

**TOWN OF WAXHAW**

**Audited Financial Statements**

**June 30, 2016**

**TOWN OF WAXHAW  
NORTH CAROLINA**

**Audited**

**Financial Statements**

**At**

**June 30, 2016**

**And**

**For The Year Then Ended**

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

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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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

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

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

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

**Opinions**

In our opinion, based on our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Town of Waxhaw, North Carolina**, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

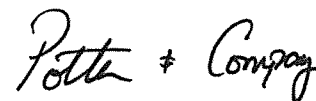
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the **Town of Waxhaw, North Carolina**. The individual fund financial statements, other schedules, and Schedule of Expenditures of Federal and State Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the **Town of Waxhaw, North Carolina's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and on other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **Town of Waxhaw, North Carolina's** internal control over financial reporting and compliance.

November 29, 2016  
Monroe, North Carolina



## Management's Discussion and Analysis

As the Town manager, I am pleased to offer readers of the Town of Waxhaw's financial statements this narrative overview and analysis of the financial activities of the Town of Waxhaw for the fiscal year ended June 30, 2016. You are encouraged to read the information presented here in conjunction with additional information that has been furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

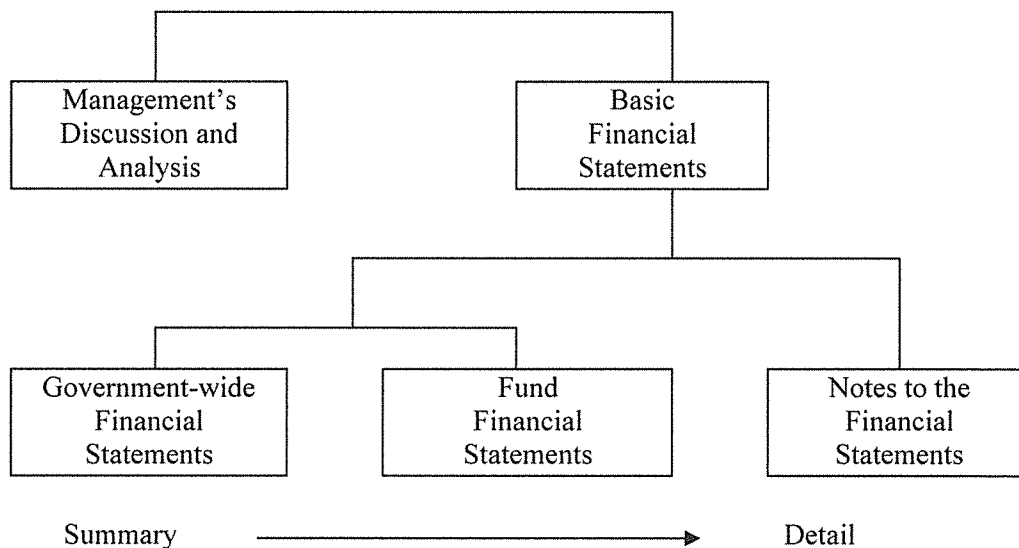
- The total net position of the Town of Waxhaw exceeded its liabilities at the close of the fiscal year increasing from \$31,284,157 to \$32,780,481.
- At the close of the current fiscal year, fund balance for the General Fund was \$5,566,351, which was down from the end of FY 2015's fund balance of \$6,732,864.
- Restricted and Assigned Fund Balance for the General Fund is 35% of the total Fund Balance or \$1,941,637. Unassigned Fund Balance is 65% or \$3,624,714.
- The total net levy is \$5,724,760.
- The total uncollected property tax for the ten-year period ending June 30, 2016 was \$125,191 compared to \$162,292 for the ten-year period ending June 30, 2015.
- The Town's collection rate for property tax (excluding registered motor vehicles) was 99.52%. When including motor vehicle taxes the rate increases to 99.57%. The State of North Carolina is now responsible for the collection of motor vehicle taxes.
- The Town purchased 13 acres for a future YMCA for the amount of \$1,322,419.
- The Town purchased a pocket park in the amount of \$60,613.
- The Town purchased property for a leaf composting facility in the amount of \$336,875.
- The Police Department purchased five new vehicles to replace aging vehicles. The cost for the vehicles and up-fits was \$230,512.

## Overview of the Financial Statements

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

### Required Components of Annual Financial Report

**Figure 1**



## Basic Financial Statements

The first two statements (Exhibit 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

## **Government-Wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Waxhaw, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance related legal requirements, such as the General Statutes or the Town's budget ordinance. The Town of Waxhaw has only one type of fund: governmental funds.

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

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



budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. Exhibit 6 shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

**Government-Wide Financial Analysis**

**The Town of Waxhaw’s Net Position  
Figure 2**

	Governmental Activities	
	2016	2015
Current and other assets	\$ 8,550,994	\$ 9,882,206
Capital assets net of depreciation	31,075,803	28,144,981
Total assets	<u>39,626,797</u>	<u>38,027,187</u>
Deferred outflows of resources	262,186	198,076
Long-term liabilities (due > 1 year)	6,329,911	5,736,090
Current or other liabilities	660,398	614,965
Total liabilities	<u>6,990,309</u>	<u>6,351,055</u>
Deferred inflows of resources	118,193	590,051
Net position:		
Net investment in capital assets	25,488,468	22,185,333
Restricted for:		
Stabilization by state statute	1,800,211	1,125,208
Transportation	455,930	262,431
Unrestricted	5,035,872	7,711,185
Total net position	<u>\$ 32,780,481</u>	<u>\$ 31,284,157</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 \$32,780,481 as of June 30, 2016. The Town’s net position increased by \$2,215,192, for the fiscal year ended June 30, 2016. The total assets being depreciated as of June 30, 2016 were \$39,097,606 compared to \$35,886,238 as of June 30, 2015. Accumulated depreciation of these assets was \$13,056,535 as of June 30, 2016 compared to \$10,956,144 as of June 30, 2015. The Town of Waxhaw uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

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

**The Town of Waxhaw’s Changes in Net Position**  
**Figure 3**

	Governmental Activities		Governmental Activities
	<u>2016</u>		<u>2015</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,280,582	\$	1,302,687
Capital grants and contributions	2,572,416		2,229,520
Operating grants and contributions	409,972		513,709
General revenues:			
Property taxes	5,738,188		5,342,404
Other taxes	1,543,462		1,463,801
Other	979,693		1,002,971
Total revenues	<u>12,524,313</u>		<u>11,855,092</u>
Expenses: (Including Capital Project Fund)			
General Government	3,524,987		3,756,470
Police Department	2,569,112		2,352,416
Interest Expense	154,251		163,956
Public Services Department	1,177,120		2,078,321
Economic and Community Development Department	958,392		825,054
Culture and Recreation	646,138		164,711
Building Inspections Department	366,608		337,437
Environmental Protection	912,513		-
Total expenses	<u>10,309,121</u>		<u>9,678,365</u>
Increase in net position	2,215,192		2,176,727
Net position, beginning as restated, see Note 6	<u>30,565,289</u>		<u>29,107,430</u>
Net position, ending	<u>\$ 32,780,481</u>	\$	<u>31,284,157</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 \$5,566,351 which is a decrease of \$1,166,513. This decrease is partly due to less than expected permitting fee collections and transfers to the Capital Projects Fund for Kensington Road. At the end of the current fiscal year, unassigned (unreserved) fund balance of the General Fund (not including Capital Funds) was \$3,624,714. Total fund balance for the General and Capital Project fund was \$8,215,702 of which \$2,649,351 is the Capital Projects fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned General Fund Balance compared to the General Fund Expenditures. When making this comparison the fund balance is 43% of the FY 2015-2016 General Fund Expenditures.

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

### Capital Asset and Debt Administration

**Capital assets.** The Town of Waxhaw's investment in capital assets for its governmental activities as of June 30, 2016, totals net \$31,075,803 compared to \$28,144,981 for FY 2015. These assets include buildings, machinery and equipment, vehicles, and infrastructure.

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

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2016</u>	<u>2015</u>
Land	\$ 5,034,732	\$ 3,214,887
Land improvements	181,249	167,685
Buildings	8,046,678	7,976,747
Equipment	407,963	459,261
Infrastructure	16,992,599	16,083,511
Vehicles and motorized equipment	412,582	242,890
	<hr/>	<hr/>
Total	\$ 31,075,803	\$ 28,144,981
	<hr/>	<hr/>

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

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

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

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

- We will create 3 full-time positions:
  - 1 - Assistant Town Engineer
  - 2 – Sediment & Erosion Control Officer
  - 3 – Code Enforcement Officer
  
- Implementation of a Comprehensive Growth Management System
  
- Implementation of a Prioritized Street Resurfacing Program
  
- Implementation of a New “Engineering Division”
  
- Construction of a New Leaf Composting Facility
  
- Funding for the Comprehensive Pedestrian Plan
  
- Continue our Annual Capital Replacement Program
  
- Continue work on Kensington Drive Improvements
  
- Downtown Transportation Alternatives Program (TAP) Grant
  
- Improvements to Town Creek Park

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

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF WAXHAW, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
*June 30, 2016*

*Exhibit 1*

	Primary Government Governmental Activities	Component Unit Town of Waxhaw ABC Board
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,354,863	\$ 475,206
Restricted cash	455,930	-
Taxes receivable	125,191	-
Due from other governments	615,010	-
Inventory	-	238,495
Prepaid items	-	24,124
Total current assets	8,550,994	737,825
Capital assets:		
Other capital assets net of depreciation	31,075,803	164,435
Total capital assets	31,075,803	164,435
Total assets	39,626,797	902,260
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contributions to pension plan	262,186	9,426
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	107,745	281,867
Current portion of long-term liabilities	552,653	-
Long-term liabilities:		
Deposits	102,352	-
Net pension liability	227,404	5,341
Due in more than one year	6,000,155	-
Total liabilities	6,990,309	287,208
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	118,193	2,776
<b>NET POSITION</b>		
Net investment in capital assets	25,488,468	164,435
Restricted for:		
Stabilization by state statute	1,800,211	-
Transportation	455,930	-
Working Capital	-	70,141
Unrestricted	5,035,872	387,126
Total net position	\$ 32,780,481	\$ 621,702

*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, 2016*

*Exhibit 2*

<b>Functions/Programs</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Primary Government Governmental Activities	Component Unit Town of Waxhaw ABC Board
<b>Primary government:</b>						
Governmental Activities:						
General government	\$ 3,524,987	\$ 320,103	\$ 2,572,416	\$ 4,690	\$ (627,778)	\$ -
Public safety	2,569,112	6,436	-	94,812	(2,467,864)	-
Public services department and transport	1,177,120	14,440	-	310,470	(852,210)	-
Economic and community development department	958,392	87,918	-	-	(870,474)	-
Building inspections department	366,608	847,861	-	-	481,253	-
Culture and recreation	646,138	3,824	-	-	(642,314)	-
Environmental Protection	912,513	-	-	-	(912,513)	-
Interest expense	154,251	-	-	-	(154,251)	-
 Total primary government	 <u>\$ 10,309,121</u>	 <u>\$ 1,280,582</u>	 <u>\$ 2,572,416</u>	 <u>\$ 409,972</u>	 <u>(6,046,151)</u>	 <u>-</u>
 Component Unit:						
ABC Board	<u>\$ 1,615,163</u>	<u>\$ 1,821,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>205,962</u>
 General revenues:						
Taxes:						
Property taxes, levied for general purpose					5,184,856	-
Motor vehicle taxes					553,332	-
Other taxes and licenses					1,543,462	-
Unrestricted intergovernmental revenues					873,820	-
Unrestricted investment earnings					6,138	37
Miscellaneous					99,735	(73,500)
 Total general revenues					 <u>8,261,343</u>	 <u>(73,463)</u>
 Change in net position					 2,215,192	 132,499
 Net position, beginning as restated see note 6					 <u>30,565,289</u>	 <u>489,203</u>
 Net position, ending					 <u>\$ 32,780,481</u>	 <u>\$ 621,702</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, 2016*

*Exhibit 3*

	Governmental Fund Type		Total
	Major Funds		
	General Fund	Capital Projects Fund	Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,711,938	\$ 2,642,925	\$ 7,354,863
Restricted cash	455,930	-	455,930
Taxes receivable	125,191	-	125,191
Due from other governments	569,560	45,449	615,009
TOTAL ASSETS	\$ 5,862,619	\$ 2,688,374	\$ 8,550,993
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other liabilities	\$ 68,725	\$ 39,023	\$ 107,748
Deposits	102,352	-	102,352
Total Liabilities	171,077	39,023	210,100
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	125,191	-	125,191
Total deferred inflows of resources	125,191	-	125,191
<b>FUND BALANCES</b>			
Restricted:			
Stabilization by State Statute	855,306	944,905	1,800,211
Transportation	455,930	-	455,930
Assigned:			
Development Street Maintenance	30,401	-	30,401
Future capital purchases	-	1,704,446	1,704,446
Subsequent year's expenditures	600,000	-	600,000
Unassigned	3,624,714	-	3,624,714
Total Fund Balances	5,566,351	2,649,351	8,215,702
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			
			31,075,803
Net pension liability			
			(227,404)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position			
			262,186
Liabilities for earned but deferred revenues in fund statements			
			125,194
Pension related deferrals			
			(118,193)
Liabilities are not due and payable in the current period and therefore are not reported as expenditures in governmental funds:			
Installment financing agreement			
			(5,587,335)
LEO Separation			
			(738,305)
Compensated absences			
			(227,167)
Net assets of governmental activities			
			\$ 32,780,481

*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, 2016**

*Exhibit 4*

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	
<b>REVENUES</b>			
Ad valorem taxes	\$ 5,775,288	\$ -	\$ 5,775,288
Other taxes & licenses	1,551,727	-	1,551,727
Unrestricted intergovernmental	868,025	-	868,025
Restricted intergovernmental	410,442	-	410,442
Permits and fees	1,105,433	-	1,105,433
Sales and services	16,109	-	16,109
Investment earnings	5,953	185	6,138
Donations	6,425	-	6,425
Rental income	79,247	-	79,247
Miscellaneous	169,680	482	170,162
Total revenues	9,988,329	667	9,988,996
<b>EXPENDITURES</b>			
Current:			
General Government	1,547,775	64,338	1,612,113
Public Safety	2,150,906	49,129	2,200,035
Economic & Community Development	1,574,566	-	1,574,566
Culture and Recreation	578,265	18,286	596,551
Transportation	1,102,482	53,924	1,156,406
Environmental Protection	912,513	-	912,513
Debt service	526,564	-	526,564
Capital outlay:			
Administration	-	357,061	357,061
Police department	-	194,776	194,776
Public services department	-	518,153	518,153
Culture and recreation department	-	1,405,361	1,405,361
Total expenditures	8,393,071	2,661,028	11,054,099
Excess of revenues over expenditures	1,595,258	(2,660,361)	(1,065,103)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	2,761,771	2,761,771
Transfers to other funds	(2,761,771)	-	(2,761,771)
Total other financing sources (uses)	(2,761,771)	2,761,771	-
Net change in fund balance	(1,166,513)	101,410	(1,065,103)
Fund balance, beginning	6,732,864	2,547,941	9,280,805
Fund balance, ending	\$ 5,566,351	\$ 2,649,351	\$ 8,215,702

*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, 2016*

*Exhibit 5*

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

Net changes in fund balances - total governmental funds	\$ (1,065,102)
---------------------------------------------------------	----------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

This is the amount of depreciation recorded in the current period.	(2,116,945)
--------------------------------------------------------------------	-------------

Amount of assets capitalized and reclassified from capital outlay expenditures in the current period.	2,475,350
-------------------------------------------------------------------------------------------------------	-----------

Value of donated capital assets	2,572,416
---------------------------------	-----------

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	(37,101)
----------------------------	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	43,065
LEO seperation allowance	(19,437)
Principal payment on long term debt	372,313
Change in compensated absences	<u>(9,367)</u>

Total changes in net position of governmental activities	<u>\$ 2,215,192</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**

*Exhibit 6*

*For the Year Ended June 30, 2016*

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,657,141	\$ 5,657,141	\$ 5,775,288	\$ 118,147
Other taxes & licenses	1,528,000	1,528,000	1,580,934	52,934
Unrestricted intergovernmental	765,000	765,000	868,025	103,025
Restricted intergovernmental	303,400	770,453	410,442	(360,011)
Permits and fees	975,127	1,054,727	1,105,433	50,706
Sales and services	15,400	15,400	16,109	709
Investment earnings	20,080	20,080	5,953	(14,127)
Donations	22,500	22,500	6,425	(16,075)
Rental income	-	78,360	79,247	887
Miscellaneous	30,800	78,200	140,473	62,273
Total revenues	<u>9,317,448</u>	<u>9,989,861</u>	<u>9,988,329</u>	<u>(1,532)</u>
<b>Expenditures:</b>				
General Government	1,449,773	1,602,655	1,547,775	54,880
Public Safety	2,183,823	2,401,876	2,150,906	250,970
Economic & Community Development	1,432,712	2,014,387	1,574,566	439,821
Culture and Recreation	555,426	610,079	578,265	31,814
Public Service & Transportation	1,481,379	1,414,899	1,102,482	312,417
Environmental Protection	970,000	1,003,000	912,513	90,487
Debt service	526,564	526,564	526,564	-
Total expenditures	<u>8,599,677</u>	<u>9,573,460</u>	<u>8,393,071</u>	<u>1,180,389</u>
Excess of revenues over (under) expenditures	<u>717,771</u>	<u>416,401</u>	<u>1,595,258</u>	<u>1,178,857</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	<u>(2,367,771)</u>	<u>(2,726,771)</u>	<u>(2,761,771)</u>	<u>(35,000)</u>
Total other financing sources (uses)	<u>(2,367,771)</u>	<u>(2,726,771)</u>	<u>(2,761,771)</u>	<u>(35,000)</u>
Fund Balance Appropriated	<u>1,650,000</u>	<u>2,310,370</u>	<u>-</u>	<u>(2,310,370)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,166,513)</u>	<u>\$ (1,166,513)</u>
Fund balance, beginning of year			<u>6,732,864</u>	
Fund balance, end of year			<u>\$ 5,566,351</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, 2016*

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, 2016**

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

The Town reports the following major governmental funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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

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

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Capital Projects Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. Assets, Liabilities, and Fund Equity**

**1. Deposits and Investments**

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State Law (G.S. 159-31). The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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, 2016.

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 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2015.

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, 2016**

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:

Asset Class	Estimated Useful Lives
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:

Asset Class	Estimated Useful Lives
Store equipment	5 – 7
Leasehold improvements	10 – 15

8. Deposits

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

9. Deferred Outflows /Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.



**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

The Town has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

10. Long-Term Obligations

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

11. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. The Town's policy is to provide employees with ten holidays and two floating days per year. If an employee is required to work on such holiday, the employee is entitled to be paid for the day worked as well as the holiday with supervisory approval. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

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

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

**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.

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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.

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

**13. Pensions**

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

**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

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2016, the Town’s deposits had a carrying amount of \$7,810,793 and a bank balance of \$7,964,104. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$7,714,104 in interest bearing deposits was covered by collateral held under the pooling method. The ABC Board’s deposits had a carrying amount of \$475,206 and a bank balance of \$468,924. Of the bank balance, \$250,000 was covered by federal depository insurance and \$218,924 was covered by collateral held under the pooling method.

2. Capital Assets

Activity for the ABC Board for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Store furniture, equipment and leasehold improvements	\$ 84,477	\$ 137,962	\$ 33,516	\$ 188,923
Total capital assets being depreciated	<u>84,477</u>	<u>137,962</u>	<u>33,516</u>	<u>188,923</u>
Less accumulated depreciation for:				
Store furniture, equipment and leasehold improvements	40,440	17,565	33,517	24,488
Total accumulated depreciation	<u>40,440</u>	<u>\$ 17,565</u>	<u>\$ 33,517</u>	<u>24,488</u>
ABC capital assets, net	<u>\$ 44,037</u>			<u>\$ 164,435</u>

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

Capital asset activity for the Primary Government for the year ended June 30, 2016, 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	\$ 1,819,845	\$ -	\$ 5,034,732
Total capital assets not being depreciated	<u>3,214,887</u>	<u>1,819,845</u>	<u>-</u>	<u>5,034,732</u>
Capital assets being depreciated:				
Land improvements	\$ 212,665	\$ 28,515	\$ -	\$ 241,180
Buildings	8,533,375	349,151	-	8,882,526
Infrastructure	25,311,785	2,572,416	-	27,884,201
Equipment	876,624	7,910	-	884,534
Vehicles and motorized equipment	951,789	269,930	(16,554)	1,205,165
Total capital assets being depreciated	<u>35,886,238</u>	<u>3,227,922</u>	<u>(16,554)</u>	<u>39,097,606</u>
Less: accumulated depreciation for:				
Land improvements	\$ 44,980	\$ 14,951	\$ -	\$ 59,931
Buildings	556,628	279,220	-	835,848
Infrastructure	9,228,274	1,663,328	-	10,891,602
Equipment	417,363	59,208	-	476,571
Vehicles and motorized equipment	708,899	100,238	(16,554)	792,583
Total accumulated depreciation	<u>10,956,144</u>	<u>\$ 2,116,945</u>	<u>\$ (16,554)</u>	<u>13,056,535</u>
Total capital assets being depreciated, net	<u>24,930,094</u>			<u>26,041,071</u>
Governmental activity capital assets, net	<u>\$ 28,144,981</u>			<u>\$ 31,075,803</u>

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

General government	\$ 1,709,494
Public safety	340,131
Public services department	29,263
Parks and recreation department	38,057
Total depreciation expense	<u>\$ 2,116,945</u>

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

B. Liabilities

1. Pension Plan Obligations

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Waxhaw and the ABC Board are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Waxhaw employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Waxhaw's contractually required contribution rate of the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.73% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Waxhaw were \$188,223 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$227,404 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was .05067%, which was an increase of .00565% from its proportion measured as of June 30, 2014.

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended June 30, 2016*

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

For the year ended June 30, 2016, the Town recognized pension expense of \$145,158. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 53,453
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	64,740
Changes in proportion and differences between Town contributions and proportionate share of contributions	73,963	-
Town contributions subsequent to the measurement date	188,223	-
Total	<u>\$ 262,186</u>	<u>\$ 118,193</u>

\$188,223 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2017	(52,966)
2018	(52,966)
2019	(53,027)
2020	114,729
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.



**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended June 30, 2016*

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 1,585,720	\$ 227,404	\$ (916,947)

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

**b. 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, 2016 were \$176,357, which consisted of \$136,757 from the Town and \$39,600, 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.

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended June 30, 2016*

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, 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>25</u>
Total	<u>25</u>

A separate report was not issued for the plan.

*2. Summary of Significant Accounting Policies:*

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

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

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

*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 employees during the year.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25-7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended June 30, 2016*

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

*Annual Pension Cost and Net Pension Obligation.* The Town’s annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 58,438
Interest on net pension obligation	25,664
Adjustment to annual required contribution	<u>(62,727)</u>
Annual pension cost	21,375
Contributions made	<u>1,938</u>
Increase (decrease) in net pension obligation	19,437
Net pension obligation beginning of year	<u>718,868</u>
Net pension obligation end of year	<u><u>\$ 738,305</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 23,762	0%	\$ 696,331
2015	22,537	0%	718,868
2016	21,375	9.07%	738,305

3. *Funded Status and Funding Progress.*

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$338,590. The covered payroll (annual payroll of active employees covered by the plan) was \$1,202,092, and the ratio of the UAAL to the covered payroll was 28.17%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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.

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

2. Deferred Inflows of Resources

Deferred inflows of resources at June 30, 2016, consist of the following:

	Unavailable Revenue
Taxes receivable	\$ <u>125,191</u>

3. Risk Management

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

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

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

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.

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended June 30, 2016*

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

Claims and Judgments

At June 30, 2016 the Town was a defendant to various lawsuits. In the opinion of the Town’s management and the Town’s attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town’s financial position.

4. Long-Term Obligations

a. Operating Lease

During 2015, the Town entered into a lease agreement for their Town Hall facility commencing on December 1, 2014 through November 30, 2017. The monthly lease amount is \$6,076. In addition to the monthly lease amount, the Town is responsible for common area maintenance, taxes and insurance expense. Lease expense was \$88,079 for the year ending June 30, 2016.

Future minimum lease amounts are as follows:

2017	\$	<u>30,380</u>
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b. Installment Purchase

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

Annual debt service payments of the installment purchase agreement as of June 30, 2016, including interest, are as follows:

Year ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 382,278	\$ 144,286
2018	392,509	134,055
2019	403,015	123,550
2020	413,801	112,783
2021	424,876	101,688
2022-2026	2,301,167	331,685
2027-2029	<u>1,269,689</u>	<u>46,672</u>
Totals	\$ <u>5,587,335</u>	\$ <u>994,719</u>

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

Changes in Long-Term Liabilities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 5,959,648	\$ -	\$ 372,313	\$ 5,587,335	\$ 382,278
Compensated absences	217,801	9,367	-	227,168	170,375
Net pension liability (LGRS)	-	227,404	-	227,404	-
Net pension obligation (LEO)	718,868	19,437	-	738,305	-
Governmental activity Long-term liabilities:	<u>\$ 6,896,317</u>	<u>\$ 256,208</u>	<u>\$ 372,313</u>	<u>\$ 6,780,212</u>	<u>\$ 552,653</u>

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

5. Commitments

The Town of Waxhaw entered into a contract with RCS, Inc. on June 12, 2007 for the curbside pick-up and disposal of rubbish, yard waste, and recyclable materials and the use of a sanitary landfill. 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, 2016 was \$912,513. The estimated future minimum payment for each year through 2017 is \$1,019,453. The future minimum lease payments are calculated based upon the number of households participating at June 30, 2016 and the sanitation and recycling fee rates in effect for future years.

The ABC Board has entered into a ten year lease for a new store location beginning in August 2015 that expires August 2025. The Board is responsible for taxes and insurance for this location. Rent expense in the amount of \$89,732 was paid during the year ended June 30, 2016. Future minimum rentals are as follows:

2017	\$ 102,942
2018	102,942
2019	102,942
2020	102,942
2021	112,392
Thereafter	<u>476,175</u>
Total	<u>\$ 1,000,335</u>

**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended June 30, 2016*

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

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2016, consist of the following:

From the General Fund to the Capital Projects Fund      \$    2,761,771

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	\$	31,075,803
less: long-term debt obligations		<u>5,587,335</u>
Net investment in capital asset	\$	<u>25,488,468</u>

E. Fund Balance

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Total fund balance	\$ 5,566,351	\$ 2,649,351
Less:		
Stabilization by State Statute	855,306	944,905
Streets-Powell Bill	455,930	-
Appropriated fund balance – 2017 budget	600,000	-
Assigned for future capital purchases	-	1,704,446
Development street maintenance	<u>30,401</u>	<u>-</u>
Remaining Fund Balance	\$ <u>3,624,714</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>		<u>Capital Project Fund</u>
Encumbrances	\$	285,750	\$	899,456



**TOWN OF WAXHAW, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended June 30, 2016*

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The ABC Board is not making quarterly distributions as required by G.S. 18B-805(g). For the year ended June 30, 2016, annual rather than quarterly distributions were paid to the Town of Waxhaw. The 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, 2016, certain expenditures made by the ABC Board exceeded the authorized appropriations made by the governing board, including taxes based on revenues by \$19,622, credit card fees by \$8,856, repairs and maintenance by \$3,151, capital outlay by \$137,962, profit distributions by \$32,375 and other minor amounts. The over expenditure in taxes based on revenues resulted from increased sales and the fact that no budget amendment was made to increase taxes based on actual revenues. The over expenditures in the other accounts resulted from increased expenditures and the fact the no budget amendment was made during the current year. The Board will implement policies and procedures to ensure that the 2017 budgeted amounts are sufficient to cover actual expenditures. The 2017 budget will be reviewed and amended if necessary to prevent an over expenditure.

**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

***Federal and State Assisted Programs***

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

**NOTE 5 - SUBSEQUENT EVENTS**

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

**NOTE 6 - PRIOR PERIOD ADJUSTMENT**

Prior to the year ended June 30, 2016, the Town had not recorded its liability associated with the law enforcement special separation allowance. As a result, net position for the governmental activities decreased by \$718,868 when compared to the amount recorded at June 30, 2015.

Net position as previously reported	\$	31,284,157
Prior period adjustment		<u>(718,868)</u>
Net position as restated	\$	<u>30,565,189</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF WAXHAW, NORTH CAROLINA**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**

*Exhibit A*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
12/31/2015	-	338,590	338,590	0%	1,202,092	28.17%

*See Accompanying Notes to Financial Statements.*

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

*Exhibit B*

	2016	2015	2014
Contractually required contribution	\$ 188,223	\$ 198,076	\$ 163,236
Contributions in relation to the contractually required contribution	188,223	198,076	163,236
Contribution deficiency (excess)	\$ -	\$ -	\$ -
 Town of Waxhaw's covered employee payroll	 2,986,658	 2,751,099	 2,283,306
Contributions as a percentage of covered employee payroll	6.30%	7.20%	7.15%

*See Accompanying Notes to Financial Statements.*

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

Exhibit C

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Waxhaw's proportionate share of the net pension liability (asset) %	0.05067%	0.04502%	0.03790%
Town of Waxhaw's proportionate share of the net pension liability (asset) \$	\$ 227,404	\$ (248,473)	\$ 163,236
Town of Waxhaw's covered employee payroll	2,986,658	2,751,099	2,283,306
Town of Waxhaw's proportionate share of the net pension liability (asset) as a percentage of it's covered employee payroll	7.61%	9.03%	7.15%
Plan fiduciary net pension as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

*See Accompanying Notes to Financial Statements.*

TOWN OF WAXHAW, NORTH CAROLINA

GENERAL FUND

Schedule 1  
Page 1 of 5

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL --

For The Year Ended June 30, 2016

With Comparative Actual Amounts For The Year Ended June 30, 2015

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Revenues				
Ad valorem taxes	\$ 5,647,141	\$ 5,758,214	\$ 111,073	\$ 5,308,603
Penalties and interest	10,000	17,074	7,074	22,040
Total	5,657,141	5,775,288	118,147	5,330,643
Other taxes and licenses				
Local option sales taxes	1,500,000	1,544,793	44,793	1,525,347
Privilege licenses	500	1,033	533	37,385
Solid Waste Disposal tax	5,500	5,901	401	7,113
Total	1,506,000	1,551,727	45,727	1,569,845
Unrestricted intergovernmental				
Utility franchise tax	715,000	814,789	99,789	791,305
Beer and wine tax	50,000	53,236	3,236	53,946
Total	765,000	868,025	103,025	845,251
Restricted intergovernmental				
Powell Bill allocation	300,000	310,470	10,470	292,630
ABC Revenue for law enforcement	3,400	5,795	2,395	6,163
Governor's Highway Safety grant	243,053	94,177	(148,876)	52,376
Carolina Thread Trail Grant	224,000	-	(224,000)	150,000
Total	770,453	410,442	(360,011)	501,169
Permits and fees				
Zoning fees	80,000	71,568	(8,432)	46,836
Sanitation fees	-	6,079	6,079	361,695
Technology fee	79,600	91,157	11,557	63,177
Inspection fees	895,127	936,629	41,502	697,704
Total	1,054,727	1,105,433	50,706	1,169,412
Sales and services				
Cemetery lots	5,400	12,785	7,385	12,470
Cable TV franchise fee	10,000	-	(10,000)	-
Park Revenue and Donations	-	3,324	3,324	-
Total	15,400	16,109	(2,615)	12,470

See Accompanying Notes To Financial Statements.

**TOWN OF WAXHAW, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL --**  
**For The Year Ended June 30, 2016**  
**With Comparative Actual Amounts For The Year Ended June 30, 2015**

Schedule 1  
Page 2 of 5

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Investment earnings	20,080	5,953	(14,127)	9,128
Rental fee income	78,360	79,247	887	86,331
Donations	22,500	6,425	(16,075)	18,703
Other	78,200	140,473	62,273	75,398
Total revenues	9,989,861	9,988,329	(4,856)	9,618,350
Expenditures				
<u>General Government</u>				
Board of Commissioners:				
Salaries and Employee Benefits	101,207	100,765	2,375	-
Other Operating Expenditures	226,654	224,279	2,817	-
Total	327,861	325,044	2,817	-
Administration:				
Salaries and Employee Benefits	220,160	210,478	9,682	-
Other Operating Expenditures	234,050	178,559	55,491	-
Town Rental Property Expense	31,600	37,410	(5,810)	-
Total	485,810	426,447	59,363	-
Clerk's Office:				
Salaries and Employee Benefits	143,680	152,642	(8,962)	-
Other Operating Expenditures	78,932	73,842	5,090	-
Total	222,612	226,484	(3,872)	-
Finance Office:				
Salaries and Employee Benefits	140,836	140,668	168	-
Other Operating Expenditures	57,300	72,626	(15,326)	-
Total	198,136	213,294	(15,158)	-
IT Department:				
Salaries and Employee Benefits	168,521	174,316	(5,795)	-
Other Operating Expenditures	33,300	22,898	10,402	-
Total	201,821	197,214	4,607	-

*See Accompanying Notes To Financial Statements.*

TOWN OF WAXHAW, NORTH CAROLINA

GENERAL FUND

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

For The Year Ended June 30, 2016

With Comparative Actual Amounts For The Year Ended June 30, 2015

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Expenditures (Continued)				
General Government (continued)				
Human Resources:				
Salaries and Employee Benefits	136,215	133,100	3,115	-
Other Operating Expenditures	30,200	26,192	4,008	-
Total	166,415	159,292	7,123	-
Total General Government	1,602,655	1,547,775	54,880	1,781,900
<u>Public Safety</u>				
Police Department:				
Salaries and Employee Benefits	1,744,112	1,752,000	(7,888)	-
Other Operating Expenditures	396,165	361,270	34,895	-
Governor's Crime Comm Grant	72,949	14,822	58,127	-
GHSP Grant Expense	170,104	4,268	165,836	-
Total	2,383,330	2,132,360	250,970	-
Waxhaw Volunteer Fire Department:				
Total	18,546	18,546	-	-
Total Public Safety	2,401,876	2,150,906	250,970	2,143,076
<u>Economic and Community Development</u>				
Building Inspections:				
Salaries and Employee Benefits	331,999	311,646	20,353	-
Other Operating Expenditures	85,592	65,331	20,261	-
Technology Fee Expense	65,200	63,438	1,762	-
Total	482,791	440,415	42,376	-
Planning and Community Development:				
Salaries and Employee Benefits	542,560	462,704	79,856	-
Other Operating Expenditures	538,341	360,629	177,712	-
Technology Fee Expense	35,000	24,379	10,621	-
Façade Grant Expense	35,000	10,688	24,312	-
Carolina Thread Trail Expense	224,000	134,698	89,302	-
Total	1,374,901	993,098	381,803	-

See Accompanying Notes To Financial Statements.



TOWN OF WAXHAW, NORTH CAROLINA

GENERAL FUND

Schedule 1

Page 4 of 5

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

For The Year Ended June 30, 2016

With Comparative Actual Amounts For The Year Ended June 30, 2015

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Expenditures (Continued)				
Economic and Community Development (continued)				
Main Street Office:				
Salaries and Employee Benefits	70,370	80,948	(10,578)	-
Other Operating Expenditures	86,325	60,105	26,220	-
Total	156,695	141,053	15,642	-
Total Economic and Community Development	2,014,387	1,574,566	439,821	1,295,341
<u>Culture and Recreation</u>				
Parks and Recreation:				
Salaries and Employee Benefits	113,263	113,092	171	-
Other Operating Expenditures	106,258	80,393	25,865	-
Total	219,521	193,485	26,036	-
Events:				
Salaries and Employee Benefits	166,153	167,293	(1,140)	-
Other Operating Expenditures	224,405	217,487	6,918	-
Total	390,558	384,780	5,778	-
Total Culture and Recreation	610,079	578,265	31,814	139,419
<u>Public Service &amp; Transportation</u>				
Public Services:				
Salaries and Employee Benefits	587,963	553,426	34,537	-
Other Operating Expenditures	826,936	549,056	277,880	-
Total	1,414,899	1,102,482	312,417	-
Total Public Service & Transportation	1,414,899	1,102,482	312,417	2,045,829

See Accompanying Notes To Financial Statements.

TOWN OF WAXHAW, NORTH CAROLINA

GENERAL FUND

Schedule 1  
Page 5 of 5

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL --  
For The Year Ended June 30, 2016  
With Comparative Actual Amounts For The Year Ended June 30, 2015

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Expenditures (Continued)				
Environmental Protection:				
Sanitation Contract	1,003,000	912,513	90,487	-
Total Environmental Protection	1,003,000	912,513	90,487	-
Debt Service:				
Principal	372,313	372,313	-	-
Interest	154,251	154,251	-	-
Total	526,564	526,564	-	526,564
Total expenditures	9,573,460	8,393,071	1,180,389	7,932,129
Revenues over (under) expenditures	416,401	1,595,258	1,178,857	1,686,221
Capital Contributions:				
Contributions from private entity	-	-	-	400,000
Other financing sources (uses):				
Transfers to other funds	(2,726,771)	(2,761,771)	35,000	(2,469,200)
Total other financing sources (uses)	(2,726,771)	(2,761,771)	(35,000)	(2,469,200)
Fund Balance Appropriated	2,310,370	-	(2,310,370)	-
Net change in fund balance	\$ -	(1,166,513)	\$ (2,345,370)	(382,979)
Fund balance:				
Beginning of year		6,732,864		7,115,843
End of year		\$ 5,566,351		\$ 6,732,864

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, 2016**

Schedule 2

		Actual			Variance
Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)	
<b>REVENUES</b>					
Interest	\$ -	\$ 1,064	\$ 185	\$ 1,249	\$ 1,249
Miscellaneous Income	-	-	482	482	482
Total	-	1,064	667	1,731	1,731
<b>EXPENDITURES</b>					
Capital outlay:					
Administration	\$ 6,434,667	\$ 4,041,790	\$ 421,399	\$ 4,463,189	\$ 1,971,478
Police	9,022,583	8,324,433	243,905	8,568,338	454,245
Planning and community development	79,070	73,318	-	73,318	5,752
Building inspections	36,500	33,440	-	33,440	3,060
Culture and recreation	2,079,000	98,131	1,423,647	1,521,778	557,222
Public services and transportation	3,410,626	1,017,226	572,077	1,589,303	1,821,323
Total expenditures	21,062,446	13,588,338	2,661,028	16,249,366	4,813,080
Revenues over (under) expenditures	(21,062,446)	(13,587,274)	(2,660,361)	(16,247,635)	4,814,811
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from (to) other funds:					
General Fund	14,182,770	9,635,215	2,761,771	12,396,986	(1,785,784)
Debt proceeds	6,500,000	6,500,000	-	6,500,000	-
Total other financing sources (uses)	20,682,770	16,135,215	2,761,771	18,896,986	(1,785,784)
Fund Balance Appropriated	379,676	-	-	-	(379,676)
Net change in fund balance	\$ -	\$ 2,547,941	101,410	\$ 2,649,351	\$ 2,649,351
Fund balance, beginning			2,547,941		
Fund balance, ending			\$ 2,649,351		

*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, 2016**

Schedule 3

<u>Fiscal Year</u>	Uncollected Balance June 30, 2015	Additions	Collections	Releases and Adjustments	Uncollected Balance June 30, 2016
2005-2006	\$ 2,647	\$ -	\$ -	\$ 2,647	\$ -
2006-2007	3,523	-	175	-	3,348
2007-2008	3,196	-	176	-	3,020
2008-2009	5,889	-	1,275	-	4,614
2009-2010	10,553	-	821	-	9,732
2010-2011	13,609	-	2,787	-	10,822
2011-2012	17,704	-	5,873	-	11,831
2012-2013	25,179	-	7,804	-	17,375
2013-2014	31,563	-	13,339	-	18,224
2014-2015	48,429	-	27,074	-	21,355
2015-2016	-	5,724,760	5,699,890	-	24,870
	<u>\$ 162,292</u>	<u>\$ 5,724,760</u>	<u>\$ 5,759,214</u>	<u>\$ 2,647</u>	<u>\$ 125,191</u>

Reconciliation with Revenues

Taxes - Ad valorem - general fund	\$ 5,775,288
Interest collected	(17,074)
Taxes written off and penalties collected during the year	<u>1,000</u>
Total collections and credits	<u>\$ 5,759,214</u>

*See Accompanying Notes To Financial Statements.*

**TOWN OF WAXHAW, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2016**

Schedule 4

	Property Valuation	Rate per \$100	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Property valuation</b>					
Real estate	\$ 1,390,695,048	0.36	\$ 5,006,502	\$ 5,006,502	\$ -
Personal property	20,403,068	0.36	73,451	73,451	-
Public service companies	25,421,072	0.36	91,516	91,516	-
Registered motor vehicles	153,120,422	0.36	551,234	-	551,234
	<u>1,589,639,610</u>		<u>5,722,703</u>	<u>5,171,469</u>	<u>551,234</u>
Discoveries	2,263,072		8,147	8,147	-
Releases/abatements	<u>(1,691,773)</u>		<u>(6,090)</u>	<u>(6,090)</u>	<u>-</u>
Net levy	\$ <u>1,590,210,909</u>		5,724,760	5,173,526	551,234
Uncollected at June 30, 2016			<u>(24,870)</u>	<u>(24,870)</u>	<u>-</u>
Current year taxes collected			\$ <u>5,699,890</u>	\$ <u>5,148,656</u>	\$ <u>551,234</u>
Percent current year collected			<u>99.57%</u>	<u>99.52%</u>	<u>100.00%</u>

See Accompanying Notes To Financial Statements.

**COMPLIANCE SECTION**



## POTTER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Town of Waxhaw, North Carolina**, as of and for the year ended June 30, 2016 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 29, 2016. The financial statements of the Town of Waxhaw ABC Board were not audited in accordance with *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [16-1]

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Town of Waxhaw's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on



compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

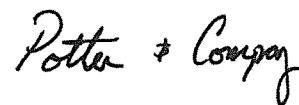
Town of Waxhaw's Response to Findings

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

Purpose of this Report

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

November 29, 2016  
Monroe, North Carolina





*TOWN OF WAXHAW, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2016*

Finding: 16-1

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

*TOWN OF WAXHAW, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2016*

Finding: 15-1

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, 2016**

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>
<b>State Awards:</b>			
N.C. Department of Transportation:			
Powell Bill	N/A	\$ -	\$ 117,008
Governor's Highway Safety Program	N/A	-	4,267
Total N.C. Department of Transportation		-	121,275
Total State Awards		-	121,275
Total Federal and State Awards		\$ -	\$ 121,275

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

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

*See Accompanying Notes to Financial Statements.*