

Town of Maxton, North Carolina

Financial Statements

For the Year Ended June 30, 2017

Town of Maxton, North Carolina
Financial Statements
For the Year Ended June 30, 2017

Board of Town Commissioners

Emmett Morton, Mayor

Virgil Hutchinson, Mayor Pro-Tem

Elizabeth Gilmore

James McDougald

Paul McDowell

Kate Bordeaux, Town Manager

Myra Tyndall, Finance Officer

Town of Maxton, North Carolina
Table of Contents
June 30, 2017

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 Financial Section	
 Basic Financial Statements	
 <u>Government-wide Financial Statements</u>	
Statement of Net Position.....	11
Statement of Activities	12
 <u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	16
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
Notes to the Financial Statements.....	20
 Required Supplementary Financial Data	
Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System.....	44
Schedule of Contributions – Local Government Employees' Retirement System.....	45
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance.....	46
Schedule of Total Pension Liability as a Percentage of Covered Payroll	47

Town of Maxton, North Carolina
Table of Contents (continued)
June 30, 2017

	Page
Individual Fund Financial Statements Section	
<u>General Fund</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	48
<u>Enterprise Fund</u>	
Water and Sewer Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	52
Water and Sewer Capital Projects Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP).....	54
Other Schedules	
Schedule of Ad Valorem Taxes Receivable.....	55
Analysis of Current Year’s Tax Levy	56
Compliance Section	
Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards.</i>	57
Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance	59
Schedule of Findings and Questioned Costs	61
Corrective Action Plan.....	63
Summary Schedule of Prior Year Audit Findings	64
Schedule of Expenditures of Federal and State Awards	65

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina as of June 30, 2017, 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 Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, 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.

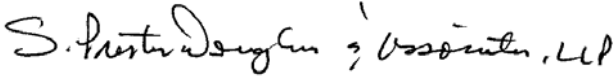
Supplementary and other Information

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 combining and individual fund financial statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State awards 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, other schedules, and the Schedule of Expenditures of Federal and State awards are fairly stated in, all material respects, in relation to the basic financial statements as a whole.

Other Reporting Require by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017 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.

 S. Preston Douglas, CPA

Lumberton, North Carolina

September 20, 2017

Town of Maxton, North Carolina
Management's Discussion and Analysis
June 30, 2017

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, 2017.

Financial Highlights

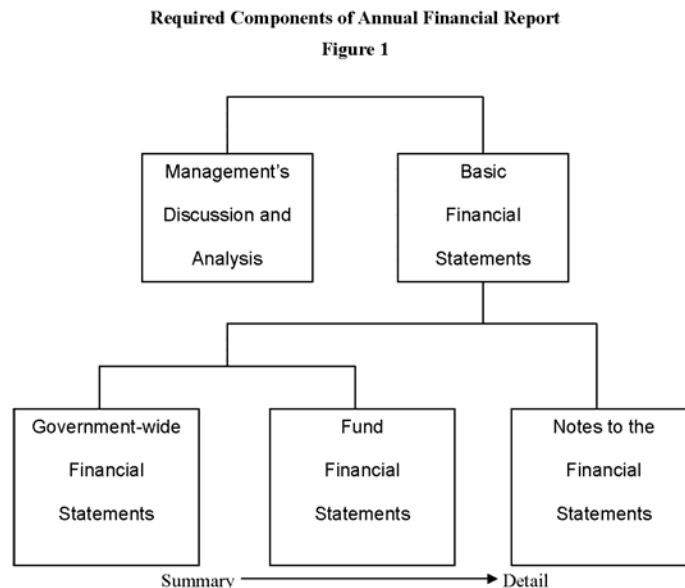
The assets of the Town of Maxton exceeded its liabilities at the close of the fiscal year by \$9,065,627 (net position).

The government's total net position increased by \$972,590, primarily due to revenues increasing compared to the prior year and revenues exceeding expenditures in governmental and business-type activities.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,531,526, an increase of \$233,034 in comparison with the prior year. There was \$1,139,278 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, 2017

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 11 and 12 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, 2017

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 20-43 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 44 of this report.

Government-wide Financial Analysis

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

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

The Town of Maxton's Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 2,071,819	\$ 1,809,164	\$ 1,063,800	\$ 967,816	\$ 3,135,619	\$ 2,776,980
Non-current assets	2,230,414	2,043,907	4,808,439	4,312,645	7,038,853	6,356,552
Total assets	4,302,233	3,853,071	5,872,239	5,280,461	10,174,472	9,133,532
Deferred Outflows of Resources	269,939	110,243	94,350	38,212	364,289	148,455
Current liabilities	74,938	79,728	149,173	142,444	224,111	222,172
Non-current liabilities	831,317	289,307	15,123	392,350	846,440	681,657
Total liabilities	906,255	369,035	164,296	534,794	1,070,551	903,829
Deferred Inflows of Resources	14,791	27,701	3,217	9,733	18,008	37,434
Net position						
Net investment in capital assets	1,877,511	1,800,664	4,445,103	3,892,242	6,322,614	5,692,906
Restricted	240,248	363,237	-	-	240,248	363,237
Unrestricted	1,533,367	1,402,677	969,398	881,904	2,502,765	2,284,581
Total net position	\$ 3,651,126	\$ 3,566,578	\$ 5,414,501	\$ 4,774,146	\$ 9,065,627	\$ 8,340,724

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

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 \$9,065,627 as of June 30, 2017. The Town's net position increased by \$972,590 for the fiscal year ended June 30, 2017. The largest portion (69.74%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Maxton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Maxton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The Town of Maxton's net position reflects \$2,502,765 as unrestricted.

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

The Town of Maxton's Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues						
Charges for services	\$ 260,168	\$ 261,188	\$ 731,353	\$ 716,719	\$ 991,521	\$ 977,907
Operating grants and contributions	283,842	102,017	37,109	-	320,951	102,017
Capital grants and contributions	-	-	697,839	132,934	697,839	132,934
General revenues					-	-
Property taxes	780,765	817,077	-	-	780,765	817,077
Other taxes	355	580	-	-	355	580
Other	787,599	774,808	585	292	788,184	775,100
Total revenues	2,112,729	1,955,670	1,466,886	849,945	3,579,615	2,805,615
Expenses:						
General government	695,179	476,519	-	-	695,179	476,519
Public safety	723,186	752,431	-	-	723,186	752,431
Transportation	177,668	237,012	-	-	177,668	237,012
Environmental protection	122,861	128,026	-	-	122,861	128,026
Cultural and recreation	50,774	31,255	-	-	50,774	31,255
Interest on long-term debt	14,393	11,946			14,393	11,946
Water and sewer	-	-	822,964	749,051	822,964	749,051
Transfers	(3,567)	(1,375)	3,567	1,375	-	-
Total expenses	1,780,494	1,635,814	826,531	750,426	2,607,025	2,386,240
Change in net position	332,235	319,856	640,355	99,519	972,590	419,375
Net position, beginning, previously reported	3,566,578	3,215,627	4,774,146	4,705,722	8,340,724	7,921,349
Restatement	(247,687)	31,095	-	(31,095)	(247,687)	-
Net position, beginning, restated	3,318,891	3,246,722	4,774,146	4,674,627	8,093,037	7,921,349
Net position, ending	\$ 3,651,126	\$ 3,566,578	\$ 5,414,501	\$ 4,774,146	\$ 9,065,627	\$ 8,340,724

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Governmental activities. Governmental activities increased the Town's net position by \$332,235. Key elements of this increase are as follows:

- Revenues increased from the prior year amounts.

Business-type activities. Business-type activities increased the Town of Maxton's net position by \$640,355. The key element of this increase was monitoring of expenses and an increase in capital contributions for the year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Maxton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,139,278, while total fund balance reached \$1,531,526. The Governing Body of the Town of Maxton has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 57.44% of General Fund expenditures.

At June 30, 2017, the governmental funds of the Town of Maxton reported a combined fund balance of \$1,531,526, a 15.22% 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.

General Fund Budgetary Highlights. During the fiscal year, the Town may revise its budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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 \$969,398. The total increase in net position was \$640,355. 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, 2017

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, 2017, totals \$7,038,853 (net of accumulated depreciation). The investments in capital assets include buildings, streets, land, machinery and equipment, vehicles, and work in progress.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 98,005	\$ 98,005	\$ 131,166	\$ 131,166	\$ 229,171	\$ 229,171
Buildings and improvements	3,171,699	3,076,699	2,483,050	2,483,050	5,654,749	5,559,749
Furniture and equipment	557,831	561,128	1,778,582	2,031,464	2,336,413	2,592,592
Vehicles	791,621	760,000	140,170	140,170	931,791	900,170
Plant and distribution system	-	-	2,704,000	2,613,151	2,704,000	2,613,151
Work in Progress	-	-	830,774	223,783	830,774	223,783
Total depreciable assets	4,521,151	4,397,827	7,936,576	7,491,618	12,457,727	11,889,445
Less – Accumulated dep.	2,388,742	2,451,925	3,259,303	3,112,775	5,648,045	5,564,700
Total depreciable assets, net	2,132,409	1,945,902	4,677,273	4,181,479	6,809,682	6,324,745
Total capital assets, net	\$ 2,230,414	\$ 2,043,907	\$ 4,808,439	\$ 4,312,645	\$ 7,038,853	\$ 6,553,916

Additional information on the Town's capital assets can be found in the notes on pages 28 and 29 of this report.

Long-term debt. As of June 30, 2017, the Town of Maxton had total bonded debt outstanding of \$24,000, 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 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Maxton is \$6,522,471.

Additional information regarding the Town of Maxton's long-term debt can be found on beginning on page 39 of this report.

Town of Maxton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

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 6.2% is above the State average of 4.2 % and the national rate of 4.4%.

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, 2018, the Town is appropriating \$152,000 to balance the budget.

Budgeted expenditures in the General Fund increased.

Business-type Activities. The business-type funds budgeted revenue increased for the fiscal year ended June 30, 2018.

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, 2017

	Primary Government			Maxton ABC Board
	Governmental Activities	Business- Type Activities	Totals	
Assets				
Current assets				
Cash and cash equivalents	\$ 1,440,403	\$ 800,766	\$ 2,241,169	\$ 6,457
Taxes receivable - net	497,168	-	497,168	-
Accounts receivable - net	65,504	147,151	212,655	917
Due from other governments	98,473	-	98,473	-
Internal balances	(106,000)	106,000	-	-
Inventories	-	9,883	9,883	96,712
Restricted cash and cash equivalents	76,271	-	76,271	-
Total current assets	2,071,819	1,063,800	3,135,619	104,086
Non-current assets				
Capital assets (Note 3)				
Land, non-depreciable	98,005	131,166	229,171	5,000
Other capital assets, net of depreciation	2,132,409	4,677,273	6,809,682	4,015
Total capital assets	2,230,414	4,808,439	7,038,853	9,015
Total assets	4,302,233	5,872,239	10,174,472	113,101
Deferred outflows of resources				
Pension deferrals	269,939	94,350	364,289	5,995
Total deferred outflows of resources	269,939	94,350	364,289	5,995
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	43,125	14,911	58,036	61,460
Customer deposits	-	78,082	78,082	-
Current portion of long-term liabilities	31,813	56,180	87,993	-
Total current liabilities	74,938	149,173	224,111	61,460
Long-term liabilities				
Net pension liability	220,345	77,419	297,764	4,672
Total pension liability	261,460	-	261,460	-
Due in more than one year	349,512	322,279	671,791	-
Total liabilities	906,255	548,871	1,455,126	66,132
Deferred inflows of resources				
Pension deferrals	14,791	3,217	18,008	-
Total deferred inflows of resources	14,791	3,217	18,008	-
Net position				
Net investment in capital assets	1,877,511	4,445,103	6,322,614	7,090
Restricted for:				
Stabilization by State Statute	163,977	-	163,977	-
Other Functions	76,271	-	76,271	22,837
Unrestricted	1,533,367	969,398	2,502,765	23,037
Total net position	\$ 3,651,126	\$ 5,414,501	\$ 9,065,627	\$ 52,964

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, 2017

<u>Function/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</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	\$ 695,179	\$ -	\$ 153,113	\$ -	\$ (542,066)	\$ -	\$ (542,066)	\$ -
Public safety	723,186	1,000	37,354	-	(684,832)	-	(684,832)	-
Transportation	177,668	-	77,375	-	(100,293)	-	(100,293)	-
Environmental protection	122,861	259,168	16,000	-	152,307	-	152,307	-
Cultural and recreational	50,774	-	-	-	(50,774)	-	(50,774)	-
Interest on long-term debt	14,393	-	-	-	(14,393)	-	(14,393)	-
Total governmental activities	1,784,061	260,168	283,842	-	(1,240,051)	-	(1,240,051)	-
Business-type activities								
Water and sewer	822,964	731,353	37,109	697,839	-	643,337	643,337	-
Total primary government	\$ 2,607,025	\$ 991,521	\$ 320,951	\$ 697,839	(1,240,051)	643,337	(596,714)	-
Component unit								
Maxton ABC board	\$ 760,821	\$ 767,069	\$ -	\$ -	\$ -	\$ -	\$ -	6,248
General revenues								
Taxes								
Property taxes, levied for general purpose					780,765	-	780,765	-
Other taxes					355	-	355	-
Grants and contributions not restricted to specific programs					742,142	-	742,142	-
Unrestricted investment earnings					1,660	585	2,245	1
Transfers					3,567	(3,567)	-	-
Miscellaneous					43,797	-	43,797	3,570
Total general revenues and transfers					1,572,286	(2,982)	1,569,304	3,571
Change in net position					332,235	640,355	972,590	9,819
Net position, beginning, previously reported					3,566,578	4,774,146	8,340,724	43,145
<i>Restatement</i>					(247,687)	-	(247,687)	-
Net position, beginning, restated					3,318,891	4,774,146	8,093,037	43,145
Net position, ending					\$ 3,651,126	\$ 5,414,501	\$ 9,065,627	\$ 52,964

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

Town of Maxton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	<u>Major Fund</u> <u>General</u>	<u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets			
Cash, cash equivalents, and investments	\$ 1,440,403	\$ -	\$ 1,440,403
Restricted cash	76,271	-	76,271
Ad valorem taxes receivables, net	497,168	-	497,168
Accounts receivable, net	65,504	-	65,504
Due from other governments	98,473	-	98,473
Total assets	<u>2,177,819</u>	<u>-</u>	<u>2,177,819</u>
Liabilities			
Accounts payable and accrued liabilities	43,125	-	43,125
Due to other funds	106,000	-	106,000
Total liabilities	<u>149,125</u>	<u>-</u>	<u>149,125</u>
Deferred inflows of resources			
Property taxes receivable	497,168	-	497,168
Total deferred inflows of resources	<u>497,168</u>	<u>-</u>	<u>497,168</u>
Fund balance			
Restricted			
Stabilization by State Statute	163,977	-	163,977
Streets	73,437	-	73,437
Public safety	2,834	-	2,834
Assigned			
Subsequent year's expenditures	152,000	-	152,000
Unassigned	1,139,278	-	1,139,278
Total fund balance	<u>1,531,526</u>	<u>-</u>	<u>1,531,526</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,177,819</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the Statement of Net Position (Page 11) are different because:

Total fund balance, governmental funds	1,531,526
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Gross capital assets at historical cost	\$ 4,619,156
Accumulated depreciation	<u>(2,388,742)</u>
Deferred outflows of resources related to pensions are not reported in the funds	269,939
Earned revenues considered deferred inflows of resources in fund statements	497,168
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Gross long-term debt, beginning	\$ (268,496)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(112,829)
Net pension liability	(220,345)
Total pension liability	<u>(261,460)</u>
Deferred inflows of resources related to pensions are not reported in the funds	(14,791)
Net position reported as governmental activities	<u>\$ 3,651,126</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
For the Year Ended June 30, 2017

	<u>Major Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Governmental</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Revenues			
Ad valorem taxes	\$ 742,882	\$ -	\$ 742,882
Other taxes and licenses	355	-	355
Unrestricted intergovernmental	742,142	-	742,142
Restricted intergovernmental	283,842	-	283,842
Sales and services	285,124	-	285,124
Investment earnings	1,660	-	1,660
Miscellaneous	18,841	-	18,841
	<u>2,074,846</u>	<u>-</u>	<u>2,074,846</u>
Total revenues			
Expenditures			
General government	519,424	-	519,424
Public safety	770,526	-	770,526
Transportation	311,394	-	311,394
Environmental protection	292,086	-	292,086
Cultural and recreational	50,774	-	50,774
Debt service			
Principal	24,782	-	24,782
Interest	14,393	-	14,393
	<u>1,983,379</u>	<u>-</u>	<u>1,983,379</u>
Total expenditures			
Excess of revenues over expenditures	91,467	-	91,467
Other financing sources (uses)			
Loan proceeds	138,000	-	138,000
Transfers in (out)	3,567	-	3,567
	<u>233,034</u>	<u>-</u>	<u>233,034</u>
Net change in fund balance			
Fund balances - beginning of year	<u>1,298,492</u>	<u>-</u>	<u>1,298,492</u>
Fund balances - end of year	<u>\$ 1,531,526</u>	<u>\$ -</u>	<u>\$ 1,531,526</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, 2017

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

Net changes in fund balances - total government funds	\$	233,034
<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	\$ 327,150	
Depreciation expense for governmental assets	<u>(140,642)</u>	186,508
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		81,463
<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		37,883
<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	(138,000)	
Principal payments on long-term debt	<u>24,782</u>	(113,218)
<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	(3,169)	
Pension expense	<u>(90,266)</u>	<u>(93,435)</u>
Total change in net position of governmental activities	\$	<u><u>332,235</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 768,450	\$ 768,450	\$ 742,882	\$ (25,568)
Other taxes and licenses	500	500	355	(145)
Unrestricted intergovernmental	604,500	604,500	742,142	137,642
Restricted intergovernmental	137,624	137,624	283,842	146,218
Sales and services	286,600	286,600	285,124	(1,476)
Investment earnings	-	-	1,660	1,660
Miscellaneous	28,200	28,200	18,841	(9,359)
Total revenues	<u>1,825,874</u>	<u>1,825,874</u>	<u>2,074,846</u>	<u>248,972</u>
Expenditures				
General government	550,990	550,990	519,424	31,566
Public safety	803,035	803,035	770,526	32,509
Transportation	365,830	365,830	311,394	54,436
Environmental protection	299,975	299,975	292,086	7,889
Cultural and recreational	67,439	67,439	50,774	16,665
Debt service				
Principal retirement	43,620	43,620	24,782	18,838
Interest expense	17,552	17,552	14,393	3,159
Total expenditures	<u>2,148,441</u>	<u>2,148,441</u>	<u>1,983,379</u>	<u>165,062</u>
Revenue over (under) expenditures	(322,567)	(322,567)	91,467	414,034
Other financing sources (uses)				
Loan proceeds	138,000	138,000	138,000	-
Transfers to water & sewer fund	3,567	3,567	3,567	-
Appropriated fund balance	181,000	181,000	-	(181,000)
Total other financing sources (uses)	<u>322,567</u>	<u>322,567</u>	<u>141,567</u>	<u>(181,000)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	233,034	<u>\$ 233,034</u>
Fund balance - beginning of year			<u>1,298,492</u>	
Fund balance - end of year			<u>\$ 1,531,526</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, 2017

	Enterprise Fund
	Water and Sewer Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 800,766
Accounts receivable, net	147,151
Due from other governments	-
Due from other funds	106,000
Inventories	9,883
Total current assets	1,063,800
Capital assets	
Land	131,166
Other capital assets, net of depreciation	4,677,273
Total capital assets	4,808,439
Total assets	5,872,239
Deferred Outflows of Resources	
Pension deferrals	94,350
Total deferred outflows of resources	94,350
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	14,911
Customer deposits	78,082
Current maturities of long-term debt	56,180
Total current liabilities	149,173
Non-current liabilities	
Compensated absences	15,123
Long-term debt	307,156
Net pension liability	77,419
Total non-current liabilities	399,698
Total liabilities	548,871
Deferred Inflows of Resources	
Pension deferrals	3,217
Total deferred inflows of resources	3,217
Net Position	
Net investment in capital assets	4,445,103
Unrestricted	969,398
Total net position	\$ 5,414,501

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, 2017

	Enterprise Fund
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 698,778
Other operating revenues	32,575
Total operating revenues	731,353
Operating expenses	
Water and sewer department	607,961
Depreciation expense	202,044
Total operating expenses	810,005
Operating income (loss)	(78,652)
Non-operating revenue (expenses)	
Investment earnings	585
Grants	37,109
Interest and other charges	(12,959)
Total non-operating revenue (expenses)	24,735
Income (loss) before contributions and transfers	(53,917)
Capital contributions	697,839
Transfers from (to) general fund	(3,567)
Total contributions and transfers	694,272
Change in net position	640,355
Net position, beginning	4,774,146
Net position, ending	\$ 5,414,501

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, 2017

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 733,867
Cash paid for goods and services	(252,628)
Cash paid to or on behalf of employees for services	(340,099)
Increase (decrease) in customer deposits	2,875
Net cash provided (used) by operating activities	144,015
Cash flows from noncapital financing activities	
FEMA Grant	37,109
Advances to other funds	(3,567)
Decrease (increase) in due to other funds	20,000
Total cash flows from noncapital financing activities	53,542
Cash flows from capital and related financing activities	
Capital contributions	697,839
Acquisition and construction of capital assets	(697,839)
Installment debt and interest repayments	(41,525)
Principal paid on bonds	(26,000)
Interest paid on bond	(2,500)
Net cash provided (used) by capital and related financing activities	(70,025)
Cash flows from investing activities	
Interest on investments	585
Net increase (decrease) in cash, cash equivalents, and investments	128,117
Cash, cash equivalents, and investments - beginning of year	672,649
Cash, cash equivalents, and investments - end of year	\$ 800,766
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (78,652)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	202,044
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	2,514
(Increase) decrease in inventories	9,619
Increase (decrease) in accounts payable and accrued liabilities	8,120
Increase (decrease) in customer deposits	2,875
Increase (decrease) in net pension liability	(56,138)
Increase (decrease) in deferred inflows of resources for pensions	60,149
(Increase) decrease in deferred outflows of resources for pensions	(6,516)
Total adjustments	222,667
Net cash provided (used) by operating activities	\$ 144,015

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, 2017

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

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, 2017

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, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

C - Measurement Focus and Basis of Accounting (continued)

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

D - Budgetary Data

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

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

Deposits and Investments

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

Cash and Cash Equivalents

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, 2017

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: \$76,271

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, 2016.

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, 2017, as due to/from other funds, generally represent short-term advances, between funds. The amounts reported at year-end are not available for appropriation and are not an expendable available financial resources.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Land, \$10,000; buildings, \$20,000; capital projects, \$10,000; infrastructure, \$15,000; and furniture and equipment, \$2,500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The road network is reported at historical costs as reported to the North Carolina Department of Transportation under the Powell Bill program and the water and sewer system assets are reported at their historical costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

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-pension related deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

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, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

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

Compensated Absences

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

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

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

Net Position / Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

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

Net Position / Fund Balances (continued)

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

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

The Town has no formal minimum fund balance policy.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town 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, 2017

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Deposits (continued)

At June 30, 2017, the Town's deposits had a carrying amount of \$1,795,122 and a bank balance of \$1,821,858. Of the bank balance, \$250,000 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 \$6,457 and the bank was \$10,256. All of the bank balance was covered by federal depository insurance.

Investments

At June 30, 2017, the Town had \$522,318 invested with the NC Capital Management Trust's Government 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:

General Fund:		
Taxes receivable	\$	14,000
Accounts receivable		<u>5,934</u>
Total General Fund		19,934
Enterprise Funds:		
Water and Sewer Fund – accounts receivable		<u>18,489</u>
Total Enterprise Funds		<u>18,489</u>
Total	\$	<u><u>38,423</u></u>

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

Note 3 - Detail Notes on All Funds (continued)

A – Assets (continued)

Due from Other Governmental Agencies

At June 30, 2017, funds due from other governmental agencies consisted of the following:

	Governmental Activities			Business-Type Activities
	General	Non-Major Governmental	Total	
Local option sales tax	\$ 98,473	\$ -	\$ 98,473	\$ -
Grants receivable	-	-	-	-
	-	-	-	-
	\$ 98,473	\$ -	\$ 98,473	\$ -

Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

Governmental activities -	Beginning			Ending
Capital assets	Balance	Increases	Decreases	Balance
Land (non-depreciable)	\$ 98,005	\$ -	\$ -	\$ 98,005
Buildings and improvements	3,076,699	125,000	30,000	3,171,699
Furniture and equipment	561,128	-	3,297	557,831
Vehicles	760,000	202,150	170,529	791,621
Work in progress	-	-	-	-
 Total capital assets	 4,495,832	 327,150	 203,826	 4,619,156
 Less -				
Accumulated depreciation				
Buildings and improvements	1,279,074	82,509	-	1,361,583
Furniture and equipment	444,274	47,391	-	491,665
Vehicles/motorized equipment	728,577	10,742	203,825	535,494
 Total accumulated depreciation	 2,451,925	 140,642	 203,825	 2,388,742
 Governmental activities -				
Capital assets - net	 <u>\$ 2,043,907</u>			 <u>\$ 2,230,414</u>

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

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	\$	90,768
Public safety		10,742
Transportation		39,132
Environmental protection		-
Total depreciation expense	\$	140,642

Business-type activities - Water and sewer fund - Capital assets	Beginning Balance	Increases	Decreases	Ending Balance
Land (non-depreciable)	\$ 131,166	\$ -	\$ -	\$ 131,166
Buildings and improvements	2,483,050	-	-	2,483,050
Plant and distribution system	2,613,151	90,849	-	2,704,000
Furniture and equipment	2,031,464	-	252,882	1,778,582
Vehicles	140,170	-	-	140,170
Work in progress	223,783	697,840	90,849	830,774
Total capital assets	7,622,784	788,689	343,731	8,067,742
Less - Accumulated depreciation				
Buildings and improvements	29,883	1,400	-	31,283
Plant and distribution system	1,240,897	60,509	-	1,301,406
Furniture and equipment	1,969,605	121,944	252,880	1,838,669
Vehicles	69,754	18,191		87,945
Total accumulated depreciation	3,310,139	202,044	252,880	3,259,303
Business-type activities Capital assets - net	\$ 4,312,645			\$ 4,808,439

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

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, 2017, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 5,000	\$ -	\$ -	\$ 5,000
Building and improvements	58,028	-	-	58,028
Furniture and equipment	63,555	1,187	-	64,742
Total capital assets	126,583	1,187	-	127,770
Less - accumulated depreciation				
Buildings and improvements	57,831	66	-	57,897
Furniture and equipment	60,047	811	-	60,858
Total depreciation	117,878	877	-	118,755
Total ABC Board capital assets - net	\$ 8,705			\$ 9,015

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, 2017

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, 2017, was 7.01% of compensation for law enforcement officers and 6.46% 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 \$109,592 for the year ended June 30, 2017.

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, 2017

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, 2017, the Town reported a liability of \$297,764 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town’s proportion was 0.014%, which was a decrease of 0.001% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$98,481. At June 30, 2017, 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	\$ 5,594	\$ 10,434
Changes of assumptions	20,394	-
Net difference between projected and actual earnings on pension plan investments	164,626	-
Changes in proportion and difference between Town contributions and proportionate share of contributions	64,083	1,938
Town contributions subsequent to the measurement date	109,592	-
Total	\$ 364,289	\$ 12,372

\$109,592 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 46,389
2018	46,421
2019	95,885
2020	53,630
2021	-
Thereafter	-
	\$ 242,325

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

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 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 706,732	\$ 297,764	\$ (43,837)

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, 2017

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers' Special Separation Allowance

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	10
Total	11

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 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 criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent	
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor	
Discount rate	3.71 percent	

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

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

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers’ Special Separation Allowance (continued)

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

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

At June 30, 2017, the Town reported a total pension liability of \$261,460. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$19,409.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	5,636
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ -	\$ 5,636

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (1,056)
2019	(1,056)
2020	(1,056)
2021	(1,056)
2022	(1,056)
Thereafter	(356)
	\$ (5,636)

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers' Special Separation Allowance (continued)

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

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 285,325	\$ 261,460	\$ 239,751

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

	2017
Beginning balance	\$ 261,013
Service cost	10,421
Interest on the total pension liability	9,097
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(6,692)
Benefit payments	(12,379)
Other changes	-
Ending balance of the total pension liability	\$ 261,460

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (910) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017, were \$16,671, which consisted of \$12,513 from the Town and \$4,158 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, 2017

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Risk Management (continued)

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

Long-Term Obligations

Installment Purchase Agreements

The Town entered into an installment purchase agreement with the USDA to finance the construction building dedicated to rescue squad use. The loan requires forty annual payments of \$9,934, including interest at 4.125% beginning 2008, through 2047.	\$ 169,178
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.	29,857
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.	283,117
In December, 2015, the Town entered into two installment loan agreements with a local bank to finance several pieces of equipment allocated to two different funds, payable in sixty monthly installments of \$1,808, including interest at 3.25%. Loans were collateralized by various equipment	72,087
During the year ended June 30, 2017, the Town purchased a garbage truck and financed a portion of same with a USDA loan, payable in annual installments of \$11,045 through 2032, including interest at 2.5%. Loan is collateralized by the aforementioned equipment.	138,000
Total installment purchase agreements	<u>\$ 692,239</u>

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

Note 3 - Detail Notes on All Funds (continued)

B – Liabilities (continued)

Long-Term Obligations (continued)

General Obligation Indebtedness

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

Bonds payable at June 30, 2017, 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.	\$	24,000
Less – Current portion		24,000
Long-term portion of general obligation bonds		\$ -

At June 30, 2017, the Town of Maxton had no bonds authorized but unissued and had a legal debt margin of \$6,522,471 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, 2017

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	\$ 243,243	\$ 138,000	\$ 28,340	\$ 352,903	\$ 31,813
Compensated absences	25,253	3,169	-	28,422	-
Net pension liability (LGERS)	49,152	171,193	-	220,345	-
Total pension liability (LEO)	261,013	447	-	261,460	-
Total governmental activities	\$ 578,661	\$ 312,809	\$ 28,340	\$ 863,130	\$ 31,813
Business-type activities:					
Installment purchases	\$ 370,403	\$ -	\$ 31,067	339,336	\$ 32,180
General obligation bonds	50,000	-	26,000	24,000	24,000
Compensated absences	11,383	3,740	-	15,123	-
Net pension liability (LGERS)	-	17,270	-	17,270	-
Total business-type activities	\$ 431,786	\$ 21,010	\$ 57,067	\$ 395,729	\$ 56,180

Maturities of Long-Term Debt

	<u>Bond Obligation</u>		<u>Installment Purchases</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental activities:						
2018	\$ -	\$ -	\$ 31,813	\$ 11,499	\$ 31,813	\$ 11,499
2019	-	-	30,058	10,464	30,058	10,464
2020	-	-	16,925	9,647	16,925	9,647
2021	-	-	11,617	9,362	11,617	9,362
2022	-	-	11,957	9,022	11,957	9,022
2023-2027	-	-	65,339	39,556	65,339	39,556
2028-2032	-	-	75,747	29,148	75,747	29,148
2033-2037	-	-	29,426	20,244	29,426	20,244
2038-2042	-	-	36,017	13,653	36,017	13,653
2043-2047	-	-	44,004	5,666	44,004	5,666
Total governmental activities	-	-	352,903	158,261	352,903	158,261
Business-type activities:						
2018	24,000	1,200	32,180	11,409	56,180	12,609
2019	-	-	33,276	10,312	33,276	10,312
2020	-	-	34,412	9,177	34,412	9,177
2021	-	-	30,423	8,304	30,423	8,304
2022	-	-	20,165	7,317	20,165	7,317
2023-2027	-	-	111,921	25,489	111,921	25,489
2028-2031	-	-	76,959	5,448	76,959	5,448
Total business-type activities	24,000	1,200	339,336	77,456	363,336	78,656
Total maturities of long-term debt	\$ 24,000	\$ 1,200	\$ 692,239	\$ 235,717	\$ 716,239	\$ 236,917

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

Note 3 - Detail Notes on All Funds (continued)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of contributions to the pension plan in the current fiscal year of \$109,592 and pension related deferrals of \$254,697.

Deferred inflows of resources at year-end are comprised of property taxes receivable of \$497,168 and pension related deferrals of \$18,008.

Interfund Balances and Activity

Balances due to/from other funds at June 30, 2017, consisted of the following:

Due to the Enterprise Fund from the General Fund	<u>\$ 106,000</u>
--	-------------------

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

Note 4 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 5 – Net Investments in Capital Assets

	Governmental	Business-type
Capital assets	\$ 2,230,414	\$ 4,808,439
less: long-term debt	352,903	363,336
Net investment in capital assets	<u>\$ 1,877,511</u>	<u>\$ 4,445,103</u>

Town of Maxton, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

Note 6 – Fund Balance

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

Total fund balance-General Fund	\$ 1,531,526
Less:	
Stabilization by State Statute	163,977
Street-Powell Bill	73,437
Public Safety	2,834
Appropriated Fund Balance	152,000
Remaining Fund Balance	1,139,278

Note 7 – Subsequent Events

Subsequent events were evaluated through September 20, 2017, 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) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$247,687.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Maxton's proportion of the net pension liability (asset) (%)	0.00014%	0.00015%	0.00013%	0.00014%
Maxton's proportion of the net pension liability (asset) (\$)	\$ 297,764	\$ 66,422	\$ (77,257)	\$ 163,932
Maxton's covered-employee payroll	\$ 896,336	\$ 884,086	\$ 751,278	\$ 751,278
Maxton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.22%	7.41%	(8.74%)	21.82%
Plan fiduciary net position as a percentage of the total pension liability.	91.47%	98.09%	102.64%	94.35%

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

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 109,592	\$ 100,149	\$ 107,993	\$ 90,085
Contributions in relation to the contractually required contribution	<u>109,592</u>	<u>100,149</u>	<u>107,993</u>	<u>90,085</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Maxton's covered-employee payroll	\$ 900,617	\$ 896,336	\$ 884,086	\$ 751,278
Contributions as a percentage of covered-employee payroll	12.17%	11.17%	12.22%	11.99%

Town of Maxton, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Separation Allowance
June 30, 2017

	2017
Beginning balance	\$ 261,013
Service cost	10,421
Interest on the total pension liability	9,097
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(6,692)
Benefit payments	(12,379)
Other changes	-
Ending balance of the total pension liability	\$ 261,460

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

Town of Maxton, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Separation Allowance
June 30, 2017

	<u>2017</u>
Total pension liability	\$ 261,460
Covered payroll	372,498
Total pension liability as a percentage of covered payroll	70.19%

Notes to the schedules:

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

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Ad valorem taxes			
Current year	\$	\$ 618,592	\$
Prior years		54,654	
Other - special district tax		1,936	
Fire tax		54,576	
Penalties		13,124	
Total	<u>768,450</u>	<u>742,882</u>	<u>(25,568)</u>
Other taxes and licenses			
Privilege licenses		90	
Dog tax		265	
Total	<u>500</u>	<u>355</u>	<u>(145)</u>
Unrestricted intergovernmental			
Local option sales tax		582,671	
Payments in lieu of taxes		2,491	
Utility franchise tax		146,235	
Beer and wine tax		10,745	
Total	<u>604,500</u>	<u>742,142</u>	<u>137,642</u>
Restricted intergovernmental			
Powell bill allocation		77,375	
Grant revenue		11,565	
Juvenile justice grant		25,789	
USDA		16,000	
FEMA		153,113	
Total	<u>137,624</u>	<u>283,842</u>	<u>146,218</u>
Sales and services			
Refuse collection fees		259,168	
Courts costs, fee, and charges		4,153	
Cemetery revenue		1,413	
Property rents		18,385	
Zoning fees		1,005	
Fire inspection fees		1,000	
Total	<u>286,600</u>	<u>285,124</u>	<u>(1,476)</u>
Miscellaneous revenues			
Investment income - Powell Bill		456	
Investment income - other		1,204	
Insurance proceeds		-	
Miscellaneous		18,841	
Total revenues	<u>28,200</u>	<u>20,501</u>	<u>(7,699)</u>
Total revenues	<u>\$ 1,825,874</u>	<u>\$ 2,074,846</u>	<u>\$ 248,972</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, 2017

<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government			
Governing body			
Salaries and employee benefits	\$	\$ 25,533	\$
Other operating expenses		2,881	
Total	<u>29,200</u>	<u>28,414</u>	<u>786</u>
Administration			
Salaries and employee benefits		121,689	
Other operating expenses		15,617	
Professional fees		32,355	
Capital outlay		-	
Total	<u>184,335</u>	<u>169,661</u>	<u>14,674</u>
Public buildings and general			
Salaries and employee benefits		33,954	
Other operating expenses		287,395	
Capital outlay		-	
Total	<u>337,455</u>	<u>321,349</u>	<u>16,106</u>
Total general government	<u>550,990</u>	<u>519,424</u>	<u>31,566</u>
Public safety			
Police department			
Salaries and employee benefits		508,095	
Other operating expenses		55,142	
Capital outlay		-	
Total	<u>584,025</u>	<u>563,237</u>	<u>20,788</u>
Fire department			
Contribution to Queheel Fire District		40,000	
Total	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>

Town of Maxton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2017

<u>Expenditures (continued)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Rescue squad			
Other operating expenses	\$	\$ 7,785	\$
Total	<u>7,785</u>	<u>7,785</u>	<u>-</u>
Dispatcher department			
Salaries and employee benefits		158,908	
Other operating expenses		596	
Total	<u>171,225</u>	<u>159,504</u>	<u>11,721</u>
Total public safety	<u>803,035</u>	<u>770,526</u>	<u>32,509</u>
Transportation			
Street department			
Salaries and employee benefits		71,199	
Other operating expenses		24,242	
Capital outlay		45,877	
Total	<u>166,130</u>	<u>141,318</u>	<u>24,812</u>
Powell Bill			
Salaries and employee benefits		32,622	
Other operating expenses		12,454	
Capital outlay		125,000	
Total	<u>199,700</u>	<u>170,076</u>	<u>29,624</u>
Total transportation	<u>365,830</u>	<u>311,394</u>	<u>54,436</u>
Environmental protection			
Sanitation			
Salaries and employee benefits		74,601	
Other operating expenses		15,934	
Landfill fees		32,159	
Contracted services		13,119	
Capital outlay		156,273	
Total	<u>299,975</u>	<u>292,086</u>	<u>7,889</u>
Total environmental protection	<u>\$ 299,975</u>	<u>\$ 292,086</u>	<u>\$ 7,889</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational			
Library			
Donation to library	\$	\$ 15,015	\$
Total	<u>15,015</u>	<u>15,015</u>	<u>-</u>
Parks and recreation			
Activities		35,759	
Total	<u>52,424</u>	<u>35,759</u>	<u>16,665</u>
Total cultural and recreational	<u>67,439</u>	<u>50,774</u>	<u>16,665</u>
Debt service			
Principal retirement		24,782	
Interest		14,393	
Total debt service	<u>61,172</u>	<u>39,175</u>	<u>21,997</u>
Total expenditures	<u>2,148,441</u>	<u>1,983,379</u>	<u>165,062</u>
Total revenues	1,825,874	2,074,846	248,972
Total expenditures	<u>2,148,441</u>	<u>1,983,379</u>	<u>165,062</u>
Revenue over (under) expenditures	(322,567)	91,467	414,034
Other financing sources (uses)			
Loan proceeds	138,000	138,000	-
Transfers from water & sewer fund	3,567	3,567	-
Appropriated fund balance	181,000	-	(181,000)
	<u>322,567</u>	<u>141,567</u>	<u>(181,000)</u>
Net change in fund balance	<u>\$ -</u>	233,034	<u>\$ 233,034</u>
Fund balance - beginning of year		<u>1,298,492</u>	
Fund balance - end of year		<u>\$ 1,531,526</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Operating revenues			
Charges for services			
Water and sewer revenues	\$	\$ 698,778	\$
Other		32,575	
Total	<u>696,250</u>	<u>731,353</u>	<u>35,103</u>
Non-operating revenues			
FEMA Grant proceeds		37,109	
Interest earned		585	
Total	<u>-</u>	<u>37,694</u>	<u>37,694</u>
Total revenues	<u>696,250</u>	<u>769,047</u>	<u>72,797</u>
<u>Expenditures</u>			
Water and sewer			
Salaries and employee benefits		340,099	
Telephone and postage		9,578	
Utilities		49,592	
Travel and training		1,232	
Maintenance and repairs		7,237	
Supplies		79,100	
Contracted services		42,523	
Insurance and bonds		56,400	
Uniforms		2,963	
Professional services		10,000	
Dues and subscriptions		5,429	
Miscellaneous		6,313	
Total water and sewer	<u>669,783</u>	<u>610,466</u>	<u>59,317</u>
Debt service			
Principal retirement		60,634	
Interest		12,959	
Total debt service	<u>75,900</u>	<u>73,593</u>	<u>2,307</u>
Capital outlay			
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 745,683</u>	<u>\$ 684,059</u>	<u>\$ 61,624</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, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (49,433)	\$ 84,988	\$ 134,421
Other financing sources (uses):			
Loan proceeds	-	-	-
Transfer from General Fund	-	-	-
Transfer to General Fund	(3,567)	(3,567)	-
Appropriated fund balance	53,000	-	(53,000)
Revenues and appropriated fund balance over expenditures	\$ -	\$ 81,421	\$ 81,421

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

Revenues and appropriated fund balance over expenditures	\$ 81,421
Reconciling items:	
Principal retirement	60,634
Capital outlay	-
Loan proceeds	-
Decrease in net pension asset	-
Increase in deferred outflows of resources - pensions	56,138
Increase in net pension liability	(60,149)
Decrease in deferred inflows of resources - pensions	6,516
Depreciation	(202,044)
Capital contribution	697,839
Total reconciling items	558,934
Change in net position	\$ 640,355

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, 2017

	<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:					
CDBG grant 14-I-2660 DENR	\$ 2,600,000	\$ 132,934	\$ 697,839	\$ 830,773	\$ (1,769,227)
Total revenues	<u>2,600,000</u>	<u>132,934</u>	<u>697,839</u>	<u>830,773</u>	<u>(1,769,227)</u>
<u>Expenditures</u>					
Administration	148,000	76,082	19,995	96,077	51,923
Design	179,000	56,852	175,148	232,000	(53,000)
Service	183,000	-	-	-	183,000
Construction	1,900,000	-	502,696	502,696	1,397,304
Contingency	190,000	-	-	-	190,000
Total expenditures	<u>2,600,000</u>	<u>132,934</u>	<u>697,839</u>	<u>830,773</u>	<u>1,769,227</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues 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, 2017

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2017</u>
2016-2017	\$ -	\$ 723,871	\$ 618,592	\$ 105,279
2015-2016	107,407		26,228	81,179
2014-2015	68,792		11,874	56,918
2013-2014	58,034		3,281	54,753
2012-2013	52,328		3,358	48,970
2011-2012	43,142		1,016	42,126
2010-2011	37,840		1,009	36,831
2009-2010	32,888		1,123	31,765
2008-2009	31,273		338	30,935
2007-2008	22,604		192	22,412
2006-2007	18,977		18,977	-
	<u>\$ 473,285</u>	<u>\$ 723,871</u>	<u>\$ 685,988</u>	<u>\$ 511,168</u>
Less - allowance for uncollectible accounts				<u>(14,000)</u>
Ad valorem taxes receivable - net				<u><u>\$ 497,168</u></u>
 Reconcilement with revenues:				
Taxes - ad valorem - general fund				\$ 742,882
Reconciling items -				
Penalties				(13,124)
Other				29,783
Special and fire taxes not included above				(54,576)
Taxes written off				<u>(18,977)</u>
Total collections and credits				<u><u>\$ 685,988</u></u>

Town of Maxton, North Carolina
Analysis of Current Year's Tax Levy
For the Year Ended June 30, 2017

	Town-wide Levy			Total Levy	
	Property Valuation	Tax Rate (Per \$100 Valuation)	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Net levy	90,483,875	0.80	\$ 723,871	\$ 637,024
Uncollected property taxes at June 30, 2017			(105,279)	(105,279)	-
Current year taxes collected			<u>\$ 618,592</u>	<u>\$ 531,745</u>	<u>\$ 86,847</u>
Gross levy collection percentage			<u>85.46%</u>	<u>83.47%</u>	<u>100.00%</u>

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
Board of Town Commissioners
Town of Maxton, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maxton, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Town of Maxton's basic financial statements and have issued our report thereon dated September 20, 2017. The financial statements of the Maxton ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Maxton's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Maxton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

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

S. Preston Douglas & Associates, LLP

Lumberton, North Carolina
September 20, 2017

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Town of Maxton, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Maxton, North Carolina's major federal programs for the year ended June 30, 2017. The Town of Maxton, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Maxton, North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Maxton, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Maxton, North Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Maxton, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

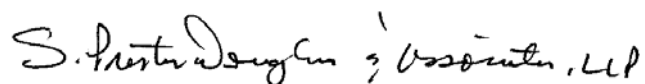
Report on Internal Control over Compliance

Management of Town of Maxton, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Maxton, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Maxton, North Carolina's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "S. Preston Douglas, III". The signature is written in a cursive style with a small flourish at the end.

Lumberton, North Carolina
September 20, 2017

Town of Maxton, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I. Summary of Auditor's Results
--

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes <u> X </u> none reported
• Noncompliance material to financial statements	_____ yes <u> X </u> no

• ***Federal Awards***

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Internal control over major federal programs:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes <u> X </u> none reported
• Noncompliance material to federal awards	_____ yes <u> X </u> no
• Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)	_____ yes <u> X </u> no

Identification of major federal programs:

CFDA Numbers

14.228

97.036

Names of Federal Program or Cluster

Community Development Block Grant – Infrastructure Fund

FEMA Hurricane Matthew Recovery Assistance

Dollar Threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Town of Maxton, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2017

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

**Town of Maxton, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2017**

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Town of Maxton, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2017

There were no prior year findings.

Town of Maxton, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

<u>Grantor/Pass - through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award number/State Pass-through Grantor's Number</u>	<u>Federal (Direct Pass- through) Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
Cash Assistance:				
Major Programs				
<u>U.S. Department of Housing and Urban Development</u>				
Passed through NC Dept of Environmental Quality				
Division of Water Infrastructure	14.228		\$ 697,839	\$ -
<u>U.S. Department of Homeland Security</u>				
Passed through NC Dept of Public Safety				
Hurricane Matthew	97.036		190,222	
Total Major Programs			<u>888,061</u>	
State Grants:				
Cash Assistance:				
<u>N.C. Department of Public Safety</u>				
Juvenile Justice Grant	N/A		-	25,789
Governor's Highway Safety Program	N/A		-	11,565
<u>N.C. Department of Agriculture</u>				
	N/A		-	16,000
<u>N.C. Department of Transportation</u>				
Non-state system street-aid allocation	N/A		-	<u>170,077</u>
Total federal and State awards			<u>\$ 888,061</u>	<u>\$ 223,431</u>

Notes to the Schedule of Expenditures of federal and State Awards:

The schedule of expenditures of federal and State awards includes the federal and State grant activity of Town of Maxton, North Carolina, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Town of Maxton, North Carolina, has elected not to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.