Employment Benefits

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

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in one of three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through the pool, the Town obtains workers' compensation coverage up to statutory limits. The pool is reinsured through commercial companies for single occurrence claims in excess of \$300,000 up to statutory limits for workers' compensation. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries no flood insurance as it contends no Town buildings are located in flood designated area.

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Risk Management (continued)

The Maxton ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Long-Term Obligations

Installment Purchase Agreements

The Town 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.	\$ 5,662
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.	174,741
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.	11,749
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.	60,663
In May, 2015, the Town borrowed money from the USDA to purchase, in part, certain equipment, payable in annual installments of \$27,482, including interest at the rate of 3.5%, through 2030.	<u>316,500</u>
Total installment purchase agreements	<u>\$ 569,315</u>

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

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	
2016	\$ 5,210
2017	5,210
	10,420
less: amounts reporting interest	729
	\$ 9,691

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, 2015, the Town of Maxton had no bonds authorized but unissued and had a legal debt margin of \$6,473,924 which is computed by multiplying the property valuation by 8% and subtracting the debt detailed above.

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Changes in Long-Term Debt

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Governmental activities:					
Installment purchases and capital leases	\$ 300,747	\$ -	\$ 38,241	\$ 262,506	\$ 38,242
Compensated absences	31,703		3,347	28,356	
Net pension liability (LGERS)	163,932	-	163,932	-	-
Total governmental activities	\$ 496,382	\$ -	\$ 205,520	\$ 290,862	\$ 38,242
Business-type activities:					
Installment purchases	\$ -	\$ 316,500	\$ -	316,500	\$ 16,404
General obligation bonds	102,000	-	26,000	76,000	26,000
Compensated absences	9,666	1,626	-	11,292	-
Total business-type activities	\$ 111,666	\$ 318,126	\$ 26,000	\$ 403,792	\$ 42,404

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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>
Governmental activities:								
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	-	-	3,204	6,730	-	-	3,204	6,730
2021-2025	-	-	18,117	31,553	-	-	18,117	31,553
2026-2030	-	-	22,174	27,496	-	-	22,174	27,496
2031-2035	-	-	27,142	22,528	-	-	27,142	22,528
2036-2040	-	-	33,220	16,450	-	-	33,220	16,450
2041-2045	-	-	40,661	9,009	-	-	40,661	9,009
2046-2047	-	-	18,627	1,241	-	-	18,627	1,241
Total governmental activities	-	-	252,815	147,533	9,691	729	262,506	148,262
Business-type activities:								
2016	26,000	3,800	16,404	11,078	-	-	42,404	14,878
2017	26,000	2,500	16,979	10,503	-	-	42,979	13,003
2018	24,000	1,200	17,573	9,909	-	-	41,573	11,109
2019	-	-	18,188	9,294	-	-	18,188	9,294
2020	-	-	18,825	8,657	-	-	18,825	8,657
2021-2025	-	-	104,479	32,931	-	-	104,479	32,931
2026-2030	-	-	124,052	13,322	-	-	124,052	13,322
Total business-type activities	76,000	7,500	316,500	95,694	-	-	392,500	103,194
Total maturities of long-term debt	\$ 76,000	\$ 7,500	\$ 569,315	\$ 243,227	\$ 9,691	\$ 729	\$ 655,006	\$ 251,456

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

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

Current	\$ 3,893
Long-term	-
	\$ 3,893

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of contributions to the pension plan in the current fiscal year of \$107,693.

Deferred inflows of resources at year-end are comprised of property taxes receivable of \$435,966 and pension related deferrals of \$192,178.

Interfund Balances and Activity

Balances due to/from other funds at June 30, 2015, consisted of the following:

Due to the Enterprise Fund from the General Fund	\$ 144,000
--	------------

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

	Governmental	Business-type
Capital assets	\$ 2,124,612	\$ 4,265,103
less: long-term debt	262,506	392,500
Net investment in capital assets	\$ 1,862,106	\$ 3,872,603

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2015

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	\$ 983,200
Less:	
Stabilization by State Statute	141,678
Street-Powell Bill	148,916
Assigned	20,000
Remaining Fund Balance	672,606

Note 7 – Subsequent Events

Subsequent events were evaluated through October 28, 2015, which is the date the financial statements were available to be issued.

Note 8 – Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$111,052.

Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

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

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

Local Government Employees' Retirement System

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

Individual Fund Statements and Schedules

Town of Maxton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$	\$ 619,001	\$
Prior years		94,152	
Other - special district tax		2,323	
Fire tax		60,379	
Tax discounts		-	
Penalties		29,669	
Total ad valorem taxes	<u>704,500</u>	<u>805,524</u>	<u>101,024</u>
Other taxes and licenses			
Privilege licenses		7,527	
Dog tax		25	
Cablevision franchise tax		-	
Total other taxes and licenses	<u>7,900</u>	<u>7,552</u>	<u>(348)</u>
Unrestricted intergovernmental			
Local option sales tax		488,422	
Payments in lieu of taxes		2,010	
Utility franchise tax		145,911	
Beer and wine tax		11,456	
Total unrestricted intergovernmental	<u>515,000</u>	<u>647,799</u>	<u>132,799</u>
Restricted intergovernmental			
Powell bill allocation		79,701	
Grant revenue		4,425	
Juvenile justice grant		28,625	
Total restricted intergovernmental	<u>147,975</u>	<u>112,751</u>	<u>(35,224)</u>
Sales and services			
Refuse collection fees		259,372	
Courts costs, fee, and charges		6,842	
Cemetery revenue		1,375	
Property rents		2,438	
Zoning fees		1,154	
Fire inspection fees		1,825	
Total sales and services	<u>267,950</u>	<u>273,006</u>	<u>5,056</u>
Miscellaneous revenues			
Investment income - Powell Bill		25	
Investment income - other		11	
Insurance proceeds		14,232	
Miscellaneous		33,711	
Total miscellaneous revenues	<u>24,750</u>	<u>47,979</u>	<u>23,229</u>
Total revenues	<u>\$ 1,668,075</u>	<u>\$ 1,894,611</u>	<u>\$ 226,536</u>

Town of Maxton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2015

<u>Expenditures</u>	2015		Variance Positive (Negative)
	Budget	Actual	
General Government			
Governing body			
Salaries and employee benefits	\$	\$ 28,185	\$
Operating expenses		1,744	
Total governing body	<u>30,860</u>	<u>29,929</u>	<u>931</u>
Administration			
Salaries and employee benefits		93,309	
Operating expenses		3,879	
Professional fees		15,175	
Capital outlay		-	
Total administration	<u>130,315</u>	<u>112,363</u>	<u>17,952</u>
Public Buildings and general			
Salaries and employee benefits		30,216	
Operating expenses		310,564	
Grant-related expenditures		28,625	
Total administration	<u>394,065</u>	<u>369,405</u>	<u>24,660</u>
Total general government	<u>555,240</u>	<u>511,697</u>	<u>43,543</u>
Public Safety			
Police department			
Salaries and employee benefits		467,796	
Operating expenses		52,106	
Capital outlay		-	
Total police department	<u>538,500</u>	<u>519,902</u>	<u>18,598</u>
Fire department			
Contribution to Queheel Fire District		40,000	
Total fire department	<u>45,000</u>	<u>40,000</u>	<u>5,000</u>

Town of Maxton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
<u>Expenditures (continued)</u>			
Rescue squad			
Operating expenses	\$	\$ 7,785	\$
Total rescue squad	<u>7,785</u>	<u>7,785</u>	<u>-</u>
Dispatcher department			
Salaries and employee benefits		138,254	
Operating expenses		220	
Total dispatcher department	<u>144,295</u>	<u>138,474</u>	<u>5,821</u>
Total public safety	<u>735,580</u>	<u>706,161</u>	<u>29,419</u>
Transportation			
Street department			
Salaries and employee benefits		58,874	
Operating expenses		30,522	
Capital outlay		-	
Total street department	<u>89,430</u>	<u>89,396</u>	<u>34</u>
Powell Bill			
Salaries and employee benefits		26,679	
Operating expenses		21,007	
Capital outlay		7,599	
Total Powell Bill	<u>199,275</u>	<u>55,285</u>	<u>143,990</u>
Total transportation	<u>288,705</u>	<u>144,681</u>	<u>144,024</u>
Environmental Protection			
Sanitation			
Salaries and employee benefits		78,972	
Operating expenses		11,732	
Landfill fees		33,285	
Capital outlay		-	
Total sanitation	<u>143,235</u>	<u>123,989</u>	<u>19,246</u>
Total environmental protection	<u>143,235</u>	<u>123,989</u>	<u>19,246</u>

Town of Maxton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Cultural and Recreational			
Library			
Donation to library	\$	\$ 14,300	\$
Total library	<u>14,300</u>	<u>14,300</u>	<u>-</u>
Parks and recreation			
Activities		10,397	
Total parks and recreation	<u>11,250</u>	<u>10,397</u>	<u>853</u>
Total cultural and recreational	<u>25,550</u>	<u>24,697</u>	<u>853</u>
Debt service			
Debt service - principal		38,241	
Debt service - interest		11,408	
Total debt service	<u>50,165</u>	<u>49,649</u>	<u>516</u>
Total expenditures	<u>1,798,475</u>	<u>1,560,874</u>	<u>237,601</u>
Total revenues	1,668,075	1,894,611	226,536
Total expenditures	<u>1,798,475</u>	<u>1,560,874</u>	<u>237,601</u>
Revenue over (under) expenditures	(130,400)	333,737	464,137
Other financing sources (uses)			
Loan proceeds	-	-	-
Transfers to Water & Sewer Fund	(18,000)	-	18,000
Transfers from Water & Sewer Fund	8,400	8,381	(19)
Appropriated fund balance	<u>140,000</u>	<u>-</u>	<u>(140,000)</u>
	<u>130,400</u>	<u>8,381</u>	<u>(122,019)</u>
Net change in fund balance	<u>\$ -</u>	<u>342,118</u>	<u>\$ 342,118</u>
Fund balance - beginning of year		<u>641,082</u>	
Fund balance - end of year		<u>\$ 983,200</u>	

Town of Maxton, North Carolina
Enterprise Fund – Water and Sewer Fund
Schedule of Revenues and Expenditures –
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Operating revenues			
Charges for services			
Water and sewer revenues	\$	\$ 701,738	\$
Other operating revenues		54,841	
Total operating revenues	<u>688,400</u>	<u>756,579</u>	<u>68,179</u>
Non-operating revenues			
Various grants		23,500	
Rent income		-	
Interest earned		24	
Total non-operating revenues	<u>-</u>	<u>23,524</u>	<u>23,524</u>
Total revenues	<u>688,400</u>	<u>780,103</u>	<u>91,703</u>
<u>Expenditures</u>			
Water and sewer			
Salaries and employee benefits		340,680	
Telephone and postage		14,233	
Utilities		40,577	
Travel and training		516	
Maintenance and repairs		6,948	
Supplies		70,946	
Contracted services		41,037	
Insurance and bonds		55,000	
Uniforms		2,738	
Professional services		10,300	
Dues and subscriptions		4,446	
Miscellaneous		10,189	
Total water and sewer	<u>621,400</u>	<u>597,610</u>	<u>23,790</u>
Debt service			
Interest		5,100	
Principal retirement		26,000	
Total debt service	<u>31,100</u>	<u>31,100</u>	<u>-</u>
Capital outlay	<u>382,000</u>	<u>381,384</u>	<u>616</u>
Total expenditures	<u>\$ 1,034,500</u>	<u>\$ 1,010,094</u>	<u>\$ 24,406</u>

Town of Maxton, North Carolina
Enterprise Fund – Water and Sewer Fund
Schedule of Revenues and Expenditures –
Budget and Actual (Non-GAAP) (continued)
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (346,100)	\$ (229,991)	\$ 116,109
Other financing sources (uses):			
Loan proceeds	\$ 316,500	316,500	-
Transfer from General Fund	18,000	-	(18,000)
Transfer to General Fund	(8,400)	(8,381)	19
Appropriated fund balance	20,000	-	(20,000)
Revenues and appropriated fund balance over expenditures	\$ -	\$ 78,128	\$ 78,128

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

Revenues and appropriated fund balance over expenditures	\$ 78,128
Reconciling items:	
Principal retirement	26,000
Capital outlay	381,384
Loan proceeds	(316,500)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	30,061
Depreciation	(167,973)
Capital contribution	90,849
Total reconciling items	43,821
Change in net position	\$ 121,949

Town of Maxton, North Carolina
Enterprise Fund – Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures –
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Totals to Date</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>					
Restricted intergovernmental:					
Critical need grant - Rural Center	\$ 252,430	\$ 165,717	\$ 86,713	\$ 252,430	\$ -
Town contribution	28,100	28,100	4,136	32,236	4,136
Total revenues	<u>280,530</u>	<u>193,817</u>	<u>90,849</u>	<u>284,666</u>	<u>4,136</u>
<u>Expenditures</u>					
Admin and Engineering	36,000	29,811	273	30,084	5,916
Construction	222,300	163,735	64,481	228,216	(5,916)
Contingency	22,230	271	26,095	26,366	(4,136)
Total expenditures	<u>280,530</u>	<u>193,817</u>	<u>90,849</u>	<u>284,666</u>	<u>(4,136)</u>
Revenue over (under) expenditures	-	-	-	-	-
Other financing sources (uses)	-	-	-	-	-
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

Town of Maxton, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2015</u>
2014-2015	\$ -	\$ 712,893	\$ 619,001	\$ 93,892
2013-2014	101,896		31,311	70,585
2012-2013	82,983		18,630	64,353
2011-2012	71,182		20,605	50,577
2010-2011	53,319		12,043	41,276
2009-2010	39,075		4,362	34,713
2008-2009	35,525		1,983	33,542
2007-2008	24,955		1,098	23,857
2006-2007	20,907		977	19,930
2005-2006	18,263		1,022	17,241
2004-2005	10,282		10,282	-
	<u>\$ 458,387</u>	<u>\$ 712,893</u>	<u>\$ 721,314</u>	<u>\$ 449,966</u>
Less - allowance for uncollectible accounts				<u>(14,000)</u>
Ad valorem taxes receivable - net				<u><u>\$ 435,966</u></u>
Reconcilement with revenues:				
Taxes - ad valorem - general fund				\$ 805,524
Reconciling items -				
Penalties				(29,669)
Other				18,443
Special and fire taxes not included above				(62,702)
Taxes written off				<u>(10,282)</u>
Total collections and credits				<u><u>\$ 721,314</u></u>

Town of Maxton, North Carolina
Analysis of Current Year's Tax Levy
For the Year Ended June 30, 2015

	Town-wide Levy			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
		(Per \$100 Valuation)			
Net levy	89,111,625	0.80	\$ 712,893	\$ 618,380	\$ 94,513
Uncollected property taxes at June 30, 2015			(93,892)	(93,867)	(25)
Current year taxes collected			\$ 619,001	\$ 524,513	\$ 94,488
Gross levy collection percentage			86.83%	84.82%	99.97%

Compliance Section

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, 2015, which collectively comprises the Town of Maxton's basic financial statements, and have issued our report thereon dated, October 28, 2015. 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. Preston Douglas & Associates, LLP". The signature is written in a cursive style.

Lumberton, North Carolina
October 28, 2015