

TOWN OF WAXHAW

Audited Financial Statements

June 30, 2017

**TOWN OF WAXHAW
NORTH CAROLINA**

**Audited
Financial Statements
At
June 30, 2017
And
For The Year Then Ended**

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June 30, 2017**

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POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and The Board of Commissioners
Town of Waxhaw, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Town of Waxhaw, 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.

Auditors' 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Waxhaw 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 auditors' 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 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 report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Town of Waxhaw, North Carolina**, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset 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 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 general 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 basic financial statements of the **Town of Waxhaw, North Carolina**. The individual fund financial statements, other schedules, and Schedule of Expenditures of Federal and State Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, 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 by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund financial statements, other schedules, and 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 Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2017, on our consideration of the **Town of Waxhaw, North Carolina's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **Town of Waxhaw, North Carolina's** internal control over financial reporting and compliance.

November 9, 2017
Monroe, North Carolina



BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis

As the Town manager, I am pleased to offer readers of the Town of Waxhaw's financial statements this narrative overview and analysis of the financial activities of the Town of Waxhaw for the fiscal year ended June 30, 2017. You are encouraged to read the information presented here in conjunction with additional information that has been furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

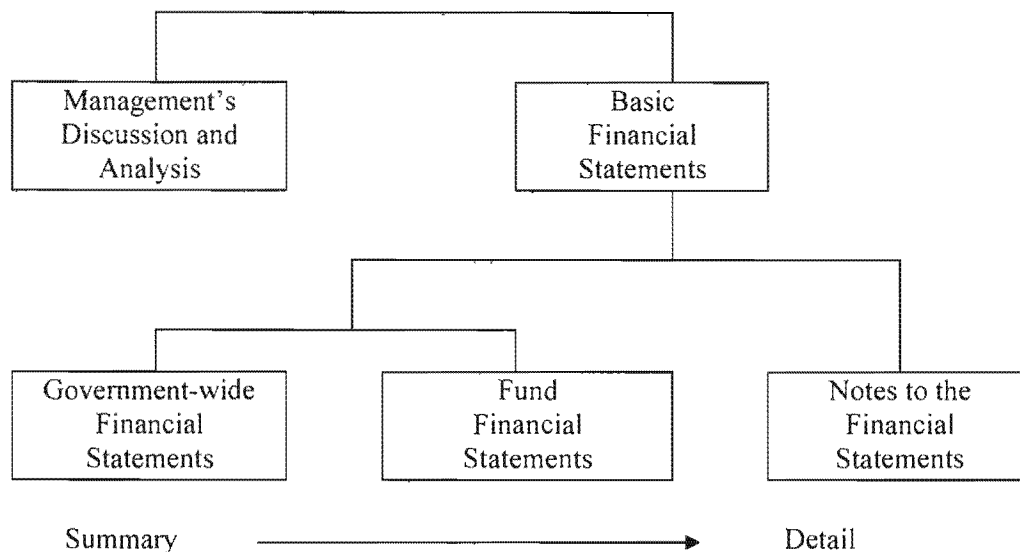
- The total net position of the Town of Waxhaw exceeded its liabilities at the close of the fiscal year increasing from \$32,780,481 to \$40,083,019. This is primarily due to the fact that the town took over 5.57 miles of road which increased our infrastructure value by \$7,205,352.
- At the close of the current fiscal year, fund balance for the General Fund was \$6,461,072, which was an increase from the end of FY 2016's fund balance of \$5,566,351.
- Restricted, Non-Spendable and Assigned Fund Balance for the General Fund is 43% of the total Fund Balance or \$2,762,546.
- At the close of the current fiscal year Unassigned Fund Balance for the General Fund was \$3,698,526, or 34% of the budgeted General Fund expenditures for the next fiscal year.
- The total net levy is \$6,143,997.
- The total uncollected property tax for the ten-year period ending June 30, 2017 was \$110,083 compared to \$124,875 for the ten-year period ending June 30, 2016.
- The Town's collection rate for property tax (excluding registered motor vehicles) was 99.61%. When including motor vehicle taxes, the rate increases to 99.65%. The State of North Carolina is now responsible for the collection of motor vehicle taxes through the Tax and Tag Program.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibit 1 and 2) 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 (Exhibits 3 through 5) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can 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, similar in format to a financial statement of a 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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) component units. The governmental activities include most of the Town's basic services such as public safety, public services, planning and community development and administration. Property taxes, grant funds and fees finance most of these activities. The other category is the component unit. The ABC Board and its operations are legally separate from the Town, however its function 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 its profits to the Town. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) 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 Waxhaw, like all other governmental entities in North Carolina, 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. The Town of Waxhaw has only one type of fund: governmental funds.

Governmental Funds – Governmental funds are used to account for those 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 what monies are left 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 him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Waxhaw 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. Exhibit 6 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.

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 begin on page 17 of this report.

Government-Wide Financial Analysis

The Town of Waxhaw's Net Position
Figure 2

	Governmental Activities	
	2017	2016
Current and other assets	\$ 9,005,729	\$ 8,550,994
Capital assets net of depreciation	37,193,887	31,075,803
Total assets	<u>46,199,616</u>	<u>39,626,797</u>
Deferred outflows of resources	1,077,862	262,186
Long-term liabilities (due > 1 year)	6,478,800	6,329,911
Current or other liabilities	664,704	660,398
Total liabilities	<u>7,143,504</u>	<u>6,990,309</u>
Deferred inflows of resources	50,955	118,193
Net position:		
Net investment in capital assets	26,954,242	25,488,468
Restricted for:		
Stabilization by state statute	1,664,387	1,800,211
Transportation	592,797	455,930
Unrestricted	10,871,593	5,035,872
Total net position	<u>\$ 40,083,019</u>	<u>\$ 32,780,481</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Waxhaw exceeded liabilities by \$40,083,019 as of June 30, 2017. The Town's net position increased by \$7,302,538, for the fiscal year ended June 30, 2017. The total assets being depreciated as of June 30, 2017 were \$47,311,572 compared to \$39,097,606 as of June 30, 2016. Accumulated depreciation of these assets was \$15,152,417 as of June 30, 2017 compared to \$13,056,535 as of June 30, 2016. The Town of Waxhaw uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net position:

- There is a continued focus on collecting accounts receivables, management of idle funds with investments in certificates of deposit and money market accounts, selling outdated /unneeded equipment and the control of costs.
- The Town employs a Tax Collector and Assistant Tax Collector for the property tax collections. They work consistently to collect funds due including arranging payment plans, NC Debt Set Off and placing liens on property.
- Sales Tax and Franchise Tax revenue continues to rise with the Town's growth.
- The Town continues to invest in technology which allows for improvements in productivity, better accountability and that provides more relevant information to the citizens.

The Town of Waxhaw's Changes in Net Position

Figure 3

	Governmental Activities 2017	Governmental Activities 2016
Revenues:		
Program revenues:		
Charges for services	\$ 1,412,831	\$ 1,280,582
Capital grants and contributions	7,205,352	2,572,416
Operating grants and contributions	374,222	409,972
General revenues:		
Property taxes	6,155,958	5,738,188
Other taxes	1,811,922	1,543,462
Other	1,183,041	979,693
Total revenues	<u>18,143,326</u>	<u>12,524,313</u>
Expenses: (Including Capital Project Fund)		
General Government	3,463,617	3,524,987
Police Department	2,760,105	2,569,112
Interest Expense	144,142	154,251
Public Services Department	1,144,287	1,177,120
Economic and Community Development Department	1,123,418	958,392
Culture and Recreation	711,590	646,138
Building Inspections Department	584,312	366,608
Environmental Protection	1,309,032	912,513
Total expenses	<u>11,240,503</u>	<u>10,309,121</u>
Increase in net position	<u>6,902,823</u>	<u>2,215,192</u>
Net position, beginning as restated, see Note 6	<u>33,180,196</u>	<u>30,565,289</u>
Net position, ending	<u>\$ 40,083,019</u>	<u>\$ 32,780,481</u>

Financial Analysis of the Town's Funds

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

Governmental Fund. The focus of the Town of Waxhaw's governmental fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Waxhaw's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the only operating fund of the Town of Waxhaw. The Fund Balance was \$6,461,072 which is an increase of \$894,721. This is partially due to better than expected permitting fee collections, and consulting fee expenses were not as much as anticipated. Also, some projects were budgeted for but needed to be moved in the year FY17-18. At the end of the current fiscal year, unassigned fund balance of the General Fund (not including Capital Funds) was \$3,698,526. Total fund balance for the General and Capital Project fund was \$8,789,571 of which \$2,328,499 is the Capital Projects fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned General Fund Balance compared to the General Fund Expenditures. When making this comparison the fund balance is 34% of the FY17-18 Budgeted General Fund Expenditures.

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

Capital Asset and Debt Administration

Capital assets. The Town of Waxhaw's investment in capital assets for its governmental activities as of June 30, 2017, totals net \$37,193,887 compared to \$31,075,803 for FY 2016. These assets include buildings, machinery and equipment, vehicles, and infrastructure.

The Town of Waxhaw's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities 2017	Governmental Activities 2016
Land	\$ 5,034,732	\$ 5,034,732
Land improvements	737,082	181,249
Buildings	7,848,805	8,046,678
Equipment	403,823	407,963
Infrastructure	22,669,374	16,992,599
Vehicles and motorized equipment	500,071	412,582
Total	<u>\$ 37,193,887</u>	<u>\$ 31,075,803</u>

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

Long Term Debt – The Town began payment on a loan for the new Police Department building in December, 2013. The payments are made quarterly in the amount of \$131,641.

Budget Highlights for the Fiscal Year Ending June 30, 2017

The following provides an overview of the status of the key financial aspects of the town and provides information relative to the indicators that will affect the town in the near future.

- We will create additional full-time positions:
 - Senior Planner
 - Parks and Recreation Maintenance
 - Finance Director
- Improvements to Gray Byrum Road Intersection
- Continue work on Kensington Drive Improvements
- Continue work on Downtown Transportation Alternatives Program (TAP) Grant
- Improvements to Town Creek Park

Requests for Information. This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Greg Ferguson, Town Manager, Town of Waxhaw, Post Office Box 6, Waxhaw, North Carolina 28173. You may also contact Mr. Ferguson at 704 843-2195 Ext. 225 or gferguson@waxhaw.com.

TOWN OF WAXHAW, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2017

Exhibit 1

	Primary Government Governmental Activities	Component Unit Town of Waxhaw ABC Board
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,870,487	\$ 548,687
Restricted cash	342,797	-
Taxes receivable	110,083	-
Due from other governments	682,362	-
Inventory	-	266,390
Prepaid items	-	27,009
Total current assets	<u>9,005,729</u>	<u>842,086</u>
Capital assets:		
Non depreciable capital assets	5,034,732	-
Non capital assets net of depreciation	32,159,155	153,067
Total capital assets	<u>37,193,887</u>	<u>153,067</u>
Total assets	<u>46,199,616</u>	<u>995,153</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	<u>1,077,862</u>	<u>23,581</u>
LIABILITIES		
Current liabilities:		
Accounts payable	64,587	268,108
Unearned revenue	1,500	-
Current portion of long-term liabilities	598,617	-
Long-term liabilities:		
Deposits	39,988	-
Net pension liability (LGRS)	1,194,663	19,527
Total pension liability (LEO)	363,042	-
Due in more than one year	<u>4,881,107</u>	<u>-</u>
Total liabilities	<u>7,143,504</u>	<u>287,635</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>50,955</u>	<u>684</u>
NET POSITION		
Net investment in capital assets	26,954,242	153,067
Restricted for:		
Stabilization by state statute	1,664,387	-
Transportation	592,797	-
Working Capital	-	84,162
Unrestricted	<u>10,871,593</u>	<u>493,186</u>
Total net position	<u>\$ 40,083,019</u>	<u>\$ 730,415</u>

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

TOWN OF WAXHAW, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Primary Governmental Activities	Component Unit
						Town of Waxhaw ABC Board
Primary government:						
Governmental Activities:						
General government	\$ 3,463,617	\$ 307,338	\$ 7,205,352	\$ 10,655	\$ 4,059,728	\$ -
Public safety	2,760,105	5,095	-	32,967	(2,722,043)	-
Public services department and transport	1,144,287	9,889	-	330,600	(803,798)	-
Economic and community development department	1,123,418	214,934	-	-	(908,484)	-
Building inspections department	584,312	870,081	-	-	285,769	-
Culture and recreation	711,590	5,494	-	-	(706,096)	-
Environmental Protection	1,309,032	-	-	-	(1,309,032)	-
Interest expense	144,142	-	-	-	(144,142)	-
Total primary government	<u>\$ 11,240,503</u>	<u>\$ 1,412,831</u>	<u>\$ 7,205,352</u>	<u>\$ 374,222</u>	<u>(2,248,098)</u>	<u>-</u>
Component Unit:						
ABC Board	<u>\$ 1,932,820</u>	<u>\$ 2,185,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>252,793</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					5,532,367	-
Motor vehicles taxes					623,591	-
Other taxes and licenses					1,811,922	-
Unrestricted intergovernmental revenues					864,329	-
Unrestricted investment earnings					11,041	145
Miscellaneous					307,671	(144,225)
Total general revenues not including transfers					<u>9,150,921</u>	<u>(144,080)</u>
Total general revenues and transfers					9,150,921	(144,080)
Change in net position					6,902,823	108,713
Net position, beginning, previously reported					32,780,481	621,702
Restatement					399,715	-
Net position, beginning, restated					<u>33,180,196</u>	<u>621,702</u>
Net position, ending					<u>\$ 40,083,019</u>	<u>\$ 730,415</u>

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

TOWN OF WAXHAW, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2017

Exhibit 3

	Governmental Fund Type		Total
	Major Funds		Governmental
	General Fund	Capital Projects Fund	Funds
ASSETS			
Cash and cash equivalents	\$ 5,214,709	\$ 2,324,498	\$ 7,539,207
Restricted cash	674,077	-	674,077
Taxes receivable	110,083	-	110,083
Due from other governments	636,916	45,449	682,365
TOTAL ASSETS	\$ 6,635,785	\$ 2,369,947	\$ 9,005,732
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other liabilities	\$ 23,142	\$ 41,448	\$ 64,590
Deposits	39,988	-	39,988
Unearned revenue	1,500	-	1,500
Total Liabilities	64,630	41,448	106,078
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	110,083	-	110,083
Total deferred inflows of resources	110,083	-	110,083
FUND BALANCES			
Non-Spendable Donation	5,000	-	5,000
Restricted:			
Stabilization by State Statute	1,002,467	661,920	1,664,387
Transportation	592,797	-	592,797
Law Enforcement	72,891	-	72,891
Restricted Donations	3,389	-	3,389
Assigned:			
Future capital purchases	-	1,666,579	1,666,579
Subsequent year's expenditures	350,000	-	350,000
Grants	514,575	-	514,575
Rental	166,814	-	166,814
Technology	54,613	-	54,613
Unassigned	3,698,526	-	3,698,526
Total Fund Balances	6,461,072	2,328,499	8,789,571

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	37,193,887
Net pension liability	(1,194,663)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,077,862
Liabilities for earned but deferred revenues in fund statements	110,084
Pension related deferrals	(50,955)
Liabilities are not due and payable in the current period and therefore are not reported as expenditures in governmental funds:	
Installment financing agreement	(5,204,913)
LEO Separation	(363,042)
Compensated absences	(274,812)
Net assets of governmental activities	\$ 40,083,019

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

TOWN OF WAXHAW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Exhibit 4

	Major Funds		Total
	General	Capital Projects	Governmental
	Fund	Fund	Funds
REVENUES			
Ad valorem taxes	\$ 6,171,067	\$ -	\$ 6,171,067
Other taxes & licenses	1,807,361	-	1,807,361
Unrestricted intergovernmental	948,454	-	948,454
Restricted intergovernmental	362,272	-	362,272
Permits and fees	1,304,255	-	1,304,255
Sales and services	14,454	-	14,454
Investment earnings	10,822	220	11,042
Donations	12,975	-	12,975
Rental income	60,293	-	60,293
Miscellaneous	248,187	12,725	260,912
Total revenues	<u>10,940,140</u>	<u>12,945</u>	<u>10,953,085</u>
EXPENDITURES			
General Government	1,685,791	150	1,685,941
Public Safety	2,513,589	-	2,513,589
Economic & Community Development	1,792,568	-	1,792,568
Culture and Recreation	755,305	2,286	757,591
Transportation	1,213,594	5,563	1,219,157
Environmental Protection	1,309,032	-	1,309,032
Debt service	526,565	-	526,565
Capital outlay:			
Public services department	-	525,165	525,165
Culture and recreation department	-	49,608	49,608
Total expenditures	<u>9,796,444</u>	<u>582,772</u>	<u>10,379,216</u>
Excess of revenues over expenditures	<u>1,143,696</u>	<u>(569,827)</u>	<u>573,869</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	489,575	738,550	1,228,125
Transfers to other funds	(738,550)	(489,575)	(1,228,125)
Total other financing sources (uses)	<u>(248,975)</u>	<u>248,975</u>	<u>-</u>
Net change in fund balance	<u>894,721</u>	<u>(320,852)</u>	<u>573,869</u>
Fund balance, beginning	<u>5,566,351</u>	<u>2,649,351</u>	<u>8,215,702</u>
Fund balance, ending	<u>\$ 6,461,072</u>	<u>\$ 2,328,499</u>	<u>\$ 8,789,571</u>

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

TOWN OF WAXHAW, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 573,869
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

This is the amount of depreciation recorded in the current period.	(2,119,247)
--	-------------

Amount of assets capitalized and reclassified from capital outlay expenditures in the current period.	1,031,979
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Value of donated capital assets	7,205,348
---------------------------------	-----------

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

Change in deferred revenue	(15,109)
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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.

Pension expense	(79,128)
LEO seperation allowance	(29,669)
Principal payment on long term debt	382,422
Change in compensated absences	(47,643)

Total changes in net position of governmental activities	<u>\$ 6,902,822</u>
--	---------------------

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

TOWN OF WAXHAW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Year Ended June 30, 2017

Exhibit 6

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 6,030,618	\$ 6,030,618	\$ 6,171,067	\$ 140,449
Other taxes & licenses	1,609,000	1,609,000	1,807,361	198,361
Unrestricted intergovernmental	1,038,792	1,038,792	948,454	(90,338)
Restricted intergovernmental	860,003	860,003	362,272	(497,731)
Permits and fees	1,037,000	1,057,000	1,304,255	247,255
Sales and services	17,500	17,500	14,454	(3,046)
Investment earnings	6,080	6,080	10,822	4,742
Donations	14,500	14,820	12,975	(1,845)
Rental income	55,000	55,000	60,293	5,293
Miscellaneous	72,000	229,345	248,187	18,842
Total revenues	10,740,493	10,918,158	10,940,140	21,982
Expenditures:				
General Government	1,651,194	1,789,470	1,685,791	103,679
Public Safety	2,633,590	2,605,435	2,513,589	91,846
Economic & Community Development	3,038,108	3,218,130	1,792,568	1,425,562
Culture and Recreation	645,558	788,169	755,305	32,864
Public Service & Transportation	1,400,053	1,610,169	1,213,594	396,575
Environmental Protection	1,210,000	1,394,000	1,309,032	84,968
Debt service	526,565	526,565	526,565	-
Total expenditures	11,105,068	11,931,938	9,796,444	2,135,494
Excess of revenues over (under) expenditures	(364,575)	(1,013,780)	1,143,696	2,157,476
Other financing sources (uses):				
Transfers to other funds	(725,000)	(738,550)	(738,550)	-
Transfers from other funds	489,575	489,575	489,575	-
Total other financing sources (uses)	(235,425)	(248,975)	(248,975)	-
Fund Balance Appropriated	600,000	1,262,755	-	(1,262,755)
Net Change in Fund Balance	\$ -	\$ -	894,721	\$ 894,721
Fund balance, beginning of year			5,566,351	
Fund balance, end of year			\$ 6,461,072	

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

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the **Town of Waxhaw** 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 Waxhaw** is a municipal corporation that is governed by an elected mayor and a five member governing board. 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 Waxhaw ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the Waxhaw ABC Board may be obtained from the entity's administrative offices at Post Office Box 86, Waxhaw, North Carolina 28173.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are 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, streets, environmental protection, and general government services.

Capital Projects Fund – This fund is used to account for capital outlay expenditures.

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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. Nonexchange 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 for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 Waxhaw because the tax is levied by Union County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program 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 Fund and the Capital Projects Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. 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 Super NOW accounts, money market accounts, and certificates of deposit.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United State 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 non-guaranteed 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 as determined by quoted market prices. The securities of the NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value. The Town and the ABC Board did not have amounts invested with the NCCMT at June 30, 2017.

2. Cash and Cash Equivalents

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 a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

In accordance with State Law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (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.

5. Allowance for Doubtful Accounts

Virtually all ad valorem taxes and accounts receivable are collected, and accordingly, an allowance for uncollectible receivables is not considered material or necessary.

6. Inventories

The inventories of the ABC Board are valued at the lower of cost or market on the first-in, first-out method.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. 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, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The Town has elected not to report major general infrastructure assets retroactively in the Statement of Net Assets as permitted for Phase Three governments under Governmental Auditing Standards Board Statement 34. Thus, any amounts expended for infrastructure prior to July 1, 2003, are not reported as capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Infrastructure	15
Vehicles	5
Equipment	5 – 7
Land Improvements	15

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Store equipment	5 – 7
Leasehold improvements	10 – 15

8. Deposits

Deposits consist of amounts collected by the Town from contractors for new residential development projects within the Town. Amounts collected can be used for infrastructure improvements if the development does not meet certain stipulations of the Town. Amounts are returned to the contractor once the development satisfies the Town's requirements.

9. 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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Town has one item that meets this criterion, contributions made to the pension plan in the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

11. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. 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 the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. The Town's policy is to provide employees with ten holidays and two floating days per year. If an employee is required to work on such holiday, the employee is entitled to be paid for the day worked as well as the holiday with supervisory approval. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Employees of the Town of Waxhaw ABC Board earn two weeks paid vacation each year. Employees must take vacation leave in the year earned and are not allowed to carry forward any vacation time to subsequent years.

The ABC Board's employees can accumulate an unlimited amount of sick leave. Sick leave does not vest but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

Non-Spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Non-Spendable Donation – Donor has restricted principle to be held in perpetuity. Interest can be spent only for specific purposes.

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 Law Enforcement – State and Federal forfeitures and other restricted police department revenues to be used for law enforcement.

Restricted Donations – Donations received for purpose of purchasing of a specific asset.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Waxhaw's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Assigned for Future Capital Purchases – This classification includes the portion of fund balance that has been budgeted by the Town Council for various future capital purchases and projects.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Assigned for Grants – Portion of fund balance that the Town Council intends to be used for future grant projects.

Assigned Rental Property Fund – Portion of fund balance that the Town Council intends to only be used for rental activities of the Town.

Assigned Technology Fund – Portion of fund balance that the Town Council intends to be used for the technology needs of the Town.

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

The Town of Waxhaw has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town Manager will use resources in the following hierarchy: 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 Town Manager has the authority to deviate from this policy if it is in the best interest of the Town.

13. 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 Waxhaw's employer contributions are recognized when due and the Town of Waxhaw 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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

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 the ABC Board have no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2017, the Town's deposits had a carrying amount of \$5,622,705 and a bank balance of \$5,763,200. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$5,513,200 in interest bearing deposits was covered by collateral held under the pooling method. The ABC Board's deposits had a carrying amount of \$548,687 and a bank balance of \$618,198. Of the bank balance, \$250,000 was covered by federal depository insurance and \$368,198 was covered by collateral held under the pooling method.

2. Investments

At June 30, 2017, the Town had \$2,590,579 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Capital Assets

Activity for the ABC Board for the year ended June 30, 2017, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Store furniture, equipment and leasehold improvements	\$ 188,923	\$ 10,470	\$ -	\$ 199,393
Total capital assets being depreciated	<u>188,923</u>	<u>10,470</u>	<u>-</u>	<u>199,393</u>
Less accumulated depreciation for:				
Store furniture, equipment and leasehold improvements	24,488	21,838	-	46,326
Total accumulated depreciation	<u>24,488</u>	<u>\$ 21,838</u>	<u>\$ -</u>	<u>46,326</u>
ABC capital assets, net	<u>\$ 164,435</u>			<u>\$ 153,067</u>

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

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

	Beginning Balances	Increases	Decreases	Ending Balances
Primary Government				
Government Activities:				
Capital assets not being depreciated	\$ 5,034,732	\$ -	\$ -	\$ 5,034,732
Total capital assets not being depreciated	<u>5,034,732</u>	<u>-</u>	<u>-</u>	<u>5,034,732</u>
Capital assets being depreciated:				
Land improvements	241,180	593,973	-	835,153
Buildings	8,882,526	86,432	-	8,968,958
Infrastructure	27,884,201	7,278,757	-	35,162,958
Equipment	884,534	67,371	-	951,905
Vehicles and motorized equipment	<u>1,205,165</u>	<u>210,798</u>	<u>(23,365)</u>	<u>1,392,598</u>
Total capital assets being depreciated	<u>39,097,606</u>	<u>8,237,331</u>	<u>(23,365)</u>	<u>47,311,572</u>
Less: accumulated depreciation for:				
Land improvements	59,931	38,140	-	98,071
Buildings	835,848	284,305	-	1,120,153
Infrastructure	10,891,602	1,601,982	-	12,493,584
Equipment	476,571	71,511	-	548,082
Vehicles and motorized equipment	<u>792,583</u>	<u>123,309</u>	<u>(23,365)</u>	<u>892,527</u>
Total accumulated depreciation	<u>13,056,535</u>	<u>\$ 2,119,247</u>	<u>\$ (23,365)</u>	<u>15,152,417</u>
Total capital assets being depreciated, net	<u>26,041,071</u>			<u>32,159,155</u>
Governmental activity capital assets, net	<u>\$ 31,075,803</u>			<u>\$ 37,193,887</u>

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

General government	\$ 1,668,504
Public safety	360,041
Public services department	50,271
Parks and recreation department	<u>40,431</u>
Total depreciation expense	<u>\$ 2,119,247</u>

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - **DETAIL NOTES ON ALL FUNDS – Continued**

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Waxhaw and the ABC Board are participating employers 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.

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 of 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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

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 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 Waxhaw 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 Waxhaw's contractually required contribution rate of the year ended June 30, 2017, was 8% of compensation for law enforcement officers and 7.32% for general employees, 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 Waxhaw were \$250,109 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.

Pensions 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 \$1,194,663 for its proportionate share of the net pension asset. The net pension asset 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 asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was .05629%, which was an increase of .00562% from its proportion measured as of June 30, 2015.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

For the year ended June 30, 2017, the Town recognized pension expense of \$329,335. 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	\$ 22,446	\$ 41,862
Changes of assumptions	81,824	-
Net difference between projected and actual earnings on pension plan investments	660,498	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	59,108	-
Town contributions subsequent to the measurement date	250,109	-
Total	\$ 1,073,985	\$ 41,862

\$250,109 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:	
2018	\$ 134,162
2019	134,109
2020	322,205
2021	191,440
Thereafter	-

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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%	

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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS - Continued

Sensitivity of the Town's proportionate share of the net pension asset to change 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)	\$ 2,835,491	\$ 1,194,662	\$ (175,880)

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.

b. Law Enforcement Officers Special Separation Allowance

(1) Plan Description

The Town of Waxhaw, North Carolina 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 .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The plan does not issue a separate financial report.

All full-time law enforcement officers of the Town 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	25
Total	<u>25</u>

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

(2) Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

(3) Actuarial Assumptions

The entry age normal 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	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the following:

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. All mortality rates are projected from RP-2014 Total Data Set Mortality Tables using generational improvement with Scale MP-2015.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

(4) 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 benefit 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. The Town paid \$5,815 as benefits came due for the reporting period.

Pensions 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 \$363,042. 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 standard actuarial techniques incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$29,669.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	9,094
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>3,877</u>	<u>-</u>
Total	\$ <u>3,877</u>	\$ <u>9,094</u>

\$3,877 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (1,516)
2019	(1,516)
2020	(1,516)
2021	(1,516)
2022	(1,516)
2023	(1,514)

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

\$3,877 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

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	\$ 400,850	\$ 363,042	\$ 328,612

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

	2017
Beginning balance	\$ 338,590
Service Cost	28,893
Interest on the total pension liability	11,984
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(10,610)
Benefit payments	(5,815)
Other changes	-
Ending balance of the total pension liability	\$ 363,042

c. Supplemental Retirement Income Plan for All Employees

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the town employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$212,527, which consisted of \$144,971 from the Town and \$67,556, from Town employees.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - **DETAIL NOTES ON ALL FUNDS – Continued**

d. Other Employment Benefits

The Town has elected to provide death benefits to 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 months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Inflows of Resources

Deferred inflows of resources at June 30, 2017, consist of the following:

	Unavailable Revenue
Unearned revenue	\$ 1,500
Taxes receivable	110,082
	<u>\$ 111,583</u>

3. 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 three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management

Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town does not carry flood insurance due to the fact that it is not located in a flood plain. However, the Town's general liability policy does cover acts of nature.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

In accordance with G.S. 159-29, the Town's tax collector and town manager are bonded for \$50,000 each. Also, employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. Employees that have access to funds are bonded under a floater bond for \$10,000 each.

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.

Town of Waxhaw ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The ABC Board has commercial property, general liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage in the prior year. In accordance with G.S. 18B-700(i) each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

Claims and Judgments

At June 30, 2017 the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

4. Long-Term Obligations

a. Operating Lease

During the year ended June 30, 2015, the Town entered into a lease agreement for their Town Hall facility commencing on December 1, 2014 through November 30, 2017. The lease includes a tenant option to renew for an additional two years at the end of the initial term. If lease is renewed, there is a 3% rent escalation term that will be applied. The minimum monthly lease amount is \$6,076. In addition to the monthly lease amount, the Town is responsible for common area maintenance, taxes and insurance expense. The total amount paid under the lease for the year ending June 30, 2017 was \$93,096.

Future minimum lease amounts are as follows:

2018	\$	<u>30,380</u>
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b. Installment Purchase

In October 2013, the Town entered into a \$6,500,000 installment financing agreement with a financial institution for the construction and purchase of its police department building. The financing agreement requires quarterly payments of \$131,641 including principal and interest at a rate of 2.65 percent beginning in the fiscal year 2014.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

Annual debt service payments of the installment purchase agreement as of June 30, 2017, including interest, are as follows:

Year ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 392,509	\$ 134,055
2019	403,015	123,550
2020	413,801	112,783
2021	424,876	101,688
2022	436,248	90,316
2023-2027	2,362,757	270,095
2028-2029	771,707	17,945
Totals	\$ 5,204,913	\$ 850,432

Changes in Long-Term Liabilities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 5,587,335	\$ -	\$ 382,422	\$ 5,204,913	\$ 392,509
Compensated absences	227,168	47,643	-	274,811	206,108
Net pension liability (LGERS)	227,404	967,259	-	1,194,663	-
Net pension obligation (LEO)	738,305	24,452	399,715	363,042	-
Governmental activity Long-term liabilities:	<u>\$ 6,780,212</u>	<u>\$ 1,039,354</u>	<u>\$ 782,137</u>	<u>\$ 7,037,429</u>	<u>\$ 598,617</u>

For governmental activities, compensated absences and the installment purchases are liquidated by the general fund.

5. Commitments

The Town of Waxhaw entered into a contract with RCS, Inc. on June 12, 2007 for the curbside pick-up and disposal of rubbish, yard waste, and recyclable materials and the use of a sanitary landfill that had been renewed previously and ran through June 30, 2017. The Town at June 30, 2017 is in negotiations with RCS to implement a new contract. Until that contract is established, the Town is paying for services on a month to month basis at the rates as of June 30, 2017. The total amount paid for the year ended June 30, 2017 was \$1,055,140.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - **DETAIL NOTES ON ALL FUNDS – Continued**

The ABC Board has entered into a ten year lease for a new store location beginning in August 2015 that expires August 2025. The Board is responsible for taxes and insurance for this location. Rent expense in the amount of \$116,024 was paid during the year ended June 30, 2016. Future minimum rentals are as follows:

2018	\$	116,040
2019		116,040
2020		116,040
2021		125,490
2022		127,380
Thereafter		<u>403,370</u>
Total	\$	<u>1,004,360</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2017, consist of the following:

From the General Fund to the Capital Projects Fund	\$	738,550
From the Capital Project Fund to the General Fund		489,575

Transfers are used to move unrestricted revenues to finance capital outlay expenditures that the government must account for in other funds in accordance with budgetary authorizations.

D. Net Investment in Capital Assets

		<u>Governmental</u>
Capital assets	\$	37,193,887
less: long-term debt obligations		<u>5,204,913</u>
Net investment in capital asset	\$	<u>31,988,974</u>

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued

E. Fund Balance

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

	General Fund	Capital Projects Fund
Total fund balance	\$ 6,461,072	\$ 2,328,499
Less:		
Stabilization by State Statute	1,002,467	661,920
Streets-Powell Bill	592,797	-
Non-Spendable Donation	5,000	-
Law Enforcement	72,891	-
Restricted Donations	3,389	-
Appropriated fund balance – 2018 budget	350,000	-
Grants	514,575	-
Rental Property	166,814	-
Technology Fund	54,613	-
Assigned for future capital purchases	-	1,666,579
Remaining Fund Balance	\$ 3,698,526	\$ -

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	General Fund	Capital Project Fund
Encumbrances	\$ 365,551	\$ 616,471

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the fiscal year ended June 30, 2017, certain expenditures made by the ABC Board exceeded the authorized appropriations made by the governing board, including taxes based on revenues by \$14,720, salaries and benefits by \$8,620, rent by \$16,024, credit card fees by \$12,258, repairs and maintenance by \$3,539, office/store supplies by \$4,132, capital outlay by \$10,470, law enforcement by \$3,000, and county/municipal profit distributions by \$76,225 and other minor amounts. The over expenditure in taxes based on revenues resulted from increased sales and the fact that no budget amendment was made to increase taxes based on actual revenues. The over expenditures in the other accounts resulted from increased expenditures and the fact the no budget amendment was made during the current year. The Board will implement policies and procedures to ensure that the 2018 budgeted amounts are sufficient to cover actual expenditures. The 2018 budget will be reviewed and amended if necessary to prevent an over expenditure.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued.

NOTE 6 - 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 increased \$399,715.

Net position as previously reported	\$	32,780,481
Prior period adjustment		<u>399,715</u>
Net position as restated	\$	<u>33,180,196</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WAXHAW, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFIERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2017

Exhibit A

	<u>2017</u>
Beginning balance	\$ 338,590
Service Cost	28,893
Interest on the total pension liability	11,984
Changes of benefit terms	-
Differences between expected and actual expereience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(10,610)
Benefit payments	(5,815)
Other changes	-
Ending balance of the total pension liability	<u>\$ 363,042</u>

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

See Accompanying Notes to Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA **Exhibit B**
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFIERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2017

	<u>2017</u>
Total pension liability	\$ 363,042
Covered payroll	1,202,092
Total pension liability as a percentage of covered payroll	30.20%

Notes to the schedule:

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

December 31, 2016 Measurement Rate: The Municipal Bond Index Rate increased from 3.57% to 3.86%.

See Accompanying Notes to Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS

Exhibit C

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 250,109	\$ 188,223	\$ 198,076	\$ 163,236
Contributions in relation to the contractually required contribution	<u>250,109</u>	<u>188,223</u>	<u>198,076</u>	<u>163,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Town of Waxhaw's covered employee payroll	 3,401,993	 2,986,658	 2,751,009	 2,283,306
Contributions as a percentage of covered employee payroll	7.35%	6.30%	7.20%	7.15%

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See Accompanying Notes to Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS*

Exhibit D

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Waxhaw's proportionate share of the net pension liability (asset) %	0.05629%	0.05067%	0.04502%	0.03790%
Town of Waxhaw's proportionate share of the net pension liability (asset) \$	\$ 1,194,662	\$ 227,404	\$ (248,473)	\$ 163,236
Town of Waxhaw's covered employee payroll	\$ 2,986,658	\$ 2,751,099	\$ 2,283,306	\$ 2,283,306
Town of Waxhaw's proportionate share of the net pension liability (asset) as a percentage of it's covered employee payroll	40.00%	8.27%	10.88%	7.15%
Plan fiduciary net pension as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See Accompanying Notes to Financial Statements.

SUPPLEMENTARY INFORMATION

TOWN OF WAXHAW, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL --
For The Year Ended June 30, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

Schedule 1
Page 1 of 5

	2017			2016
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Ad valorem taxes	\$ 6,015,618	\$ 6,155,205	\$ 139,587	\$ 5,758,214
Penalties and interest	15,000	15,862	862	17,074
Total	6,030,618	6,171,067	140,449	5,775,288
Other taxes and licenses				
Local option sales taxes	1,603,000	1,797,741	194,741	1,544,793
Privilege licenses	500	1,263	763	1,033
Solid Waste Disposal tax	5,500	8,357	2,857	5,901
Total	1,609,000	1,807,361	198,361	1,551,727
Unrestricted intergovernmental				
Utility franchise tax	940,000	793,785	(146,215)	814,789
ABC Profit Distribution	40,000	97,875	57,875	-
Beer and wine tax	58,792	56,794	(1,998)	53,236
Total	1,038,792	948,454	(90,338)	868,025
Restricted intergovernmental				
Powell Bill allocation	310,000	317,875	7,875	310,470
ABC Revenue for law enforcement	3,400	13,750	10,350	5,795
Governor's Highway Safety grant	546,603	30,647	(515,956)	94,177
Total	860,003	362,272	(497,731)	410,442
Permits and fees				
Zoning fees	75,000	87,055	12,055	71,568
Sanitation fees	-	2,264	2,264	6,079
Technology fee	90,000	105,111	15,111	91,157
Sediment and erosion control	31,000	23,550	(7,450)	-
Inspection fees	861,000	1,086,275	225,275	936,629
Total	1,057,000	1,304,255	247,255	1,105,433
Sales and services				
Cemetery lots	7,500	8,960	1,460	12,785
Cable TV franchise fee	10,000	-	(10,000)	-
Park Revenue and Donations	-	5,494	5,494	3,324
Total	17,500	14,454	(3,046)	16,109

See Accompanying Notes To Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA

GENERAL FUND

Schedule 1

Page 2 of 5

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL --**

For The Year Ended June 30, 2017

With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Investment earnings	6,080	10,822	4,742	5,953
Rental fee income	55,000	60,293	5,293	79,247
Donations	14,820	12,975	(1,845)	6,425
Other	229,345	248,187	18,842	169,680
Total revenues	10,918,158	10,940,140	21,982	9,988,329
Expenditures				
General Government				
Board of Commissioners:				
Salaries and Employee Benefits	100,513	98,789	19,486	100,765
Other Operating Expenditures	340,735	321,249	21,210	224,279
Total	441,248	420,038	21,210	325,044
Administration:				
Salaries and Employee Benefits	224,250	220,870	3,380	210,478
Other Operating Expenditures	245,197	211,265	33,932	178,559
Town Rental Property Expense	56,324	29,490	26,834	37,410
Total	525,771	461,625	64,146	426,447
Clerk's Office:				
Salaries and Employee Benefits	141,741	140,867	874	152,642
Other Operating Expenditures	83,104	79,474	3,630	73,842
Total	224,845	220,341	4,504	226,484
Finance Office:				
Salaries and Employee Benefits	146,387	145,764	623	140,668
Other Operating Expenditures	76,040	72,507	3,533	72,626
Total	222,427	218,271	4,156	213,294
IT Department:				
Salaries and Employee Benefits	180,628	180,032	596	174,316
Other Operating Expenditures	59,333	52,902	6,431	22,898
Total	239,961	232,934	7,027	197,214

See Accompanying Notes To Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL --
For The Year Ended June 30, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

Schedule 1
Page 3 of 5

	2017			2016
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures (Continued)				
General Government (continued)				
Human Resources:				
Salaries and Employee Benefits	103,493	102,631	862	133,100
Other Operating Expenditures	31,725	29,951	1,774	26,192
Total	135,218	132,582	2,636	159,292
Total General Government	1,789,470	1,685,791	103,679	1,547,775
<u>Public Safety</u>				
Police Department:				
Salaries and Employee Benefits	1,985,404	1,955,928	29,476	1,752,000
Other Operating Expenditures	608,031	545,661	62,370	361,270
Governor's Crime Comm Grant	-	-	-	14,822
GHSP Grant Expense	-	-	-	4,268
Total	2,593,435	2,501,589	91,846	2,132,360
Waxhaw Volunteer Fire Department:	12,000	12,000	-	18,546
Total	12,000	12,000	-	18,546
Total Public Safety	2,605,435	2,513,589	91,846	2,150,906
<u>Economic and Community Development</u>				
Building Inspections:				
Salaries and Employee Benefits	515,051	508,171	6,880	311,646
Other Operating Expenditures	117,035	112,767	4,268	65,331
Technology Fee Expense	76,000	60,656	15,344	63,438
Total	708,086	681,594	26,492	440,415
Planning and Community Development:				
Salaries and Employee Benefits	274,581	265,037	9,544	462,704
Other Operating Expenditures	485,297	263,187	222,110	360,629
Technology Fee Expense	14,000	13,933	67	24,379
Façade Grant Expense	-	-	-	10,688
Transportation Alternative Program	1,029,150	-	1,029,150	-
Carolina Thread Trail Expense	-	-	-	134,698
Total	1,803,028	542,157	1,260,871	993,098

See Accompanying Notes To Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL --
For The Year Ended June 30, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

Schedule 1
Page 4 of 5

	2017			2016
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures (Continued)				
Economic and Community Development (continued)				
Main Street Office:				
Salaries and Employee Benefits	98,472	97,324	1,148	80,948
Capital Improvements	99,850	3,130	96,720	-
Other Operating Expenditures	114,922	97,362	17,560	60,105
Total	313,244	197,816	115,428	141,053
Engineering				
Salaries	321,472	314,329	7,143	-
Other operating expenditures	72,300	56,672	15,628	-
Total	393,772	371,001	22,771	-
Total Economic and Community Development	3,218,130	1,792,568	1,425,562	1,574,566
<u>Culture and Recreation</u>				
Parks and Recreation:				
Salaries and Employee Benefits	153,008	150,855	2,153	113,092
Capital Improvements	87,930	86,432	1,498	-
Other Operating Expenditures	122,145	106,914	15,231	80,393
Total	363,083	344,201	18,882	193,485
Events:				
Salaries and Employee Benefits	150,378	147,589	2,789	167,293
Capital improvements	12,900	12,018	882	-
Other Operating Expenditures	261,808	251,497	10,311	217,487
Total	425,086	411,104	13,982	384,780
Total Culture and Recreation	788,169	755,305	32,864	578,265
<u>Public Service & Transportation</u>				
Public Services:				
Salaries and Employee Benefits	575,748	565,609	10,139	553,426
Capital - equipment	76,955	29,344	47,611	-
Other Operating Expenditures	957,466	618,641	338,825	549,056
Total	1,610,169	1,213,594	396,575	1,102,482
Total Public Service & Transportation	1,610,169	1,213,594	396,575	1,102,482

See Accompanying Notes To Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA

GENERAL FUND

Schedule 1

Page 5 of 5

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL --
For The Year Ended June 30, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016**

	2017			2016
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures (Continued)				
Environmental Protection:				
Capital - improvements	254,000	253,892	108	-
Sanitation Contract	1,140,000	1,055,140	84,860	912,513
Total Environmental Protection	1,394,000	1,309,032	84,968	912,513
Debt Service:				
Principal	382,278	382,422	(144)	372,313
Interest	144,287	144,142	145	154,251
Total	526,565	526,564	1	526,564
Total expenditures	11,931,938	9,796,443	2,135,495	8,393,071
Revenues over (under) expenditures	(1,013,780)	1,143,697	2,157,477	1,595,258
Other financing sources (uses):				
Transfers to other funds	(738,550)	(738,550)	-	(2,761,771)
Transfers from other funds	489,575	489,575	-	-
Total other financing sources (uses)	(248,975)	(248,975)	-	(2,761,771)
Fund Balance Appropriated	1,262,755	-	(1,262,755)	-
Net change in fund balance	\$ -	894,722	\$ (1,262,755)	(1,166,513)
Fund balance:				
Beginning of year		5,566,351		6,732,864
End of year		\$ 6,461,073		\$ 5,566,351

See Accompanying Notes To Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA,
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -- BUDGET AND ACTUAL
From Inception And For The Fiscal Year Ended June 30, 2017

Schedule 2

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Positive
		Years	Year	Date	(Negative)
REVENUES					
Interest	\$ -	\$ 1,249	\$ 220	\$ 1,469	\$ 1,469
Miscellaneous Income	-	482	12,725	13,207	13,207
Total	-	1,731	12,945	14,676	14,676
EXPENDITURES					
Capital outlay:					
Administration	6,634,667	4,463,189	150	4,463,339	2,171,328
Police	12,522,583	8,568,338	-	8,568,338	3,954,245
Planning and community development	154,070	73,318	-	73,318	80,752
Building inspections	61,500	33,440	-	33,440	28,060
Culture and recreation	2,129,000	1,521,778	51,894	1,573,672	555,328
Public services and transportation	4,410,626	1,589,303	530,728	2,120,031	2,290,595
Total expenditures	25,912,446	16,249,366	582,772	16,832,138	9,080,308
Revenues over (under) expenditures	(25,912,446)	(16,247,635)	(569,827)	(16,817,462)	9,094,984
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
General Fund from	19,182,770	12,396,986	738,550	13,135,536	(6,047,234)
General Fund (to)	-	-	(489,575)	(489,575)	(489,575)
Debt proceeds	6,500,000	6,500,000	-	6,500,000	-
Total other financing sources (uses)	25,682,770	18,896,986	248,975	19,145,961	(6,536,809)
Fund Balance Appropriated	229,676	-	-	-	(229,676)
Net change in fund balance	\$ -	\$ 2,649,351	(320,852)	\$ 2,328,499	\$ 2,328,499
Fund balance, beginning			2,649,351		
Fund balance, ending			\$ 2,328,499		

See Accompanying Notes To Financial Statements.

OTHER SCHEDULES

TOWN OF WAXHAW, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 3

	Uncollected Balance June 30, 2016	Additions	Collections	Releases and Adjustments	Uncollected Balance June 30, 2017
<u>Fiscal Year</u>					
2006-2007	\$ 3,032	\$ -	\$ -	\$ 3,032	\$ -
2007-2008	3,020	-	502	-	2,518
2008-2009	4,614	-	845	-	3,769
2009-2010	9,732	-	2,062	-	7,670
2010-2011	10,822	-	1,490	-	9,332
2011-2012	11,831	-	1,901	-	9,930
2012-2013	17,375	-	3,669	-	13,706
2013-2014	18,224	-	4,057	-	14,167
2014-2015	21,355	-	7,772	-	13,583
2015-2016	24,870	-	10,782	-	14,088
2016-2017	-	6,143,997	6,122,677	-	21,320
	<u>\$ 124,875</u>	<u>\$ 6,143,997</u>	<u>\$ 6,155,757</u>	<u>\$ 3,032</u>	<u>\$ 110,083</u>

Reconciliation with Revenues

Taxes - Ad valorem - general fund	\$ 6,171,067
Interest collected	(15,862)
Taxes written off and penalties collected during the year	<u>552</u>
Total collections and credits	<u>\$ 6,155,757</u>

See Accompanying Notes To Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 4

	Property Valuation	Rate per \$100	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property valuation					
Real estate	\$ 1,477,934,847	0.36	\$ 5,320,565	\$ 5,320,565	\$ -
Personal property	23,790,449	0.36	85,646	85,646	-
Public service companies	24,598,334	0.36	88,554	88,554	-
Registered motor vehicles	171,575,733	0.36	617,673	-	617,673
	<u>1,697,899,363</u>		<u>6,112,438</u>	<u>5,494,765</u>	<u>617,673</u>
Discoveries	9,195,053		33,102	33,102	-
Releases/abatements	<u>(428,571)</u>		<u>(1,543)</u>	<u>(1,543)</u>	<u>-</u>
Net levy	\$ <u>1,706,665,845</u>		6,143,997	5,526,324	617,673
Uncollected at June 30, 2017			<u>(21,320)</u>	<u>(21,320)</u>	<u>-</u>
Current year taxes collected			\$ <u>6,122,677</u>	\$ <u>5,505,004</u>	\$ <u>617,673</u>
Percent current year collected			<u>99.65%</u>	<u>99.61%</u>	<u>100.00%</u>

See Accompanying Notes To Financial Statements.

COMPLIANCE SECTION



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**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 The Board of Commissioners
Town of Waxhaw
Waxhaw, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Town of Waxhaw, 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 Waxhaw's** basic financial statements, and have issued our report thereon dated November 9, 2017. The financial statements of the Town of Waxhaw ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Town of Waxhaw's** internal control over financial reporting (internal control) 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 Waxhaw'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 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [17-1]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Town of Waxhaw's** financial statements are free from 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*.

Town of Waxhaw's Response to Findings

The Town of Waxhaw's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

November 9, 2017
Monroe, North Carolina

Potts & Company

TOWN OF WAXHAW, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2017

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 (X) No
- Significant deficiency(s) identified that are not considered to be material weaknesses (X) Yes () No

Noncompliance material to financial statements noted () Yes (X) No

II. Financial Statement Findings

Finding: 17-1

Significant Deficiency

Criteria: The Town should have the internal controls in place to prepare its own financial statements and note disclosures for audit.

Condition: The Town relies on the audit firm to prepare their annual financial statements and related note disclosures.

Effect: The decision by the Town to place the burden for financial statement preparation with the audit firm results in a de facto significant deficiency in internal control. This internal control deficiency is mitigated from a material weakness to a significant deficiency by the fact that the Town Manager reviews and assists in the preparation of the financial statements.

Cause: The Town has a small staff and limited financial resources to prepare the Town's financial statements.

Recommendation: Financial statement preparation must continue to be monitored by a qualified Town employee and the responsibility for all management decisions must continue to lie with Town personnel.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The Town will continue to monitor the cost versus benefit of having Town personnel prepare the Town's financial statements.

***TOWN OF WAXHAW, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2017***

Finding: 17-1

- A. Name of contact person: Greg Ferguson, Town Manager
- B. Corrective action: Management will continue to monitor the cost versus benefit of having Town personnel prepare the Town's financial statements and the need to address such an issue internally.
- C. Proposed completion date: The governing board will implement the above procedure immediately.

***TOWN OF WAXHAW, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2017***

Finding: 16-1

Status: The Town still relies on the audit firm to prepare their annual financial statements and related note disclosures.

Corrective

Action: Management will continue to monitor the cost versus benefit of having Town personnel prepare the Town's financial statements and the need to address such an issue internally.

TOWN OF WAXHAW, NORTH CAROLINA
SCHEDULE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 5

Grantor/Pass Through Grantor/Program Title	CFDA #	Federal Expenditures	State Expenditures
State Awards:			
N.C. Department of Transportation:			
Powell Bill	N/A	\$ -	\$ 181,047
Governor's Highway Safety Program	N/A	-	30,209
Total N.C. Department of Transportation		-	211,256
 Total State Awards		-	211,256
 Total Federal and State Awards		\$ -	\$ 211,256

Note to the Schedule of Expenditures of Federal and State Awards:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Waxhaw and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

See Accompanying Notes to Financial Statements.