

TOWN OF WAXHAW

Audited Financial Statements

June 30, 2014

**TOWN OF WAXHAW
NORTH CAROLINA**

**Audited
Financial Statements
At
June 30, 2014
And
For The Year Then Ended**

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June 30, 2014**

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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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 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 estimate 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, 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, 2014, 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 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

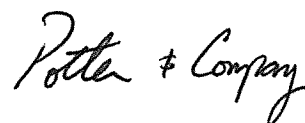
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the **Town of Waxhaw, North Carolina**. The individual fund financial statements, budgetary schedules, other schedules, and schedule of expenditures of federal and state awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 relate 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, Schedule of Expenditures of Federal and State Awards, and other schedules 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 26, 2014, 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 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 26, 2014
Monroe, North Carolina



Management's Discussion and Analysis

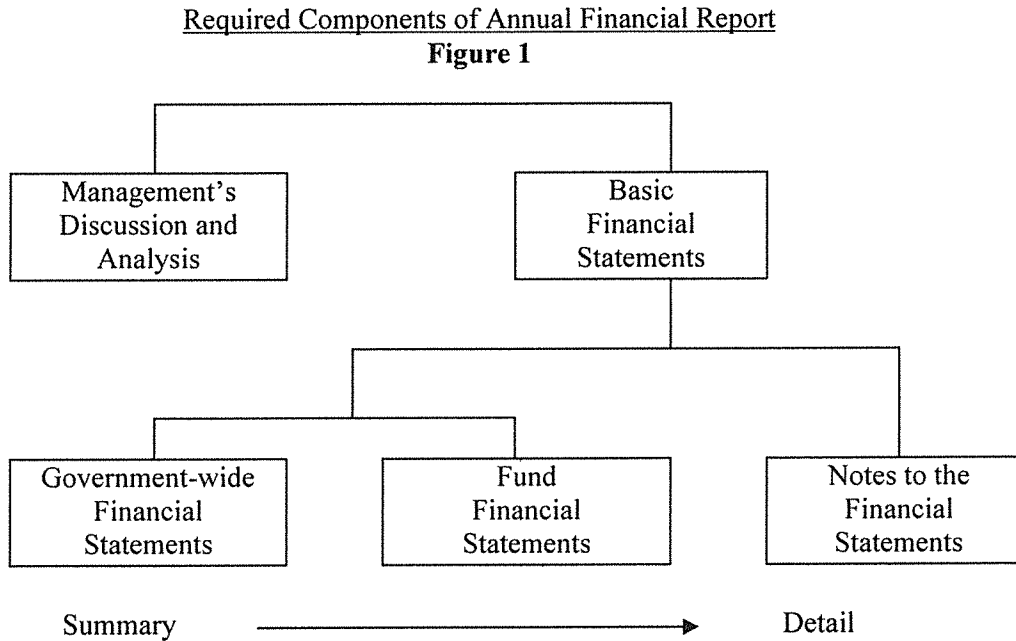
As the Interim Town Manager, I am pleased to offer readers of the Town of Waxhaw financial statements this narrative overview and analysis of the financial activities of the Town of Waxhaw for the fiscal year ended June 30, 2014. You are encouraged to read the information presented here in conjunction 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 increased from \$27,962,698 to \$29,401,035. The Capital Assets increased from \$20,304,388 to \$27,950,831 primarily due to the increases in the Capital Assets for the addition of a new Police Department building, 1.19 miles of roads taken over by the town, and lighting at Nesbit Park.
- At the close of the current fiscal year, fund balance for the General Fund was \$7,115,841, which was down from the end of FY 2013's fund balance of \$7,375,324. This drop was due, in part, to the additional costs associated with the construction and up fit for the new Police Department building as well as lighting for Nesbit Park and the parking lot at the corner of McDonald and Church Streets. The \$7,115,841 Fund Balance is for the General Fund only. Capital Projects Fund Balance is \$721,218 which is up from the FY ending 2013. FY ending 2013 Capital Projects Fund Balance was \$307,958. The increase in Capital Fund Balance for the current year was largely due to placing the new Town Hall project on hold.
- Restricted and Assigned Fund Balance for the General Fund is 11% of the total Fund Balance or \$783,143. Unassigned Fund Balance is 89% or \$6,332,698.
- The Town completed the up fit and construction of a new state of the art Police Department facility at 3620 Providence Road South. The costs associated with the project include attorney and consulting fees of \$38,829; artwork at \$38,865; furniture of \$126,719; internet, security, and computers of \$51,788; water works \$17,235. Our debt service is \$131,641 per quarter.
- The Town completed a new parking lot at the corner of McDonald Street and North Church Street at a cost of \$114,307.
- The total net levy for property taxes was \$5,108,263. This is the amount billed less releases, plus discoveries.
- The total uncollected property tax for the ten-year period ending June 30, 2014 was \$150,532 compared to \$166,500 for the same ten-year period ending June 30, 2013. Of the \$150,532, \$54,288 is from fiscal year 2013-2014. Staff is continuing to pursue and collect current and back taxes through the use of payment plans, debt set off and the placement of liens.
- The Town's collection rate for property tax (excluding registered motor vehicles) is 98.95%. When including motor vehicle taxes the rate drops to 98.94%. The State of North Carolina is now responsible for the collection of motor vehicle taxes.

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.



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 total liabilities. 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.

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 position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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	
	2014	2013
Current and other assets	\$ 8,195,100	\$ 8,123,742
Capital assets net of depreciation	27,950,831	20,304,389
Total assets	<u>36,145,931</u>	<u>28,428,131</u>
Long-term liabilities (due > 1 year)	6,107,735	47,868
Current or Other liabilities	637,161	417,565
Total liabilities	<u>6,744,896</u>	<u>465,433</u>
Net Position :		
Invested in capital assets, net of related debt	21,628,575	20,304,389
Restricted for stabilization by state statute and streets	659,482	563,228
Unrestricted	7,112,978	7,095,081
Total net position	<u>\$ 29,401,035</u>	<u>\$ 27,962,698</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 \$29,401,035 as of June 30, 2014. The Town’s net position increased by \$1,438,337 for the fiscal year ended June 30, 2014. The total assets being depreciated as of June 30, 2014 were \$33,724,830 compared to \$24,332,375 as of June 30, 2013. Accumulated depreciation of these assets was \$8,988,886 as of June 30, 2014 compared to \$7,242,874 as of June 30, 2013. 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:

- The Town continues to focus its attention to 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 continues to employ a Tax Collector and Assistant Tax Collector for the property and privilege licenses functions of the Town. They work consistently to collect funds due including arraigining payment plans, NC Debt Set Off and placing liens on property. The Town has increased its efforts in collecting business license and other fees.
- The Town continues to see increases in the Sales Tax revenue, Building Inspections and other development related fees.
- The Town continues to invest in technology which allows for improvements in productivity, better accountability and that provides more relevant information to tis citizens.

The Town of Waxhaw's Changes in Net Position

Figure 3

	Governmental Activities	Governmental Activities
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 1,387,070	\$ 4,634,465
Capital grants and contributions	1,507,968	386,285
Operating grants and contributions	340,173	513,284
General revenues:		
Property taxes	5,126,935	4,656,252
Other taxes	1,297,062	1,173,405
Other	659,663	790,140
Total revenues	<u>10,318,871</u>	<u>12,153,831</u>
Expenses: (Including Capital Project Fund)		
General Government	3,410,976	6,753,938
Police Department	2,243,281	1,727,213
Interest Expense	85,538	-
Public Services Department	2,114,295	1,733,236
Planning and Community Development Department	788,149	935,862
Building Inspections Division	238,295	230,588
Total expenses	<u>8,880,534</u>	<u>11,380,837</u>
Increase in net position	1,438,337	772,994
Net position, beginning	<u>27,962,698</u>	<u>27,189,704</u>
Net position, ending	<u>\$ 29,401,035</u>	<u>\$ 27,962,698</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 \$7,115,841 which is a decrease of \$259,483. This decrease is due to the additional costs associated with the completion of the new Police Department building. All additional costs were satisfied using cash. At the end of the current fiscal year, unassigned (unreserved) fund balance of the General Fund (not including Capital Funds) was \$6,332,698. Total fund balance for the General and Capital Project fund was \$7,837,059 of which \$721,218 is the Capital Projects fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved General Fund Balance compared to the General Fund

Expenditures. When making this comparison the fund balance is 70% of the FY 2013-2014 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.

- Revenues were more than budgeted due to additional property tax revenues, and sales tax revenues. Expenditures were also less than the overall budgeted amounts due to careful use of the Town’s funds.

Capital Asset and Debt Administration

Capital assets. The Town of Waxhaw’s investment in capital assets for its governmental activities as of June 30, 2014, totals net \$27,950,831 compared to \$20,304,389 for FY 2013. These assets include buildings, roads, land, machinery and equipment, park facilities and vehicles.

**The Town of Waxhaw’s Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Land	\$ 3,214,887	\$ 3,214,887
Land improvements	100,589	109,660
Buildings	8,251,603	854,674
Machinery and equipment	390,213	86,749
Infrastructure	15,856,335	15,900,445
Vehicles and motorized equipment	<u>137,204</u>	<u>137,974</u>
Total	<u>\$ 27,950,831</u>	<u>\$ 20,304,389</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. Total yearly payments equate to \$526,564.

Additional information on the Town’s long term debt can be found in Note 2 of the Basic Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2015

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.

- Property tax rate remains .34 for the 2014-2015 budget year. In addition, the Town charges an \$80.00 annual Sanitation Fee for developed residential properties for solid waste collection. The Town updated the fee structure during the 2013-2014 fiscal year.
- The Town has a property tax base that is expected to exceed \$1,543,521,795. In 2015 Union County will be conducting a property tax revaluation that will have an unknown effect on the property tax base. The management of the town is monitoring the situation and will report accordingly as more information becomes available.
- The Town continues to experience solid growth. Residential building permits continue to keep pace with previous year's growth as new projects come to the market. This growth has occurred mainly north of the downtown area and is driving the increase in population of the Town

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 Mahar, Interim Town Manager, Town of Waxhaw, Post Office Box 6, Waxhaw, North Carolina 28173. You may also contact Mr. Mahar at 704 843-2195 Ext. 232 or gmahar@waxhaw.com

BASIC FINANCIAL STATEMENTS

TOWN OF WAXHAW, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

Exhibit 1

	Primary Government Governmental Activities	Component Unit Town of Waxhaw ABC Board
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,412,562	\$ 371,808
Restricted cash	194,472	-
Taxes receivable	150,532	-
Due from other governments	437,534	-
Inventory	-	109,714
Prepaid items	-	3,863
Total current assets	8,195,100	485,385
Capital assets:		
Other capital assets net of depreciation	27,950,831	4,639
Total capital assets	27,950,831	4,639
Total assets	36,145,931	490,024
LIABILITIES		
Current liabilities:		
Accounts payable	113,205	82,480
Current portion of long-term liabilities	523,956	-
Long-term liabilities:		
Deposits	94,303	-
Due in more than one year	6,013,432	-
Total liabilities	6,744,896	82,480
NET POSITION		
Net investment in capital assets	21,628,575	4,639
Restricted for:		
Stabilization by state statute	465,010	-
Transportation	194,472	-
Working Capital	-	48,066
Capital improvements	-	113,163
Unrestricted	7,112,978	241,676
Total net position	\$ 29,401,035	\$ 407,544

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, 2014

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	Component
					Governmental Governmental Activities	Unit Town of Waxhaw ABC Board
Primary government:						
Governmental Activities:						
General government	\$ 3,410,976	\$ 274,199	\$ 1,507,968	\$ 63,164	\$ (1,565,645)	\$ -
Public safety	2,243,281	9,312	-	250	(2,233,719)	-
Public services department	2,114,295	163,648	-	276,759	(1,673,888)	-
Planning and community development department	788,149	94,450	-	-	(693,699)	-
Building inspections department	238,295	845,461	-	-	607,166	-
Interest expense	85,538	-	-	-	(85,538)	-
Total primary government	<u>\$ 8,880,534</u>	<u>\$ 1,387,070</u>	<u>\$ 1,507,968</u>	<u>\$ 340,173</u>	<u>(5,645,323)</u>	<u>-</u>
Component Unit:						
ABC Board	<u>\$ 1,134,377</u>	<u>\$ 1,249,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>115,320</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					4,658,205	-
Motor vehicle taxes					468,730	-
Other taxes and licenses					1,297,062	-
Unrestricted intergovernmental revenues					630,793	-
Unrestricted investment earnings					6,648	30
Miscellaneous					22,222	(14,986)
Total general revenues					<u>7,083,660</u>	<u>(14,956)</u>
Change in net position					1,438,337	100,364
Net position, beginning					<u>27,962,698</u>	<u>307,180</u>
Net position, ending					<u>\$ 29,401,035</u>	<u>\$ 407,544</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, 2014

Exhibit 3

	Governmental Fund Type		Total Governmental Funds
	Major Funds		
	General Fund	Capital Projects Fund	
ASSETS			
Cash and cash equivalents	\$ 6,715,852	\$ 696,710	\$ 7,412,562
Restricted cash	194,472	-	194,472
Taxes receivable	150,532	-	150,532
Due from other governments	408,608	28,925	437,533
TOTAL ASSETS	\$ 7,469,464	\$ 725,635	\$ 8,195,099

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and other liabilities	\$ 108,788	\$ 4,417	\$ 113,205
Deposits	94,303	-	94,303
Unearned revenues	-	-	-
Total Liabilities	203,091	4,417	207,508

DEFERRED INFLOWS OF RESOURCES

Property taxes receivable	150,532	-	150,532
Total deferred inflows of resources	150,532	-	150,532

FUND BALANCES

Restricted:

Stabilization by State Statute	436,085	28,925	465,010
Transportation	194,472	-	194,472

Assigned:

Development Street Maintenance	30,401	-	30,401
Future capital purchases	-	692,293	692,293
Subsequent year's expenditures	122,185	-	122,185

Unassigned	6,332,698	-	6,332,698
Total Fund Balances	7,115,841	721,218	7,837,059

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	27,950,831
Liabilities for earned but deferred revenues in fund statements	150,532
Liabilities are not due and payable in the current period and therefore are not reported as expenditures in governmental funds:	
Installment financing agreement	(6,322,256)
Compensated absences	(215,132)
Net assets of governmental activities	\$ 29,401,034

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, 2014

Exhibit 4

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	
REVENUES			
Ad valorem taxes	\$ 5,139,985	\$ -	\$ 5,139,985
Other taxes & licenses	1,297,062	-	1,297,062
Unrestricted intergovernmental	626,684	-	626,684
Restricted intergovernmental	326,938	-	326,938
Permits and fees	1,269,550	-	1,269,550
Sales and services	15,114	-	15,114
Investment earnings	6,648	70	6,718
Donations	17,345	-	17,345
Rental income	80,592	-	80,592
Miscellaneous	51,730	-	51,730
Total revenues	<u>8,831,648</u>	<u>70</u>	<u>8,831,719</u>
EXPENDITURES			
Current:			
Administration	1,485,604	214,031	1,699,635
Police department	1,856,791	242,847	2,099,638
Public services department	2,012,910	70,871	2,083,781
Planning and community development department	840,986	-	840,986
Building inspections department	296,602	(840)	295,762
Capital outlay: General Fund and Capital Project Fund			
Public services department	7,246	7,887,611	7,894,857
Debt Service	263,282	-	263,282
Total expenditures	<u>6,763,421</u>	<u>8,414,520</u>	<u>15,177,941</u>
Excess of revenues over expenditures	<u>2,068,227</u>	<u>(8,414,450)</u>	<u>(6,346,222)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	2,327,710	2,327,710
Transfers to other funds	(2,327,710)	-	(2,327,710)
Debt proceeds	-	6,500,000	6,500,000
Total other financing sources (uses)	<u>(2,327,710)</u>	<u>8,827,710</u>	<u>-</u>
Net change in fund balance	<u>(259,483)</u>	<u>413,260</u>	<u>153,778</u>
Fund balance, beginning	<u>7,375,324</u>	<u>307,958</u>	<u>7,683,282</u>
Fund balance, ending	<u>\$ 7,115,841</u>	<u>\$ 721,218</u>	<u>\$ 7,837,060</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, 2014

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 153,778
---	------------

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.	(1,756,382)
--	-------------

Amount of assets capitalized and reclassified from capital outlay expenditures in the current period.	7,894,857
---	-----------

Value of donated capital assets	1,507,968
---------------------------------	-----------

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	(15,968)
----------------------------	----------

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.

Debt proceeds	(6,500,000)
Principal payment on long term debt	177,744
Change in compensated absences	<u>(23,660)</u>

Total changes in net position of governmental activities	<u>\$ 1,438,337</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, 2014

Exhibit 6

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 4,668,500	\$ 4,821,841	\$ 5,139,985	\$ 318,144
Other taxes & licenses	1,065,250	1,062,750	1,297,062	234,312
Unrestricted intergovernmental	432,500	477,220	626,684	149,464
Restricted intergovernmental	275,000	357,759	326,938	(30,821)
Permits and fees	879,750	1,167,520	1,269,550	102,030
Sales and services	23,600	15,000	15,114	114
Investment earnings	3,525	5,617	6,648	1,031
Donations	22,500	16,565	17,345	780
Rental income	-	75,000	80,592	5,592
Miscellaneous	162,250	75,803	51,730	(24,073)
Total revenues	<u>7,532,875</u>	<u>8,075,075</u>	<u>8,831,648</u>	<u>756,573</u>
Expenditures:				
Administration	1,428,571	1,570,689	1,485,604	85,085
Police department	1,894,567	1,923,962	1,856,791	67,171
Public services department	2,183,662	2,192,994	2,020,156	172,838
Planning and community development departm	1,010,162	1,064,468	840,986	223,482
Building inspections department	278,799	280,830	296,602	(15,772)
Debt service	-	263,295	263,282	13
Total expenditures	<u>6,795,761</u>	<u>7,296,238</u>	<u>6,763,421</u>	<u>532,817</u>
Excess of revenues over (under) expenditures	<u>737,114</u>	<u>778,837</u>	<u>2,068,227</u>	<u>1,289,390</u>
Other financing sources (uses):				
Transfers to other funds	<u>(1,662,385)</u>	<u>(2,327,710)</u>	<u>(2,327,710)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,662,385)</u>	<u>(2,327,710)</u>	<u>(2,327,710)</u>	<u>-</u>
Fund Balance Appropriated	<u>925,271</u>	<u>1,548,873</u>	<u>-</u>	<u>(1,548,873)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(259,483)</u>	<u>\$ (259,483)</u>
Fund balance, beginning of year			<u>7,375,324</u>	
Fund balance, end of year			<u>\$ 7,115,841</u>	

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, 2014

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, 2014

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, sanitation, 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, 2014

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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, 2014

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 – Cash 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, 2014.

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, 2013.

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, 2014

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>
Equipment	5 - 7

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. 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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

10. 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.

11. 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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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:

Nonspendable 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.

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.

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.

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.

Assigned for Development Street Maintenance – This classification includes the portion of fund balance that has been collected in incomplete development fees that will be used for the future maintenance costs of those developments.

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.

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

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and 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, 2014, the Town's deposits had a carrying amount of \$7,607,034 and a bank balance of \$7,737,957. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$7,487,957 in interest bearing deposits was covered by collateral held under the pooling method. The ABC Board's deposits had a carrying amount of \$371,808 and a bank balance of \$429,105. Of the bank balance, \$250,000 was covered by federal depository insurance and \$179,105 was covered by collateral held under the pooling method.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

2. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Primary Government				
Government Activities:				
Capital assets not being depreciated:				
Land	\$ 3,214,887	\$ -	\$ -	\$ 3,214,887
Total capital assets not being depreciated	<u>3,214,887</u>	<u>-</u>	<u>-</u>	<u>3,214,887</u>
Capital assets being depreciated:				
Land improvements	\$ 136,072	\$ -	\$ -	\$ 136,072
Buildings	1,045,788	7,487,587	-	8,533,375
Infrastructure	21,974,297	1,507,968	-	23,482,265
Equipment	427,804	337,192	10,370	754,626
Vehicles and motorized equipment	748,414	70,078	-	818,492
Total capital assets being depreciated	<u>24,332,375</u>	<u>9,402,825</u>	<u>10,370</u>	<u>33,724,830</u>
Less: accumulated depreciation for:				
Land improvements	\$ 26,412	\$ 9,071	\$ -	\$ 35,483
Buildings	191,114	90,658	-	281,772
Infrastructure	6,073,852	1,552,078	-	7,625,930
Equipment	341,055	33,728	10,370	364,413
Vehicles and motorized equipment	610,441	70,847	-	681,288
Total accumulated depreciation	<u>7,242,874</u>	<u>\$ 1,756,382</u>	<u>\$ 10,370</u>	<u>8,988,886</u>
Total capital assets being depreciated, net	<u>17,089,501</u>			<u>24,735,944</u>
Governmental activity capital assets, net	<u>\$ 20,304,388</u>			<u>\$ 27,950,831</u>

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

General government	\$ 1,591,747
Public safety	126,026
Public services department	<u>38,609</u>
Total depreciation expense	<u>\$ 1,756,382</u>

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Store furniture and equipment	\$ 57,653	\$ 3,303	\$ -	\$ 60,956
Total capital assets being depreciated	<u>57,653</u>	<u>3,303</u>	<u>-</u>	<u>60,956</u>
Less accumulated depreciation for:				
Store furniture and equipment	\$ 54,199	\$ 2,118	\$ -	\$ 56,317
Total accumulated depreciation	<u>54,199</u>	<u>2,118</u>	<u>-</u>	<u>56,317</u>
ABC capital assets, net	<u>\$ 3,454</u>			<u>\$ 4,639</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS.

That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 7.07% of annual covered payroll. The contribution requirements of members and of the Town and the ABC Board are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$163,466, \$141,668 and \$158,029 respectively.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

The ABC Board’s contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$8,956, \$8,391, and \$7,393, respectfully. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

b. 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, 2014 were \$141,177, which consisted of \$115,296 from the Town and \$25,881, from Town employees.

c. Law Enforcement Officers’ Special Separation Allowance

1. *Plan Description.*

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>21</u>
Total	<u>21</u>

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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

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

3. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by the Town or employees during the year. The Town of Waxhaw has chosen not to have an actuarial study performed because the unfunded net pension obligation is considered to be immaterial.

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, 2014, consist of the following:

	Unavailable Revenue
Taxes receivable	\$ <u>150,532</u>

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

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.

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, 2014 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.

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

4. Long-Term Obligations

a. Operating Lease

During 2014, before relocating to their current building, the Town leased the location for the police department under a lease agreement commencing on April 1, 2013. The monthly lease amount was \$3,651. The lease was terminated by the Town during 2014 with no cost or penalty as the Town provided the lessor with advanced written notice of the termination. Lease expense was \$36,507 for the year ending June 30, 2014.

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.

Annual debt service payments of the installment purchase agreement as of June 30, 2014, including interest, are as follows:

Year ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 362,608	\$ 163,956
2016	372,313	154,251
2017	382,278	144,286
2018	392,509	134,055
2019	403,015	123,550
2020-2024	2,182,762	450,079
2025-2029	2,226,771	142,748
Totals	\$ 6,322,256	\$ 1,312,925

Changes in Long-Term Liabilities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ -	\$ 6,500,000	\$ 177,744	\$ 6,322,256	\$ 362,608
Compensated absences	191,473	23,659	-	215,132	161,348
Governmental activity					
Long-term liabilities:	\$ 191,473	\$ 6,523,659	\$ 177,744	\$ 6,537,388	\$ 523,956

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

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

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. The contract is effective for a period of five years, commencing on July 1, 2007 and ending June 30, 2012. The Town entered into a new contract with RCS, Inc. in 2012 that runs through June 30, 2017. The total amount paid for the year ended June 30, 2014 was \$869,151. The estimated future minimum payment for each year through 2017 is \$892,032. The future minimum lease payments are calculated based upon the number of households participating at June 30, 2014 and the sanitation and recycling fee rates in effect for future years.

The Waxhaw ABC Board had a three-year operating lease on its store location that expired on August 31, 2008. The lease has not formally been amended or renewed since it expired. However, the Board has continued to pay rent to the owner. Because the lease is operating on a month to month basis, there are no future payments required.

Rent expense in the amount of \$41,422 was paid during the year ended June 30, 2014, under the above operating lease.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the Capital Projects Fund \$ 2,327,710

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	\$	27,950,831
less: long-term debt obligations		<u>6,322,256</u>
Net investment in capital asset	\$	<u>21,628,575</u>

TOWN OF WAXHAW, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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	\$ 7,115,841	\$ 721,218
Less:		
Stabilization by State Statute	436,085	22,813
Streets-Powell Bill	194,472	-
Appropriated fund balance – 2015 budget	122,185	-
Assigned for future capital purchases	-	692,293
Development street maintenance	30,401	-
Remaining Fund Balance	\$ <u>6,332,698</u>	\$ <u>-</u>

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

	<u>General Fund</u>
Encumbrances	\$ 27,477

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures relating to the Town’s building inspections department in the general fund exceeded budgeted appropriations by \$15,772; however, excess actual inspection fee revenues over budgeted inspection fee revenues were available to support this over expenditure.

For the year ended June 30, 2014, the Waxhaw ABC Board did not make quarterly distributions as required by G.S. 18B-805(g). For the year ended June 30, 2014 annual rather than quarterly distributions were paid. The Waxhaw ABC Board will put policies and procedures in place to ensure that future distributions are made in a timely manner.

For the fiscal year ended June 30, 2014, the expenditures made by the ABC Board exceeded the authorized appropriations made by the governing board by \$32,485. The over-expenditures occurred due to inexperience with the budget process. Procedures have been implemented to make sure the 2014-2015 budgeted amounts are sufficient to cover actual expenditures; the 2014-2015 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, 2014

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.

SUPPLEMENTARY INFORMATION

GENERAL FUND

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

For The Year Ended June 30, 2014

With Comparative Actual Amounts For The Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Revenues				
Ad valorem taxes	\$ 4,806,841	\$ 5,122,670	\$ 315,829	\$ 4,624,676
Penalties and interest	15,000	17,315	2,315	15,508
Total	<u>4,821,841</u>	<u>5,139,985</u>	<u>318,144</u>	<u>4,640,184</u>
Other taxes and licenses				
Local option sales taxes	1,000,000	1,227,033	227,033	1,105,184
Privilege licenses	56,850	64,089	7,239	61,800
Solid Waste Disposal tax	5,900	5,940	40	6,421
Total	<u>1,062,750</u>	<u>1,297,062</u>	<u>234,312</u>	<u>1,173,405</u>
Unrestricted intergovernmental				
Utility franchise tax	430,820	580,246	149,426	553,477
Beer and wine tax	46,400	46,438	38	41,610
Total	<u>477,220</u>	<u>626,684</u>	<u>149,464</u>	<u>595,087</u>
Restricted intergovernmental				
Powell Bill allocation	276,759	276,759	-	267,138
Pedestrian grant	-	-	-	194,597
ABC Revenue for law enforcement	-	4,110	4,110	-
Governor's Highway Safety grant	-	-	-	30,847
Fascade Grant Revenue	35,000	-	(35,000)	-
Carolina Thread Trail Grant	46,000	46,069	69	-
Total	<u>357,759</u>	<u>326,938</u>	<u>(30,821)</u>	<u>492,582</u>
Permits and fees				
Zoning fees	73,000	79,851	6,851	91,094
Sanitation fees	154,000	161,222	7,222	150,358
Technology fee	72,500	88,566	16,066	-
Inspection fees	868,020	939,911	71,891	753,561
Total	<u>1,167,520</u>	<u>1,269,550</u>	<u>102,030</u>	<u>995,013</u>
Sales and services				
Cemetery lots	7,000	7,005	5	7,610
Cable TV franchise fee	8,000	8,109	109	19,731
Total	<u>15,000</u>	<u>15,114</u>	<u>114</u>	<u>27,341</u>

See Accompanying Notes To Financial Statements.

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL --
For The Year Ended June 30, 2014
With Comparative Actual Amounts For The Year Ended June 30, 2013**

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Investment earnings	5,617	6,648	1,031	8,749
Rental fee income	75,000	80,592	5,592	-
Donations	16,565	17,345	780	23,302
Miscellaneous				
Other	75,803	51,730	(24,073)	284,374
Total revenues	8,075,075	8,831,648	750,981	8,240,037
Expenditures				
Administration				
Salaries - office	550,090	542,623	7,467	488,412
Salaries - mayor and commissioners	52,414	51,532	882	47,215
Professional fees	199,638	188,000	11,638	104,449
Volunteer fire department	15,000	8,734	6,266	10,676
Insurance	8,800	8,724	76	8,114
Group insurance	61,433	57,002	4,431	48,989
Social security expense	44,512	42,811	1,701	39,004
State retirement	37,290	34,963	2,327	32,223
Supplemental retirement	26,372	25,960	412	23,967
Unemployment tax expense	2,650	2,410	240	-
Telephone	8,871	7,978	893	7,958
Utilities	9,250	8,881	369	11,200
Maintenance - buildings	9,550	7,131	2,419	12,453
Advertising	3,600	3,256	344	4,704
Office expense	16,000	15,470	530	16,555
Dues and subscriptions	50,113	48,553	1,560	43,015
Consulting fees - zoning	49,040	46,544	2,496	46,440
Non capitalized capital outlay	8,500	7,910	590	5,810
Leased equipment	16,147	16,421	(274)	13,860
Newsletter	8,000	4,339	3,661	6,503
Rental property expenses	20,840	16,104	4,736	-
Miscellaneous	372,579	340,258	32,321	420,060
Total	1,570,689	1,485,604	85,085	1,391,607

See Accompanying Notes To Financial Statements.

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL --
For The Year Ended June 30, 2014
With Comparative Actual Amounts For The Year Ended June 30, 2013**

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Police department				
Salaries	1,039,719	1,034,086	5,633	974,123
Repairs and maintenance	150,810	144,220	6,590	82,863
Gas and oil	76,300	64,750	11,550	63,285
Uniforms and supplies	38,700	37,280	1,420	29,837
State retirement	72,307	67,438	4,869	61,383
Supplemental retirement	50,156	46,163	3,993	45,549
Education	29,235	28,721	514	26,043
Insurance	55,000	53,549	1,451	48,242
Group insurance	161,711	155,529	6,182	118,466
Social security	77,389	74,367	3,022	72,633
Utilities	25,000	19,204	5,796	7,308
Mobile phones	11,040	7,595	3,445	8,027
Building rent	36,550	36,507	43	43,058
Miscellaneous	100,045	87,382	12,663	76,117
Total	1,923,962	1,856,791	67,171	1,656,934
Public services department				
Salaries	387,059	381,372	5,687	311,301
Social security	29,884	28,802	1,082	23,569
Group insurance	54,196	52,556	1,640	41,218
State retirement	27,618	25,808	1,810	20,896
Unemployment tax expense	2,200	2,082	118	-
Street lights	158,000	148,420	9,580	136,905
Supplemental retirement	19,531	18,247	1,284	15,501
Maintenance supplies	30,500	20,279	10,221	22,895
Contract work	800	-	800	830
Non capitalized capital outlay	10,754	7,286	3,468	-
Capital outlay	7,246	7,246	-	4,285
Repairs and maintenance	30,300	22,822	7,478	17,040
Gas and oil	18,000	15,469	2,531	10,957
Street projects	287,000	286,025	975	114,916
Sidewalk projects	14,500	14,651	(151)	182

See Accompanying Notes To Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA

Statement 1

GENERAL FUND

Page 4 of 5

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

For The Year Ended June 30, 2014

With Comparative Actual Amounts For The Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Public services department continued				
Liability insurance	36,200	22,065	14,135	25,730
Beautification expense	25,000	20,821	4,179	28,375
Special transportation project	119,000	36,613	82,387	31,051
Contract service - garbage haul	871,200	869,151	2,049	781,290
Dues and membership expense	800	302	498	-
Telephone expense	12,300	10,929	1,371	9,191
Miscellaneous	50,906	29,210	21,696	32,460
Total	2,192,994	2,020,156	172,838	1,628,592
Planning and community development department				
Salaries	376,596	376,886	(290)	293,056
Social security	28,989	28,144	845	22,004
Group insurance	42,644	42,459	185	31,744
State retirement	26,791	25,726	1,065	19,388
Unemployment tax expense	1,791	1,698	93	-
Supplemental retirement	18,947	17,969	978	14,296
Liability insurance	8,000	7,273	727	11,351
Dues and subscriptions	4,186	4,877	(691)	2,759
Gas and oil	2,700	2,469	231	2,167
Repairs and maintenance	18,745	15,424	3,321	26,238
Mobile phones	7,068	4,627	2,441	4,666
Consulting fees	37,000	42,008	(5,008)	34,869
Utilities	2,700	2,218	482	2,637
Leased equipment	8,845	5,612	3,233	12,194
Transportation study	35,000	-	35,000	-
Aerial mapping	90,000	50,635	39,365	-
Carolina Thread Trail Expense	46,000	42,056	3,944	-
Facade Grant Expenses	35,000	14,452	20,548	-
Small area plan study	140,000	112,464	27,536	141,638
Technology fee expense	11,510	9,974	1,536	-
Miscellaneous	121,956	34,015	87,941	294,455
Total	1,064,468	840,986	223,482	913,462

See Accompanying Notes To Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA

Statement 1

GENERAL FUND

Page 5 of 5

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

For The Year Ended June 30, 2014

With Comparative Actual Amounts For The Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Building inspection department				
Salaries	139,570	137,355	2,215	113,509
Social security	10,340	9,897	443	7,968
Group insurance	18,988	18,064	924	11,804
State retirement	10,249	9,531	718	7,798
Unemployment tax expense	685	626	59	-
Supplemental retirement	7,248	6,959	289	5,874
Liability insurance	8,000	6,829	1,171	9,762
Dues and subscriptions	1,200	423	777	430
Utilities	2,875	2,510	365	2,327
Building general maintenance	2,644	5,291	(2,647)	1,290
Leased copier	9,068	8,603	465	8,016
Technology fee expense	34,454	62,515	(28,061)	-
Miscellaneous	35,509	27,999	7,510	28,631
Total	280,830	296,602	(15,772)	197,409
Debt Service:				
Principal	177,744	177,744	-	-
Interest	85,551	85,538	13	-
Total	263,295	263,282	13	-
Total expenditures	7,296,238	6,763,421	532,817	5,788,004
Revenues over (under) expenditures	778,837	2,068,227	1,283,798	2,452,033
Other financing sources (uses):				
Transfers to other funds	(2,327,710)	(2,327,710)	-	(3,530,464)
Total other financing sources (uses)	(2,327,710)	(2,327,710)	-	(3,530,464)
Fund Balance Appropriated	1,548,873	-	1,548,873	-
Revenues and other financing sources over expenditures and other financing uses	\$ -	(259,483)	\$ 1,283,798	(1,078,431)
Fund balance:				
Beginning of year		7,375,324		8,453,755
End of year		\$ 7,115,841		\$ 7,375,324

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, 2014

Statement 2

		Actual			Variance
Project	Prior	Current	Total to	Positive	
Authorization	Years	Year	Date	(Negative)	
REVENUES					
Interest	\$ -	\$ 876	\$ 70	\$ 946	\$ 946
EXPENDITURES					
Capital outlay:					
Administration	\$ 4,266,491	\$ 3,492,095	\$ 221,141	\$ 3,713,236	\$ 553,255
Police department	8,593,083	354,556	7,825,611	8,180,167	412,916
Planning and community development department	79,070	73,318	-	73,318	5,752
Building inspections department	36,500	34,280	(840)	33,440	3,060
Public services department	1,470,126	576,974	368,608	945,582	524,544
Total expenditures	<u>14,445,270</u>	<u>4,531,223</u>	<u>8,414,520</u>	<u>12,945,743</u>	<u>1,499,527</u>
Revenues over (under) expenditures	<u>(14,445,270)</u>	<u>(4,530,347)</u>	<u>(8,414,450)</u>	<u>(12,944,797)</u>	<u>1,500,473</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
General Fund	7,881,070	4,838,305	2,327,710	7,166,015	(715,055)
Debt proceeds	<u>6,500,000</u>	<u>-</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>14,381,070</u>	<u>4,838,305</u>	<u>8,827,710</u>	<u>13,666,015</u>	<u>(715,055)</u>
Fund Balance Appropriated	<u>64,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,200)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 307,958</u>	413,260	<u>\$ 721,218</u>	<u>\$ 721,218</u>
Fund balance, beginning			<u>307,958</u>		
Fund balance, ending			<u>\$ 721,218</u>		

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, 2014

Schedule 3

<u>Fiscal Year</u>	Uncollected Balance June 30, 2013	Additions	Collections	Releases and Adjustments	Uncollected Balance June 30, 2014
2003-2004	\$ 1,208	\$ -	\$ -	\$ 1,208	\$ -
2004-2005	2,100	-	(17)	-	2,117
2005-2006	2,945	-	298	-	2,647
2006-2007	3,930	-	323	-	3,607
2007-2008	3,701	-	384	-	3,317
2008-2009	7,243	-	877	-	6,366
2009-2010	15,740	-	3,807	-	11,933
2010-2011	22,959	-	5,340	-	17,619
2011-2012	33,044	-	13,110	-	19,934
2012-2013	73,630	-	44,926	-	28,704
2013-2014	-	5,108,263	5,053,975	-	54,288
	<u>\$ 166,500</u>	<u>\$ 5,108,263</u>	<u>\$ 5,123,023</u>	<u>\$ 1,208</u>	<u>\$ 150,532</u>

Reconciliation with Revenues

Taxes - Ad valorem - general fund	\$ 5,139,985
Interest collected	(17,315)
Taxes written off and penalties collected during the year	<u>353</u>
Total collections and credits	<u>\$ 5,123,023</u>

See Accompanying Notes To Financial Statements.

**TOWN OF WAXHAW, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule 4

	Property Valuation	Rate per \$100	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property valuation					
Real estate	\$ 1,312,851,505	0.34	\$ 4,463,695	\$ 4,463,695	\$ -
Personal property	23,596,619	0.34	80,229	80,229	-
Public service companies	27,166,296	0.34	92,365	92,365	-
Registered motor vehicles	140,821,538	0.34	478,793	-	478,793
Penalties	650		650	650	-
	<u>1,504,436,608</u>		<u>5,115,732</u>	<u>4,636,939</u>	<u>478,793</u>
Discoveries	631,033		2,146	2,146	-
Releases/abatements	<u>(2,828,064)</u>		<u>(9,615)</u>	<u>(9,615)</u>	<u>-</u>
Net levy	\$ <u><u>1,502,239,577</u></u>		5,108,263	4,629,470	478,793
Uncollected at June 30, 2014			<u>(54,288)</u>	<u>(48,538)</u>	<u>(5,750)</u>
Current year taxes collected			\$ <u><u>5,053,975</u></u>	\$ <u><u>4,580,932</u></u>	\$ <u><u>473,043</u></u>
Percent current year collected			<u><u>98.94%</u></u>	<u><u>98.95%</u></u>	<u><u>98.80%</u></u>

See Accompanying Notes To Financial Statements.



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, 2014 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 26, 2014. 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 as items 14-1 and 14-2 that we consider to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 14-2.

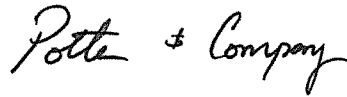
Town of Waxhaw's Response to Findings

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 26, 2014
Monroe, North Carolina

A handwritten signature in cursive script that reads "Potts & Company".

TOWN OF WAXHAW, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014

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 (X) Yes () No

II. Financial Statement Findings

Finding: 14-1

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
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014

Finding 14-2

Noncompliance and Significant Deficiency

<i>Criteria:</i>	G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.
<i>Condition:</i>	The Towns building inspection department in the general fund expended more for operations than appropriated in the annual budget ordinance.
<i>Effect:</i>	Moneys were spent that had not been appropriated.
<i>Cause:</i>	The Town had higher than anticipated building inspection revenues for the year, which in turn led to higher than anticipated actual expenditures for the year.
<i>Recommendation:</i>	Budget amendments should be adopted when revenues are received in excess of estimated revenues in the budget ordinance prior to expending additional funds.
<i>Views of responsible officials and planned corrective actions:</i>	The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

TOWN OF WAXHAW, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2014

Finding: 14-1

- A. Name of contact person: Greg Mahar, Interim 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.

Finding: 14-2

- A. Name of contact person: Greg Mahar, Interim Town Manager
- B. Corrective action: Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.
- C. Proposed completion date: The above corrective action will be implemented immediately.

TOWN OF WAXHAW, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2014

Finding: 13-1

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, 2014

Schedule 5

<u>Grantor/Pass Through</u> <u>Grantor/Program Title</u>	<u>CFDA #</u>	<u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
State Awards:			
N.C. Department of Transportation:			
Powell Bill	N/A	\$ -	\$ 300,676
Total N.C. Department of Transportation		-	300,676
Total State Awards		-	300,676
Total Federal and State Awards		\$ -	\$ 300,676

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 modified 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.