

**TOWN OF WAXHAW
NORTH CAROLINA**

**Financial Statements and Supplementary
Information**

For the Year Ended June 30, 2020



Strickland Hardee PLLC
Certified Public Accountants

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TOWN OF WAXHAW, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of 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 (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Town of Waxhaw Alcoholic Beverage Control Board ("ABC Board"). Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ABC Board, is based solely on the report of another auditor. 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 from material misstatement. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, 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, the major fund, and the aggregate remaining fund information of the Town of Waxhaw, North Carolina, as of June 30, 2020, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension plan schedules, as listed in the table of contents, 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 generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waxhaw, North Carolina's basic financial statements. The supplementary information and the schedule of expenditures of federal and state awards, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2021 on our consideration of the Town of Waxhaw, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely 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 effectiveness of the Town's 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's internal control over financial reporting and compliance.

Strickland Hardee PLLC

Lexington, North Carolina
March 17, 2021

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

As management of the Town of Waxhaw ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2020 ("2020" or "FY 2020") compared to the year ended June 30, 2019 ("2019" or "FY 2019"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole, with an emphasis on the Primary Government, which excludes the Town's discretely presented component unit – the Town of Waxhaw ABC Board ("ABC Board"). We would encourage readers to not only consider the information presented here, but also the information provided in the financial statements and the notes to the financial statements to enhance their understanding the Town's overall financial performance.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the end of the current fiscal year by \$65,613,502 (total net position) for the Primary Government.
- Town's total net position increased by \$3,873,721 in large part due to developer donations of street infrastructure as well as general and program revenues exceeding expenses.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$15,973,170, an increase of \$2,445,190 or 18% increase from the prior year fund balance. The increase is primarily due to revenues exceeding expenditures for the current year.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was \$6,908,840. The unassigned fund balance for the General Fund is \$6,908,840, which is 51% of total General Fund budgeted expenditures for the upcoming fiscal year.
- The Town's capital assets increased \$1,470,721 or 3% during the current fiscal year. This increase is due to capital asset additions of \$3,439,619, primarily for street infrastructure, exceeding depreciation expense of \$1,968,898.
- The Town's total debt decreased \$413,801 or 9% during the current fiscal year. This decrease is primarily due to regularly scheduled principal payments.

Overview of the Financial Statements

Financial Statements

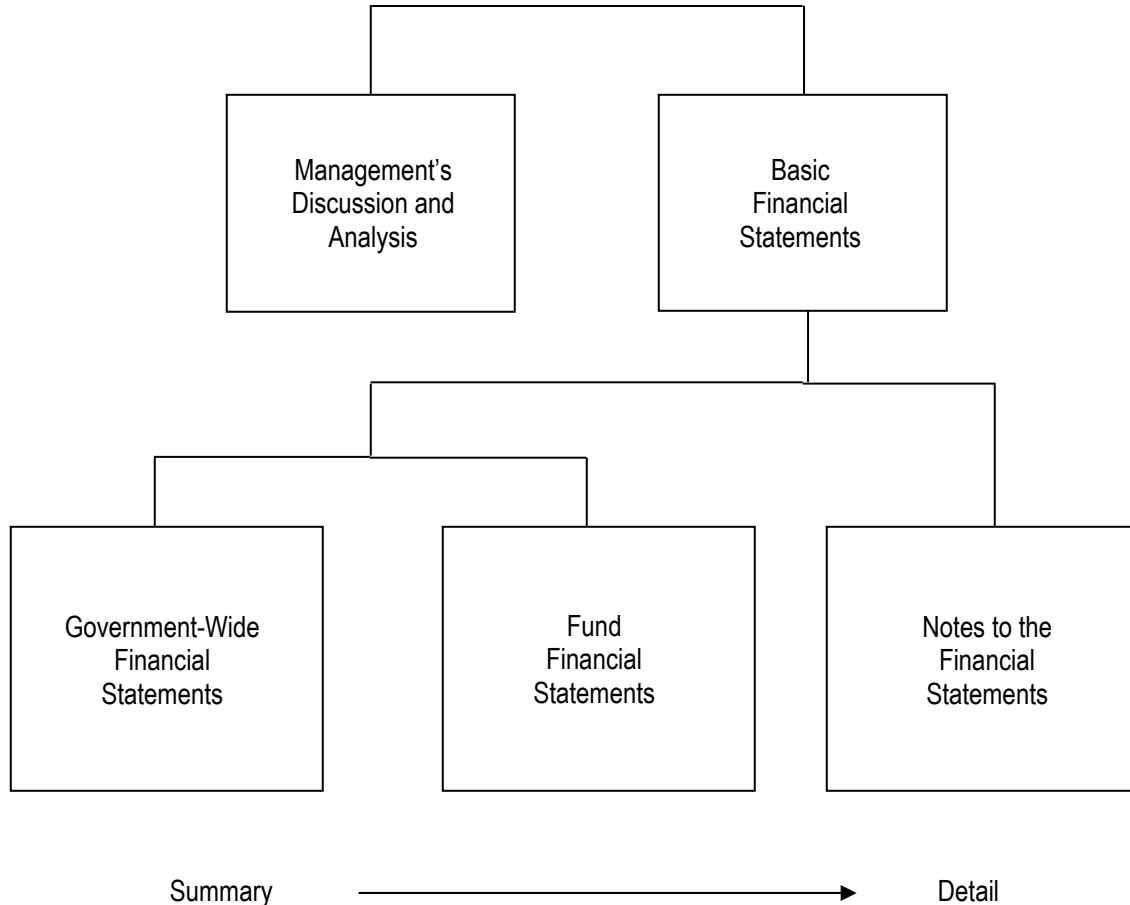
This MD&A is intended to serve as an introduction to the Town's financial statements. The Town's financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The financial statements present 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.

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Overview of the Financial Statements (Continued)

Financial Statements (Continued)

Required Components of Annual Financial Report
Figure 1



The first two statements (Exhibits A and B) 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 set of statements (Exhibits C through F) 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**. The Notes to the Financial Statements explain in detail some of the data contained in those statements.

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Overview of the Financial Statements (Continued)

Financial Statements (Continued)

After the notes, **required supplementary information** and **supplementary information** are provided to show details about the Town's retirement plans and individual funds. Budgetary information required by the North Carolina 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 it has 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 general government, public safety, economic and community development, culture and recreation, public service and transportation, and environmental protection. Taxes, state grants, and federal grants finance most of these activities. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the ABC Board by appointing its members. The ABC Board is required by North Carolina statute to distribute 75% of its profits to the Town.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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. All of the funds of the Town can be found in the governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in governmental funds. These fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus.

As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the **Statement of Net Position** and the **Statement of Activities**) and governmental funds is described in a reconciliation that is an integral part of the fund financial statements.

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

The budgetary statement provided for in the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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. Note disclosure requirements apply only to material items and should focus on the primary government – specifically its governmental activities, major funds, and non-major funds in the aggregate. The ***Notes to the Financial Statements*** can be found as listed in the table of contents of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information ("RSI") is mandated by the Governmental Accounting Standards Board ("GASB") and can be found as listed in the table of contents of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury securities because of actions by foreign governments and other holders of publicly held U.S. Treasury securities.

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TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Government-Wide Financial Analysis

The following table provides a summary of the Town's statement of net position as of June 30, 2020 compared to June 30, 2019:

Town's Statement of Net Position

Figure 2

	Governmental Activities	
	June 30, 2020	June 30, 2019
Assets		
Current and Other Assets	\$ 16,717,404	\$ 14,213,346
Capital Assets (Net)	55,158,474	53,687,753
Total Assets	<u>71,875,878</u>	<u>67,901,099</u>
Deferred Outflows of Resources		
Deferred Pension Charges	<u>1,108,105</u>	<u>1,283,691</u>
Liabilities		
Other Liabilities	645,788	629,463
Long-Term Obligations	6,605,038	6,768,263
Total Liabilities	<u>7,250,826</u>	<u>7,397,726</u>
Deferred Inflows of Resources		
Deferred Pension Credits	<u>119,654</u>	<u>47,283</u>
Net Position		
Net Investment in Capital Assets	51,162,877	49,278,355
Restricted	5,745,059	4,901,792
Unrestricted	8,705,566	7,559,634
Total Net Position	<u>\$ 65,613,502</u>	<u>\$ 61,739,781</u>

The Town's capital assets increased \$1,470,721 in the current year due to capital asset additions of \$3,439,619, primarily for street infrastructure, exceeding depreciation expense of \$1,968,898. Current and other assets increased \$2,504,058, primarily due to the increase in cash and cash equivalents.

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Government-Wide Financial Analysis (Continued)

The Town's liabilities decreased \$146,900 primarily due to a decrease in the Town's compensated absences liability.

Deferred outflows/inflows of resources changed between years due to deferred gains and losses related to the Town's participation in the State retirement plans (Local Governmental Employees' Retirement System and the Law Enforcement Officers Special Separation Allowance).

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$65,613,502 as of June 30, 2020. The Town's net position increased by \$3,873,721 for the fiscal year ended June 30, 2020.

The largest portion of net position of \$51,162,877 (78%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, street infrastructure and equipment); less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Government-Wide Financial Analysis (Continued)

An additional portion of the Town's net position of \$5,745,059 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the Town's net position of \$8,705,566 (13%) is unrestricted.

Town's Changes in Net Position
Figure 3

	Governmental Activities	
	2020	2019
Revenues		
Program Revenues:		
Charges for Services	\$ 1,490,772	\$ 1,768,673
Operating Grants	1,038,850	304,506
Capital Grants	186,623	2,923,158
General Revenues:		
Taxes	12,391,274	11,107,311
Other	2,870,749	384,413
Total Revenues	17,978,268	16,488,061
Expenses		
General Government	2,235,005	1,720,813
Public Safety	3,977,248	3,115,596
Economic and Community Development	2,600,357	1,957,200
Culture and Recreation	1,157,334	1,075,205
Public Service and Transportation	2,697,171	2,198,051
Environmental Protection	1,327,073	1,275,084
Interest on Long-Term Obligations	110,359	121,149
Total Expenses	14,104,547	11,463,098
Change in Net Position	3,873,721	5,024,963
Net Position, Beginning of Year	61,739,781	56,714,818
Net Position, End of Year	\$ 65,613,502	\$ 61,739,781

Governmental Activities: Governmental activities increased the Town's net position by \$3,873,721 in the current year. The key element of this increase is due to capital infrastructure contributions from developers (streets) of \$2,528,240 plus continued growth in the Town's property tax base.

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Financial Analysis of the Town's Funds

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned 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 chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,908,840 with a total fund balance of \$8,139,323, an increase of \$929,300 over the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance for the General Fund as of June 30, 2020 represents 51% of total next year General Fund budgeted expenditures, which exceeds the Town's Fund Balance Policy goal in the range of 30%-40% of the next year budgeted expenditures.

The General Fund recorded revenues of \$12,549,760 during FY 2020, which was an increase of \$767,819, or 6.5% over the \$11,781,941 recorded in FY 2019, primarily due to the Ad Valorem Tax revenue increasing \$355,039 or 4.5% over FY 2019, due to increases in millage and the assessed value of the tax base. In addition, Sales and Use Tax in FY 2020 increased \$434,333 over the prior fiscal year.

Expenditures in the General Fund were \$10,213,108 for FY 2020, which was an increase of \$766,932, or 8% over the \$9,446,176 recorded in FY 2019, with similar increases occurring in each of the current expenditure categories.

At June 30, 2020, the governmental funds of the Town reported a combined total governmental fund balance of \$15,973,171, a 18% increase over the prior year balance.

General Fund Budgetary Highlights: During the current fiscal year, the Town revised the budget on several occasions. In general, 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. During the current fiscal year, there was an increase in appropriations between the original and final amended General Fund expenditure budget (including transfers out) totaling \$2,231,925.

General Fund actual revenues were \$12,549,760, which was \$464,080 or 4% higher than budgeted revenues, primarily attributed to Local Option Sales Taxes.

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Financial Analysis of the Town's Funds (Continued)

Governmental Funds (Continued)

All General Fund departments stayed within the appropriated budgets for the current fiscal year. In total, the General Fund actual expenditures ended the year at \$10,213,108, which was \$1,419,567 or 12% below the \$11,632,675 revised expenditures budget for the current fiscal year. The following factors contributed to the reduction of expenditures during FY 2020, these include:

There were several open positions in the Planning Department resulting in unspent salaries and employee benefits in that department. Those personnel expense lines, in addition to the full façade grant not being fully distributed out and operating expense lines coming in under budget resulted in \$255,153 of the total reduction of expenditures.

Similarly, there were open positions and unspent operating expenses from the budget that were not able to be utilized due to the vacancies in the Administration Department. This contributed \$143,564 of the under-budget condition.

The Police Department had open positions throughout the fiscal year and did not expend the full amount of budget in several other account lines, therefore the total of unspent funding in that department was \$307,011.

Non-Major Governmental Funds Budgetary Highlights: Non-Major governmental funds include several Special Revenue Funds, and several Capital Project funds.

Revenues in the Non-Major governmental funds were \$2,846,104 for FY 2020. The primary sources of these revenues were building inspection fees of \$1,039,645 in the Building Inspection Fund and combined restricted intergovernmental revenue of \$1,146,180, including \$361,660 in the Powell Bill Fund, \$239,777 in the Coronavirus Relief Fund, and \$342,122 in the COPS SVPP Grant Fund.

Expenditures in the Non-Major governmental funds were \$2,751,589 for FY 2020. These expenditures primarily consisted of capital outlay of \$1,323,183 and economic and community development expenditures of \$739,300.

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TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2020, totaled \$55,158,474 (net of accumulated depreciation). This was an increase of \$1,470,721 from the prior year total. These capital assets include land, construction in progress, land improvements, buildings, infrastructure, equipment, and vehicles.

The Town's capital assets (net of depreciation) as of June 30, 2020 and 2019 were as follows:

Town's Net Capital Assets
Figure 4

	June 30, 2020	June 30, 2019
Capital Assets		
Land	\$ 6,220,222	\$ 5,560,222
Construction in Progress	1,382,217	1,382,217
Land Improvements	793,405	793,405
Buildings	9,453,465	9,453,465
Infrastructure	68,122,739	65,594,499
Equipment	757,033	750,183
Vehicles and Motorized Equipment	2,517,143	2,293,247
Computer Equipment and Software	259,242	259,242
Less Accumulated Depreciation	(34,346,992)	(32,398,727)
Capital Assets, Net	<u>\$ 55,158,474</u>	<u>\$ 53,687,753</u>

Additional information on the Town's capital assets and the ABC Board's capital assets can be found in Note III.D in the Notes to the Financial Statements.

Capital Asset and Debt Administration (Continued)

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Capital Asset and Debt Administration (Continued)

Long-Term Debt

The Town's total debt obligations as of June 30, 2020 and 2019, were as follows:

Town's Outstanding Debt
Figure 5

	June 30, 2020	June 30, 2019
Installment Purchases	<u>\$ 3,995,597</u>	<u>\$ 4,409,398</u>

Additional information regarding the Town's long-term debt can be found in Note III.E in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

The following key information reflect the prosperity of the Town:

The Union County unemployment rate of 3.9% continues to fall below the North Carolina average rate. Downtown Waxhaw is a jewel which charms both locals and visitors and is home to a unique and flourishing business community. The continued positive economy for Waxhaw also presents some challenges for the Town leaders. The Board is committed to retaining a highly skilled workforce in order to continue to maintain a thriving and safe community.

The Town population continues to grow, adding approximately 500 new homes each year. This is a positive increase to the property tax base, however such growth may continue to require budget increases in order to continue to provide the current level of services, such as the need to increase the number public safety officers in the coming year in order to retain the excellent safety that Waxhaw enjoys.

Sales Tax and Franchise Tax revenues continue to increase as has been the positive trend over the past several years due to statewide increased consumer confidence and improved economic conditions.

The Town employs a Tax Collector for the property tax collection who works consistently to collect funds due, including arranging payment plans, NC Debt Set Off and placing liens on property, thereby resulting in a very high collection rate.

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Economic Factors and Next Year's Budgets and Rates (Continued)

Budget Highlights for the Fiscal Year Ending June 30, 2021

The FY21 budget is balanced as required by North Carolina General Statutes using a property tax rate of thirty-eight- and one-half cents (\$0.385) per \$100 of assessed valuation; the same tax rate as the 2019-20 budget. The town is committed to meeting the demand for services by our citizens while maintaining the fiscal integrity of the town.

The FY21 budget cycle has presented one of the most unique challenges that local governments have ever had to experience in the uncertainties related to the COVID-19 pandemic. This pandemic has had an effect on the economy that will only be realized as time continues. What we have prepared for is a decrease in expected revenues. This budget accounts for a small decrease in our most reliable revenue, property, and vehicle tax. However, the town has conservatively budgeted for a significant decrease in other revenue sources, such as: sales tax, franchise taxes and fees, local government revenue (such as permits, fees, etc.), and interest on investments. This leads to an overall decrease of \$2,001,590.00 for the 2020-21 budget as compared to the 2019-20 budget. It is recommended that at the halfway point of this budget year we take a comprehensive assessment of the revenues and expenditures and make adjustments accordingly.

The Town has been advised by the Union County Tax Department that the taxable real and personal property in Waxhaw is valued at \$1,997,572,860.00. Taxable motor vehicles in Waxhaw are valued at \$217,595,745.00. The General Fund budget will levy a property tax rate of thirty-eight- and one-half cents (\$0.385) per one hundred dollars (\$100) valuation. Property tax revenues for fiscal year 2020-21 are budgeted at a total estimated collection of \$7,535,000.00, a 3.5% increase from last year. Motor vehicle tax revenue is estimated at \$820,000, a 5% increase from last year. Historically, the town collects well over 99% of property and vehicle taxes. This year, the town has budgeted this revenue at a 98% collection rate. While the town will almost certainly collect most of its revenues for property and motor vehicle taxes, it is possible that there will be more accounts that go into delinquent status because of hardships associated with the COVID-19 pandemic.

The Town has conservatively estimated its other revenue sources for the 2020-21 budget year. The Sales and Use Tax revenue is estimated at \$1,400,000.00, a 35% decrease from last year. Franchise Taxes are estimated at \$600,000.00, a 28% decrease from last year. Interest Earnings is estimated at \$100,000.00, a 43% decrease from last year. Lastly, Other Revenues is estimated at \$460,000.00, a 27% decrease from last year. Overall, the total estimated general fund revenues are \$10,915,000, a 9% decrease from last year.

The Capital Projects Fund has been an annually budgeted fund that has historically accounted for multiple projects simultaneously. Last year, this was budgeted at \$466,910.00 to account for possible transportation projects. A transportation project has been identified for these funds, however this project will be expensed in the 2020-21 fiscal year. The town will allocate these funds to the NCDOT to administer and construct a transportation improvement project at the intersection of Gray Byrum Road/NC 16. This will include a traffic signal and turn lanes that will help mitigate stacking and turning issues during peak and non-peak hours. These funds will be reimbursed to the town at a later date.

The Capital Improvement Plan is predicated on the ongoing provision of a set amount as the basis to develop and fund improvements to parks, roads, and other priorities that the Board has and will continue to identify. Due to this year's budget constraints, only one project has been included in this year's reserve fund: survey and design work for a new Public Services/Parks and Recreation facility.

TOWN OF WAXHAW, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Economic Factors and Next Year's Budgets and Rates (Continued)

Budget Highlights for the Fiscal Year Ending June 30, 2021 (Continued)

North Carolina municipalities receive financial assistance from the state to help pay for the construction, maintenance, and repair of municipal streets. North Carolina levies motor fuel taxes pursuant to a formula that increases taxes when the wholesale price of motor fuels increases. The state appropriates a certain percentage of this revenue, plus an additional percentage of the net proceeds of the North Carolina Highway Trust Fund, to eligible municipalities across the state. The legislation that first established this distribution is known as the Powell Bill (after its principal sponsor in the North Carolina Senate), and the monies distributed to the municipalities are now referred to as Powell Bill funds. The available funds are distributed among eligible municipalities. The town anticipates decreased revenues this year from this fund due to the coronavirus pandemic. However, this fund has a healthy fund balance to draw from in order to continue our annual street maintenance and repair program.

The Transportation Small Project Fund was created in fiscal year 2019, to fund and account for small transportation projects. NC statutes authorize the levy of an annual municipal vehicle tax upon vehicles registered in the Town to be used to fund projects on public streets. The \$25.00 per vehicle is expected to generate an estimated \$285,000.00 during fiscal year 2021. This project fund also has a fund balance that can be utilized for projects that the Board wishes to complete.

Additional Information

This report is intended to provide a summary of the financial condition of the Town of Waxhaw. Additional information may be found at the Town website: <http://www.waxhaw.com/>. Questions or requests for additional information should be addressed to:

Rosemary Bernauer, Finance Director
Town of Waxhaw
Post Office Box 6
Waxhaw, NC 28173

TOWN OF WAXHAW, NORTH CAROLINA
Statement of Net Position
For the Year Ended June 30, 2020

Exhibit A

	<u>Primary Government Governmental Activities</u>	<u>Town of Waxhaw ABC Board</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,956,240	\$ 1,181,210
Cash and cash equivalents, restricted	7,200,450	-
Receivables, net:		
Property taxes	122,007	-
Accounts	439,148	-
Refundable taxes	163,414	-
Intergovernmental receivables	580,986	-
Due from component unit	186,250	-
Prepaid items and other assets	57,876	31,554
Inventories	11,033	217,720
Total current assets	<u>16,717,404</u>	<u>1,430,484</u>
Capital assets:		
Non-depreciable	7,602,439	-
Depreciable, net	47,556,035	93,118
Total capital assets	<u>55,158,474</u>	<u>93,118</u>
Total assets	<u>71,875,878</u>	<u>1,523,602</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension charges	<u>1,108,105</u>	<u>34,909</u>
LIABILITIES		
Current liabilities:		
Accounts payable	210,463	362,021
Accrued interest payable	23,563	-
Accrued salaries and benefits	222,842	21,419
Due to primary government	-	186,250
Unearned revenues	188,920	-
Total current liabilities	<u>645,788</u>	<u>569,690</u>
Long-term liabilities:		
Due within one year	508,957	-
Due in more than one year	6,096,081	36,324
Total long-term liabilities	<u>6,605,038</u>	<u>36,324</u>
Total liabilities	<u>7,250,826</u>	<u>606,014</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension credits	119,654	-
NET POSITION		
Net investment in capital assets	51,162,877	93,118
Restricted for:		
Stabilization by State Statute	1,193,873	-
Public safety	33,538	-
Culture and recreation	3,550	-
Public service and transportation	3,463,717	-
Economic and community development	1,050,381	-
Working capital	-	128,166
Unrestricted	8,705,566	731,213
Total net position	<u>\$ 65,613,502</u>	<u>\$ 952,497</u>

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

TOWN OF WAXHAW, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2020

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Grants and Contributions		Primary Government	
			Operating	Capital	Governmental Activities	Town of Waxhaw ABC Board
Primary government:						
Governmental activities:						
General government	\$ 2,235,005	\$ 269,952	\$ -	\$ -	\$ (1,965,053)	\$ -
Public safety	3,977,248	-	618,407	-	(3,358,841)	-
Economic and community development	2,600,357	1,194,982	48,000	161,054	(1,196,321)	-
Culture and recreation	1,157,334	9,369	-	1,210	(1,146,755)	-
Public service and transportation	2,697,171	16,469	361,660	24,359	(2,294,683)	-
Environmental protection	1,327,073	-	10,783	-	(1,316,290)	-
Interest on long-term obligations	110,359	-	-	-	(110,359)	-
Total primary government	<u>14,104,547</u>	<u>1,490,772</u>	<u>1,038,850</u>	<u>186,623</u>	<u>(11,388,302)</u>	<u>-</u>
Component unit:						
Town of Waxhaw ABC Board	3,288,103	3,329,307	-	-	-	41,204
Total component unit	<u>\$ 3,288,103</u>	<u>\$ 3,329,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>41,204</u>
General revenues:						
Taxes:						
Property taxes					8,541,937	-
Sales taxes					2,612,170	-
Franchise taxes					1,237,167	-
Investment income					155,047	2,760
Miscellaneous					2,715,702	(922)
Total general revenues					<u>15,262,023</u>	<u>1,838</u>
Change in net position						
Net position, beginning of year, as previously reported					3,873,721	43,042
Prior period adjustments					61,739,781	866,968
					-	42,487
Net position, beginning of year, restated					<u>61,739,781</u>	<u>909,455</u>
Net position, end of year					<u>\$ 65,613,502</u>	<u>\$ 952,497</u>

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

TOWN OF WAXHAW, NORTH CAROLINA
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2020

Exhibit C

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,355,338	\$ 600,902	\$ 7,956,240
Cash and cash equivalents, restricted	-	7,200,450	7,200,450
Receivables, net:			
Taxes	122,007	-	122,007
Accounts	195,947	243,201	439,148
Refundable taxes	163,939	(525)	163,414
Intergovernmental receivables	738,360	28,875	767,235
Due from other funds	227,267	12,510	239,777
Prepaid items and other assets	57,876	-	57,876
Inventories	11,033	-	11,033
Total assets	<u>8,871,767</u>	<u>8,085,413</u>	<u>16,957,180</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	198,675	11,789	210,464
Accrued salaries and benefits	222,842	-	222,842
Due to other funds	-	239,777	239,777
Unearned revenues	188,920	-	188,920
Total liabilities	<u>610,437</u>	<u>251,566</u>	<u>862,003</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	<u>122,007</u>	<u>-</u>	<u>122,007</u>
Fund balances:			
Nonspendable:			
Prepaid items	57,876	-	57,876
Inventory	11,033	-	11,033
Restricted for:			
Stabilization by State statute	1,161,574	32,299	1,193,873
Capital improvement plan	-	2,650,000	2,650,000
Public safety	-	33,538	33,538
Culture and recreation	-	3,550	3,550
Public service and transportation	-	3,463,717	3,463,717
Economic and community development	-	1,050,381	1,050,381
Committed for:			
Public safety	-	9,546	9,546
Economic and community development	-	461,027	461,027
Public safety and transportation	-	23,870	23,870
Assigned for:			
Culture and recreation	-	18,394	18,394
Public service and transportation	-	87,525	87,525
Unassigned	6,908,840	-	6,908,840
Total fund balances	<u>8,139,323</u>	<u>7,833,847</u>	<u>15,973,170</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,871,767</u>	<u>\$ 8,085,413</u>	<u>\$ 16,957,180</u>

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

TOWN OF WAXHAW, NORTH CAROLINA
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2020

Exhibit C
(Continued)

Reconciliation of the Balance Sheet to the Statement of Net Position:

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

Total fund balance - governmental funds	\$	15,973,170
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	89,505,466	
Accumulated depreciation	<u>(34,346,992)</u>	55,158,474
Property taxes receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental fund.		122,007
Accrued interest on the long-term obligations in governmental accounting is not due or payable in the current period, therefore, they have not been reported as a liability in the funds.		(23,563)
The Town's proportionate shares of the deferred outflows of resources and deferred inflows of resources related to their participation in the Local Government Employees' Retirement System ("LGERS") is not recorded in the governmental funds but is recorded in the Statement of Net Position.		994,263
The Town's deferred outflows of resources and deferred inflows of resources related to its Law Enforcement Officers Special Separation Allowance ("LEOSSA"), a single-employer defined benefit pension plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.		(5,812)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Long-term debt		(3,995,597)
Compensated absences		(376,465)
Net pension liability - LGERS pension plan		(1,743,421)
Total pension liability - LEOSSA		<u>(489,555)</u>
Net position of governmental activities	<u>\$</u>	<u>65,613,502</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 Balances
Governmental Funds
For the Year Ended June 30, 2020

Exhibit D

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 8,161,424	\$ -	\$ 8,161,424
Other taxes and licenses	11,652	340,375	352,027
Unrestricted intergovernmental	3,896,468	-	3,896,468
Restricted intergovernmental	19,000	1,146,480	1,165,480
Building inspection fees	-	1,039,645	1,039,645
Permits and fees	269,952	111,011	380,963
Sales and services	9,369	60,795	70,164
Local contributions	-	1,210	1,210
Investment earnings	141,030	14,017	155,047
Miscellaneous	40,865	132,571	173,436
Total revenues	<u>12,549,760</u>	<u>2,846,104</u>	<u>15,395,864</u>
EXPENDITURES			
Current:			
General government	1,892,818	-	1,892,818
Public safety	2,889,201	347,901	3,237,102
Economic and community development	1,375,490	739,300	2,114,790
Culture and recreation	854,071	24,302	878,373
Public services and transportation	929,878	316,904	1,246,782
Environmental protection	1,327,073	-	1,327,073
Capital outlay	418,013	1,323,184	1,741,197
Debt service:			
Principal	413,801	-	413,801
Interest and bank fees	112,763	-	112,763
Total expenditures	<u>10,213,108</u>	<u>2,751,591</u>	<u>12,964,699</u>
Excess (deficiency) of revenues over expenditures	<u>2,336,652</u>	<u>94,513</u>	<u>2,431,165</u>
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	1,355	2,204	3,559
Sales of capital assets	10,466	-	10,466
Transfers in (out)	(1,419,172)	1,419,172	-
Total other financing sources (uses)	<u>(1,407,351)</u>	<u>1,421,376</u>	<u>14,025</u>
Net change in fund balance	929,301	1,515,889	2,445,190
Fund balances, beginning	<u>7,210,023</u>	<u>6,317,958</u>	<u>13,527,981</u>
Fund balances, ending	<u>\$ 8,139,324</u>	<u>\$ 7,833,847</u>	<u>\$ 15,973,171</u>

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

TOWN OF WAXHAW, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Exhibit E

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

Net changes in fund balances - total Governmental Funds	\$ 2,445,190
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	40,138
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	413,801
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	2,404
In the Statement of Activities, the donation of land, improvements and infrastructure from developers and other governments is reported, whereas in the governmental funds, it is not recognized.	2,528,240
Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the LGERS for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(375,780)
Changes in the Town's LEOSA total pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(36,655)
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. Compensated absences	(86,098)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$1,968,898 exceeded cash capital asset additions of \$911,379 in the current period.	(1,057,519)
Total changes in net position of Governmental Activities	<u>\$ 3,873,721</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 - Budget and Actual
General Fund
For the Year Ended June 30, 2020

Exhibit F

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Ad valorem taxes	\$ 7,326,990	\$ 8,108,990	\$ 8,161,424	\$ 52,434
Other taxes and licenses	-	9,935	11,652	1,717
Unrestricted intergovernmental	2,980,000	3,259,065	3,896,468	637,403
Restricted intergovernmental	-	11,000	19,000	8,000
Permits and fees	-	392,000	269,952	(122,048)
Sales and services	-	84,100	9,369	(74,731)
Investment earnings	175,000	175,000	141,030	(33,970)
Miscellaneous	1,403,760	45,590	40,865	(4,725)
Total revenues	<u>11,885,750</u>	<u>12,085,680</u>	<u>12,549,760</u>	<u>464,080</u>
EXPENDITURES				
Current:				
General government	2,305,705	2,147,473	1,892,818	254,655
Public safety	3,810,745	3,193,295	2,889,201	304,094
Economic and community development	1,676,100	1,877,165	1,375,490	501,675
Culture and recreation	1,098,955	1,018,865	854,071	164,794
Public service and transportation	994,245	976,485	929,878	46,607
Environmental protection	1,390,000	1,390,000	1,327,073	62,927
Capital outlay	-	502,775	418,013	84,762
Debt service:				
Principal retirement	-	413,852	413,801	51
Interest and other charges	-	112,765	112,763	2
Total expenditures	<u>11,275,750</u>	<u>11,632,675</u>	<u>10,213,108</u>	<u>1,419,567</u>
Revenues over (under) expenditures	<u>610,000</u>	<u>453,005</u>	<u>2,336,652</u>	<u>1,883,647</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	40	1,355	1,315
Sale of capital assets	-	30	10,466	10,436
Transfers out	(610,000)	(2,485,000)	(1,419,172)	1,065,828
Total other financing sources (uses)	<u>(610,000)</u>	<u>(2,484,930)</u>	<u>(1,407,351)</u>	<u>1,077,579</u>
Fund balance appropriated	<u>-</u>	<u>2,031,925</u>		(2,031,925)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	929,301	<u>\$ 929,301</u>
Fund balance, beginning			7,210,023	
Fund balance, ending			<u>\$ 8,139,324</u>	

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

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

The Town of Waxhaw ("Town") was originally incorporated March 7, 1889 and operated under a Council-Mayor form of government. On August 9, 2005, the Town changed to a Council-Manager form of government. The Board of Commissioners ("Board") consists of the Mayor and five other members who are elected by qualified voters of the Town. The Mayor and Board, elected for four-year staggered terms, are vested with the legislative and policymaking powers of the Town. The Board appoints a Town Manager who serves as the chief executive officer of the Town and is responsible to the Board for proper administration of all affairs of the Town.

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) The Reporting Entity

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

As required by GAAP, the financial statements present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town has one discretely presented component unit and one potential discretely presented component unit.

1) Component Unit – Town of Waxhaw Alcoholic Beverage Control Board ("ABC Board")

Members of the ABC Board's governing body are appointed by the Town. In addition, the ABC Board is required by State statute to distribute 75% of its surpluses to the General Fund of the Town. The remainder is distributed to the General Fund of Union County. The ABC Board, which has a June 30th year end, is presented as a business-type activity (discrete presented component unit) in the Town's government-wide financial statements. Complete financial statements of the ABC Board may be requested via written request to its administrative offices at Post Office Box 86, Waxhaw, NC 28173.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A) The Reporting Entity (Continued)

2) Potential Component Unit – Waxhaw Police Foundation (“Foundation”)

The Foundation is a nonprofit organization whose purpose is to support the Town of Waxhaw Police Department. The economic resources of the Foundation are almost entirely for the direct benefit of the Town. Since the activities and balances of the Foundation are not considered significant to the Town, the Foundation has not been included in the financial reporting of the Town as a discretely presented component unit.

3) Major Operations

The Town's major operations consist of general government, public safety (police and volunteer fire), economic and community development, culture and recreation, public services and transportation, and environmental protection.

B) Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the “Primary Government”). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The Town does not have any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary and Fiduciary Funds (agency funds do not have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable (susceptible to accrual) and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The town considers all revenues available if they are generally collected within 60 days after year-end.

Sales taxes and certain intergovernmental revenues, such as the utility franchise tax, collected and held by the State at year end on behalf of the Town are recognized as revenue when received/collected by the State. Sales taxes are considered a shared revenue for the Town because the tax is levied by Union County and then remitted to and distributed by the State.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major governmental funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following fund types and major funds are used by the Town.

Governmental Fund Types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The Town's governmental fund types and major and non-major funds are as follows:

The **General Fund, a major fund**, and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Special Revenue Funds, non-major funds**, are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1) Cash and Cash Equivalents

The Town and ABC Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

2) Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain 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 investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of 0.11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

3) Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded. All trade and property tax receivables are shown net of an allowance for uncollectible amounts, as necessary. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges, and services, including but not limited to, taxes, intergovernmental revenue, permits and fees, sales and services, and other fees and charges.

4) Inventories and Prepaid Items

Inventories of materials and supplies are valued at cost (first-in, first-out) which approximates market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaids and inventories of the Town and ABC Board are accounted for using the consumption method (expensed when consumed).

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

5) Capital Assets

The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at the date of donation. Public domain ("infrastructure") general capital assets acquired prior to July 1, 2003, consist of the road network (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), that were acquired or that received substantial improvements subsequent to July 1, 1980. These assets are reported at estimated historical cost using deflated replacement cost. 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.

The Town's capital assets are depreciated on the straight-line method using the following estimated useful lives:

Land Improvements	25 years
Buildings	40 years
Infrastructure	50 years
Equipment	5 years
Vehicles and Motorized Equipment	5 years
Computer Equipment and Software	3 years

The ABC Board's capital assets are depreciated on the straight-line method using the following estimated useful lives:

Store Equipment	5-7 years
Leasehold Improvements	10-15 years

6) Restricted Assets

In the Special Revenue Funds, unspent public contributions restricted for a particular purpose and unspent grant revenues are shown as restricted, because they may only be used for the purpose of the donation or the grant. Court-awarded amounts received from drug forfeitures are also shown as restricted cash and cash equivalents, as their use is restricted to law enforcement purposes. Building inspection fees are restricted as they may only be used for expenditures of the inspections department. In the Capital Project Funds, municipal motor vehicle taxes are restricted as they may only be used to fund transportation projects.

7) Compensated Absences

The vacation policy of the Town generally provides for the accumulation of up to thirty (30) 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.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

7) Compensated Absences (Continued)

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 does not have any obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

8) Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed when incurred. In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized immediately. The face amount of debt or capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term obligations that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

9) Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4 "*Elements of Financial Statements*", deferred outflows/inflows of resources are the consumption/acquisition of net position by the government that are applicable to a future reporting period.

In addition to assets, the Statement of Net Position and the Balance Sheet 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Town currently has only one type of deferred outflows of resources: The Town reports *deferred pension charges* in the Town's Statements of Net Position in connection with the Town's participation in the State's Local Governmental Employees' Retirement System ("LGERS") and Law Enforcement Officers Special Separation Allowance ("LEOSSA"). These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

9) Deferred Outflows/Inflows of Resources (Continued)

The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenue –property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (tax revenues) in the period the amounts become available. (2) The Town also reports *deferred pension credits* in its Statements of Net Position in connection with the Town's participation in the State's LGERS and LEOSSA. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

10) Fund Balance

In accordance with GAAP, the Town classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaids, inventories, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance for the Town consists of:

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute ("RSS") is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159- 8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

Restricted for Capital Improvement Plan – The Town established the Capital Improvement Plan on March 27, 2018. This fund was set up as a reserve funding for capital equipment and projects. Once funds are placed in the fund, they become restricted and cannot be used for any other purpose.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for use in public safety activities, due to the sources being primarily from federal and state drug forfeitures and controlled substance tax and amounts donated/received by the Town for specific purposes.

Restricted for Culture and Recreation – portion of fund balance restricted for culture and recreation.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

10) Fund Balance (Continued)

Restricted for Public Service and Transportation – portion of Powell Bill unexpended funds, unspent municipal motor vehicle taxes, unspent grant and developer proceeds, and other fund balances that are restricted by revenue source for street construction and maintenance expenditures.

Restricted for Economic and Community Development – portion of fund balance that is restricted by revenue source for inspection department expenditures.

Committed – is the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town Board (highest level of decision-making authority). The Board can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Public Safety – portion of fund balance committed for public safety.

Committed for Economic and Community Development – portion of fund balance committed for economic and community development.

Committed for Public Service and Transportation – portion of fund balance committed for public service and transportation.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Board reserves the right to assign fund balance.

Assigned for Culture and Recreation – portion of fund balance assigned for culture and recreation.

Assigned for Public Service and Transportation – portion of fund balance assigned for public service and transportation.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

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

The Town adopted a minimum available fund balance policy goal of 30% to 40% of budgeted expenditures for the General Fund.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

11) Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

12) Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting.

The Town recognizes a net/total pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net/total pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis generally over a five-year period beginning with the period in which the difference occurred.

13) Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

13) Fair Value (Continued)

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used, maximize the use of observable inputs, and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP.

The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

14) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by all funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. Encumbrances and unused expenditure appropriations lapse at year end.

15) Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent amounts at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

16) Comparative Data

Comparative data (i.e., presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) Budgetary Information

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and certain Capital Projects Funds and Special Revenue Funds. Project ordinances are adopted for certain Capital Projects Funds and grant project Special Revenue Funds.

The Town follows the following procedures in establishing its annual budgets:

- 1) Around the middle of February each year (legally required to be completed before April 30th), all departments/activities of the Town submit requests for appropriation to the Budget Officer so that a proposed budget may be prepared. The proposed budget is prepared by fund, function, and department, and includes information on the past year, the current year budget, and requested appropriations for the next fiscal year.
- 2) In March/April of each year, management reviews the budget compiled by the Budget Officer for the next year for propriety. In April/May of each year, the proposed budget is presented to Town Board for review and approval (legally required to be submitted by June 1st). The Town adopts the budget ordinance by July 1st of each year.
- 3) All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi- year funds. All amendments must be approved by the Town Board and an interim budget must be adopted that covers that time until the annual ordinance can be adopted. The Town Manager is authorized to transfer appropriations within a fund; however, any revisions to total expenditures of any fund must be approved by the Town Board. Effective for the fiscal year 2020, all budgeted expenditure appropriations lapse at year end. The budgets at the end of the year for these funds represent the budgets as adopted and amended by the Town Board.
- 4) Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year end lapse.

III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A) Deposits and Investments

1) Deposits

Custodial Credit Risk for Deposits: 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 are collateralized with securities held by the Town's or the ABC Board's agent in these unit's 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.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)

A) Deposits and Investments (Continued)

1) Deposits (Continued)

The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual 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 amount of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under collateralization. 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 has no formal 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 property secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$724,352 and a bank balance of \$804,589. Of the bank balance, \$262,507 was covered by Federal Depository Insurance and \$542,082 was covered by collateral held under the pooling method. The Town had \$750 in petty cash on hand.

At June 30, 2020, the ABC Board's deposits had a carrying amount of \$1,180,310 and a bank balance of approximately \$1,172,604. Of the bank balance \$710,000 was covered by Federal Depository Insurance and \$718,000 was covered by collateral held under the pooling method. The Board had \$900 in petty cash on hand.

2) Investments

As of June 30, 2020, the Town had the following investments:

Investment Type	Fair Value Level (1)	Credit Rating (^)	Investment Maturities in Years				
			Fair Value	< 1 yr.	1-3 yrs.	3-5 yrs.	> 5 yrs.
NCCMT Term Portfolio	Level 1	Unrated	\$ 8,462,929	\$ 8,462,929	\$ -	\$ -	\$ -
NCCMT Government Portfolio	Level 1	AAAm	5,968,660	5,968,660	-	-	-
Total			<u>\$ 14,431,588</u>	<u>\$ 14,431,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(^): If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

(1) See Note I.C.13 for details of the Town's fair value hierarchy.

NCCMT - North Carolina Capital Management Trust

Custodial Credit Risk: For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments on collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third-party custodial agent for book entry transactions, all of which shall be held in the Town's name.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)

A) Deposits and Investments (Continued)

2) Investments (Continued)

Interest Rate Risk: The Town has a formal investment policy that prioritizes the goals of investment activities, within compliance of North Carolina General Statutes, in the order of (1) safety, (2) liquidity and (3) return. The Finance Director is the designated investment officer.

Credit Risk: The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

Certain cash, cash equivalents and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2020 are noted in Note I.C.6 and Note I.C.10 and generally are those imposed by the revenue or financing source (i.e., grants, unspent debt proceeds, etc.).

3) Reconciliation to the Financial Statements

A reconciliation of cash and investments for all activities is as follows:

Description	Amount
Carrying Amount of Deposits	\$ 725,102
Fair Value of Investments	14,431,588
Total Deposits and Investments	<u>\$ 15,156,690</u>

Statement of Net Position:

Cash and Cash Equivalents	\$ 7,956,240
Cash and Cash Equivalents, Restricted	7,200,450
Total Cash, Cash Equivalents, and Investments	<u>\$ 15,156,690</u>

B) Receivables and Unavailable, Deferred, and Unearned Revenues

1) Property Taxes Receivable

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

Gross property taxes receivable of \$122,007 represent current and delinquent real and personal property. All net property taxes receivable at year end, except those collected within 60 days, are recorded as unavailable revenue on the governmental fund financial statements and thus not recognized as revenue until collected in the governmental funds.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)

B) Receivables and Unavailable, Deferred, and Unearned Revenues (Continued)

1) Property Taxes Receivable

The Town's fiscal year 2020 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2019, were levied in July 2019 based on a rate of .385 for the General Fund. The Town's assessed value of real and personal property for tax year 2019 was approximately \$2 billion for the Town's General Fund.

Effective as of September 1, 2013, 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 (when applicable).

2) Intergovernmental and Other Receivables

The Town has other significant intergovernmental and other receivables related to (a) sales and utility franchise taxes (a) federal, state, and local grants, and (c) shared and refundable taxes (i.e., sales and use tax, alcoholic beverage, utilities tax, etc.) for revenues primarily collected by the State and remitted to the Town.

3) Unavailable, Deferred, and Unearned Revenues

Governmental funds report as a component of deferred inflows of resources (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue) and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue). As of June 30, 2020, the Town had the following unavailable, deferred, and unearned revenues in its governmental funds:

Description	Fund(s)	Deferred Inflows of Resources		Liabilities	Total
		Unavailable	Deferred	Unearned	
Unavailable Revenues - Property Taxes	General	\$ 122,007	\$ -	\$ -	\$ 122,007
Unearned Revenues	General	-	-	188,920	188,920
Total		<u>\$ 122,007</u>	<u>\$ -</u>	<u>\$ 188,920</u>	<u>\$ 310,927</u>

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)

C) Interfund Balances and Transfers

Interfund balances at June 30, 2020, consisted of the following receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
Major Governmental Funds:		
General Fund	\$ 227,267	\$ -
Non-Major Governmental Funds:		
Special Revenue Funds	12,510	239,777
Totals	<u><u>\$ 239,777</u></u>	<u><u>\$ 239,777</u></u>

For year ended June 30, 2020, the Town had transfers between funds which consisted of the following:

Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 955,828	\$ 2,375,000
Non-Major Governmental Funds:		
Special Revenue Funds	35,599	35,599
Capital Projects Funds	\$ 2,375,000	955,828
Totals	<u><u>\$ 3,366,427</u></u>	<u><u>\$ 3,366,427</u></u>

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)

D) Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 5,560,222	\$ 660,000	\$ -	\$ 6,220,222
Construction In Progress	1,382,217	-	-	1,382,217
Total Capital Assets, Non-Depreciable	<u>6,942,439</u>	<u>660,000</u>	<u>-</u>	<u>7,602,439</u>
Capital Assets, Depreciable:				
Land Improvements	793,405	-	-	793,405
Buildings	9,453,465	-	-	9,453,465
Infrastructure	65,594,499	2,528,240	-	68,122,739
Equipment	750,183	6,850	-	757,033
Vehicles and Motorized Equipment	2,293,247	244,529	20,633	2,517,143
Computer Equipment and Software	259,242	-	-	259,242
Total Capital Assets, Depreciable	<u>79,144,041</u>	<u>2,779,619</u>	<u>20,633</u>	<u>81,903,027</u>
Less: Accumulated Depreciation for:				
Land Improvements	166,142	31,248	-	197,390
Buildings	1,808,836	232,600	-	2,041,436
Infrastructure	28,073,768	1,251,889	-	29,325,657
Equipment	487,168	109,751	-	596,919
Vehicles and Motorized Equipment	1,750,518	286,363	20,633	2,016,248
Computer Equipment and Software	112,295	57,050	-	169,345
Total Accumulated Depreciation	<u>32,398,727</u>	<u>1,968,901</u>	<u>20,633</u>	<u>34,346,992</u>
Total Capital Assets, Depreciable, Net	<u>46,745,314</u>	<u>810,718</u>	<u>-</u>	<u>47,556,035</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,687,753</u>	<u>\$ 1,470,718</u>	<u>\$ -</u>	<u>\$ 55,158,474</u>

Ongoing construction in progress in the Town's governmental activities primarily relates to the Kensington Drive improvement projects, downtown pedestrian projects, bicycle enhancement projects, and several park projects. The Town had remaining commitments on these projects in the amount of approximately \$369,000 as of June 30, 2020.

During 2020, the Town's governmental activities recognized approximately \$2,528,240 in capital contributions from developers.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)

D) Capital Assets (Continued)

Capital asset additions and depreciation expense for governmental activities were charged to functions/ programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 660,000	\$ 97,268
Public Safety	150,647	361,368
Economic and Community Development	23,582	63,664
Public Services and Transportation	2,605,390	1,309,539
Culture and Recreation	-	137,062
Total- Governmental Activities	<u>\$ 3,439,619</u>	<u>\$ 1,968,901</u>

Capital asset activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
ABC Board (Component Unit)				
Capital Assets, Depreciable:				
Store Equipment	\$ 44,506	\$ 6,507	\$ 3,382	\$ 47,631
Leasehold Improvements	156,021	1,907	-	157,928
Total Capital Assets, Depreciable	<u>200,527</u>	<u>8,414</u>	<u>3,382</u>	<u>205,559</u>
Less: Accumulated Depreciation for:				
Store Equipment	34,321	6,286	2,460	38,147
Leasehold Improvements	58,629	15,665	-	74,294
Total Accumulated Depreciation	<u>92,950</u>	<u>21,951</u>	<u>2,460</u>	<u>112,441</u>
Total Capital Assets, Depreciable, Net	<u>107,577</u>	<u>(13,537)</u>	<u>922</u>	<u>93,118</u>
Business-Type Activities Capital Assets, Net	<u>\$ 107,577</u>	<u>\$ (13,537)</u>	<u>\$ 922</u>	<u>\$ 93,118</u>

Capital asset additions and depreciation expense for the ABC Board were as follows:

Capital Asset Additions	Depreciation Expense
<u>\$ 8,414</u>	<u>\$ 21,951</u>

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)

E) Long-Term Obligations

The Town issues debt to provide funds for the acquisition and/or construction of major capital projects, vehicles, and equipment. Installment Purchase Contracts ("IPC") are collateralized by the assets being financed and are not secured by the taxing power of the Town.

Details on the Town's outstanding debt issues as of June 30, are as follows:

Installment Purchase Contract (Direct Borrowing)

\$6,500,000 Installment Purchase Contract with SunTrust Bank (direct borrowing) issued in October 2013 ("IPC – October 2013"), due in quarterly installments of \$131,641 beginning on January 10, 2014 through October 10, 2028, with interest at 2.65% due quarterly. The proceeds of this issue are secured by and used to construct the Town's police department building. If an event of default occurs (as defined), the lender has the right to declare all balances outstanding to be immediately due and payable and/or can enforce its security interest in the property.

2020

\$ 3,995,597

Interest paid on the certain debt issued by the Town is exempt from federal income tax. The Town sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The Town does not believe it has an arbitrage liability at June 30, 2020.

The Town implemented GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68") in 2015. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, net pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the Town's participation 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 and its related net pension liability (which is shown in the long-term obligation rollforward), see "Note IV.B Retirement/Pension Plans – Local Government Employees' Retirement System" for more details.

The Town implemented GASB Statement No. 73 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*" in 2017. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, net pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports.

For more information on the Town's Law Enforcement Officers Special Separation Allowance ("LEOSSA"), a single-employer defined benefit pension plan, which provides retirement benefits to the Town's qualified sworn law enforcement officers and its net pension liability (which is shown in the long-term obligation rollforward), see "Note IV.B Retirement/Pension Plans – Law Enforcement Officers Special Separation Allowance" for more details.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)

E) Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2020:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
2013 BOA Police Dept Building	\$ 4,409,398	\$ -	\$ 413,801	\$ 3,995,597	\$ 424,876
Total Debt	<u>4,409,398</u>	<u>-</u>	<u>413,801</u>	<u>3,995,597</u>	<u>424,876</u>
Compensated Absences	290,367	239,653	153,555	376,465	84,081
Net Pension Liability-LGERS	1,575,235	168,186	-	1,743,421	-
Total Pension Liability- LEOSSA	493,263	-	3,708	489,555	-
Total Governmental Activities	<u>\$ 6,768,263</u>	<u>\$ 407,839</u>	<u>\$ 571,065</u>	<u>\$ 6,605,038</u>	<u>\$ 508,957</u>

Resources from the General Fund have generally been used to liquidate the Town's governmental activities long-term obligations.

Following is a summary of debt service requirements to maturity by year for the Town's governmental activities as of June 30, 2020:

For Year Ended	Installment Purchase Contracts		
Governmental Activities:	Principal	Interest	Total
2021	\$ 424,876	\$ 101,688	\$ 526,564
2022	436,248	90,316	526,564
2023	447,924	78,640	526,564
2024	459,912	66,652	526,564
2025	472,222	54,343	526,564
2026-2029	1,754,414	88,426	1,842,841
Totals	<u>\$ 3,995,597</u>	<u>\$ 480,065</u>	<u>\$ 4,475,662</u>

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION

A) 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 two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town has general liability of \$5 million and auto liability coverage of \$5 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits. 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. The pools are audited annually by certified public accounts, and the audited financial statements are available to the Town upon request. The Town also carries flood insurance with \$5 million single occurrence coverage and \$5 million annual aggregate coverage for areas designated in the 1% annual chance of flood or in the 100-year flood areas designated by FEMA. Additionally, the Town's general liability policy covers acts of nature.

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. There is coverage of \$10,000 for employee dishonesty per occurrence, which covers the finance officer, the tax collector, and other employees. The finance officer and the tax collector are also each individually bonded for \$50,000.

B) Retirement/Pension Plans

1) Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan, administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers ("LEO") of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life 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 the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

B) Retirement/Pension Plans (Continued)

1) Local Governmental Employees' Retirement System (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 a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% of compensation for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town and by employees were \$405,085 and \$262,361 for the year ended June 30, 2020, respectively.

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.

Pension Liabilities, Pension Expense, and Deferred Outflows/ Inflows of Resources Related to Pensions. At June 30, 2020, the Town reported a liability of \$1,743,421 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined.

At the June 30, 2019 measurement date, the Town's proportion was 0.06384%, which was a decrease of 0.00256% from its proportion of 0.06640% measured as of June 30, 2018.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

B) Retirement/Pension Plans (Continued)

1) Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2020, the Town recognized pension expense of \$777,319. At June 30, 2020, 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	\$ 298,518	\$ -
Changes in Assumptions	284,149	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	42,525	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	10,836	46,850
Employer Contributions Subsequent to the Measurement Date	405,085	-
	<u>\$ 1,041,113</u>	<u>\$ 46,850</u>

\$405,085 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, 2021. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions will increase (decrease) pension expense as follows:

For Year Ended June 30:

2021	\$ 305,269
2022	88,376
2023	156,481
2024	39,052
Total	<u>\$ 589,178</u>

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

B) Retirement/Pension Plans (Continued)

1) Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

B) Retirement/Pension Plans (Continued)

1) Local Governmental Employees' Retirement System (Continued)

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, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. 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 the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

B) Retirement/Pension Plans (Continued)

1) Local Governmental Employees' Retirement System (Continued)

Sensitivity Analysis. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,987,522	\$ 1,743,421	\$ (121,882)

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.

2) Law Enforcement Officers Special Separation Allowance

Plan Description. The Town administers the Law Enforcement Officers Special Separation Allowance ("Separation Allowance" or "LEOSSA"), a single employer defined benefit pension plan, that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service.

The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	1
Active Plan Members	23
Total	<u>24</u>

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

B) Retirement/Pension Plans (Continued)

2) Law Enforcement Officers Special Separation Allowance (Continued)

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

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

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.26 percent
Cost of Living Adjustments	N/A

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$12,209 as benefits came due for the reporting period.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

B) Retirement/Pension Plans (Continued)

2) Law Enforcement Officers Special Separation Allowance (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the Town reported a total pension liability of \$489,555. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$49,382.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 26,024	\$ 51,980
Changes in Assumptions	32,959	20,824
County Benefit Payments and Plan Administrative Expense Made Subsequent to the Measurement Date	8,009	-
	<u>\$ 66,992</u>	<u>\$ 72,804</u>

\$8,009 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions will be recognized in pension expense as follows:

For Year Ended June 30:

2021	\$ (583)
2022	(583)
2023	(581)
2024	(2,185)
2025	(7,699)
Thereafter	(2,190)
Total	<u>\$ (13,821)</u>

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

B) Retirement/Pension Plans (Continued)

2) Law Enforcement Officers Special Separation Allowance (Continued)

Sensitivity Analysis. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 537,994	\$ 489,555	\$ 445,586

Schedule of Changes in Total Pension Liability

Total Pension Liability as of December 31, 2018	\$ 493,263
Changes for the Year:	
Service Cost at End of Year	31,769
Interest on the Total Pension Liability	17,796
Differences Between Expected and Actual Experience	(61,769)
Changes of Assumptions and Other Inputs	17,219
Benefit Payments	(8,723)
Net Changes	<u>\$ (3,708)</u>
Total Pension Liability as of December 31, 2019	<u><u>\$ 489,555</u></u>

3) Supplemental Retirement Income Plan

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.

The Supplemental Retirement Income Plan is included in the CAFR for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699- 1410, or by calling (919) 981-5454.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

B) Retirement/Pension Plans (Continued)

3) Supplemental Retirement Income Plan (Continued)

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. All amounts contributed are vested immediately. The employees may also make voluntary contributions to the Plan. Total contributions for the year ended June 30, 2020 were \$352,999 which consisted of \$209,400 from the Town and \$143,599 from the employees.

C) Postemployment Benefit Other Than Pensions

1) Death Benefit Plan

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" or "System"), 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.

Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

D) Contingent Liabilities and Commitments

1) Litigation

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

D) Contingent Liabilities and Commitments (Continued)

2) Grants

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Town's applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2020.

3) Solid Waste Commitment

The Town entered into an agreement for solid waste collection services beginning February 1, 2018 and ending June 30, 2023. The Town will pay a fee of \$16.28 per month for each residential unit for solid waste and recycling services and \$1.20 per month for each residential unit for yard waste collections. Beginning July 1, 2019, the monthly fee is subject to change based on changes in the consumer price index, provided that any annual adjustment shall not exceed 3%. The total amount paid for the year ended June 30, 2020 was approximately \$1,326,138.

4) Surface Transportation Block Grant/Commitment

In February 2019, the Town was awarded a Surface Transportation Block Grant through the North Carolina Department of Transportation of approximately \$1,802,000. These funds will be used for the Kensington Drive Corridor Improvement Project. The Town will be responsible for matching approximately \$701,000.

5) School Violence Prevention Program Grant/Commitment

In January 2019, the Town was awarded a School Violence Prevention Program Grant from the U.S. Department of Justice, Office of Community Oriented Policing Services ("COPS") of approximately \$374,000. The total project cost will be approximately \$499,000 to complete a joint project with the Union County Public Board of Education, ("UCBOE"), to upgrade security technology in the local schools, along with technology updates and training for the Waxhaw Police Department.

The total project grant match is approximately \$125,000. The Town will pass-through approximately \$267,000 of the grant funds to the UCBOE for their grant related expenditures. The UCBOE will be responsible for a grant match of approximately \$89,000. The Town will purchase upgrades to the Police department's simulator, along with school training videos for approximately \$142,000 and be responsible for matching approximately \$36,000 of the project cost.

TOWN OF WAXHAW, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV) OTHER INFORMATION (Continued)

E) Fund Balance

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

Total Fund Balance - General Fund	\$ 8,139,323
Less:	
Prepaid Items / Inventory	(68,909)
Stabilization by State Statute	<u>(1,161,575)</u>
Remaining Fund Balance - General Fund	<u><u>\$ 6,908,839</u></u>

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least 30 percent to 40 percent of budgeted expenditures.

F) Subsequent Events

Management has evaluated subsequent events through March 17, 2021 which is essentially the date financial statements were available to be issued. Subsequent to year end, the Town received additional deposits under the CARES Act.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. As a result of the pandemic, customers have been slower to pay their bills, resulting in higher than usual accounts receivables. While management believes all the accounts receivable will be collected, the timing of such collections is not known.

Except for the above noted, no events have taken place that would require disclosure in the financial statements.

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Changes in the Town's Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Four Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance of the total pension liability	\$ 493,263	\$ 460,816	\$ 363,042
Changes for the year:			
Service Cost	31,769	36,109	29,312
Interest on total pension liability	17,796	14,424	13,851
Differences between expected and actual experience in the measurement of the total pension liability	(61,769)	14,247	29,446
Changes of assumptions or other inputs	17,219	(23,610)	33,565
Benefit payments	(8,723)	(8,723)	(8,400)
Net changes	<u>(3,708)</u>	<u>32,447</u>	<u>97,774</u>
Ending balance of the total pension liability	<u>\$ 489,555</u>	<u>\$ 493,263</u>	<u>\$ 460,816</u>
Beginning balance of the total pension liability			<u>2017</u>
Changes for the year:			\$ 338,590
Service Cost			
Interest on total pension liability			28,893
Differences between expected and actual experience in the measurement of the total pension liability			11,984
Changes of assumptions or other inputs			-
Benefit payments			(10,610)
Net changes			<u>(5,815)</u>
Ending balance of the total pension liability			<u>24,452</u>
			<u>\$ 363,042</u>

Notes to schedule:

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

The Town implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

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

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of the Town's Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Four Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 489,555	\$ 493,263	\$ 460,816
Covered payroll	1,373,791	1,413,533	1,257,819
Total pension liability as a percentage of covered payroll	35.64%	34.90%	36.64%
			<u>2017</u>
Total pension liability			\$ 363,042
Covered payroll			1,202,092
Total pension liability as a percentage of covered payroll			30.20%

Notes to schedule:

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits. The Town implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

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

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of the Town's Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Last Seven Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Town's proportion of the net pension liability (asset)	0.063840%	0.066400%	0.063500%	0.056290%
Town's proportionate share of the net pension liability (asset)	\$ 1,743,421	\$ 1,575,235	\$ 970,104	\$ 1,194,663
Town's covered payroll	\$ 3,996,926	\$ 3,661,407	\$ 3,401,993	\$ 2,986,658
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.62%	43.02%	28.52%	40.00%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%
		<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)		0.050670%	0.045020%	0.037900%
Town's proportionate share of the net pension liability (asset)		\$ 227,404	\$ (248,473)	\$ 163,236
Town's covered payroll		\$ 2,751,009	\$ 2,283,306	\$ 2,283,306
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		8.27%	-10.88%	7.15%
Plan fiduciary net position as a percentage of the total pension liability**		98.09%	102.64%	94.35%

Notes to schedule:

The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

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

** This will be the same percentage for all participant employers in the LGERS plan.

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of the Town's Contributions
Local Government Employees' Retirement System
Last Seven Fiscal Years*

	2020	2019	2018	2017
Contractually required contribution	\$ 405,085	\$ 321,807	\$ 285,738	\$ 250,109
Contributions in relation to the contractually required contribution:	405,085	321,807	285,738	250,109
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 4,372,680	\$ 3,996,926	\$ 3,661,407	\$ 3,401,993
Contributions as a percentage of covered payroll	9.26%	8.05%	7.80%	7.35%
		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)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll		\$ 2,986,658	\$ 2,751,009	\$ 2,283,306
Contributions as a percentage of covered payroll		6.30%	7.20%	7.15%

Notes to schedule:

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

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

TOWN OF WAXHAW, NORTH CAROLINA

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes	\$ 8,091,990	\$ 8,136,409	\$ 44,419
Interest	17,000	25,015	8,015
Total	8,108,990	8,161,424	52,434
Other taxes and licenses:			
Beer and wine	900	869	(31)
Solid waste disposal	9,035	10,783	1,748
Total	9,935	11,652	1,717
Unrestricted intergovernmental:			
Local option sales taxes	2,140,000	2,612,170	472,170
Utility franchise tax	840,000	845,762	5,762
Beer and wine tax	57,065	61,286	4,221
ABC profit distribution	172,000	329,250	157,250
Grants	50,000	48,000	(2,000)
Total	3,259,065	3,896,468	637,403
Restricted intergovernmental:			
ABC revenue for law enforcement	11,000	19,000	8,000
Permits and fees	392,000	269,952	(122,048)
Sales and services:			
Recreation fees	84,100	9,214	(74,886)
Cemetery fees	-	155	155
Total	84,100	9,369	(74,731)
Investment earnings	175,000	141,030	(33,970)
Miscellaneous:			
Donations	40	41	1
Miscellaneous	45,550	40,824	(4,726)
Total	45,590	40,865	(4,725)
Total revenues	\$ 12,085,680	\$ 12,549,760	\$ 464,080

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2020

Schedule 1
(Continued)

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Board of Commissioners:			
Salaries and employee benefits	\$ 102,005	\$ 101,790	\$ 215
Operating expenditures	142,385	127,795	14,590
Total	<u>244,390</u>	<u>229,585</u>	<u>14,805</u>
Administration:			
Salaries and employee benefits	405,260	313,115	92,145
Operating expenditures	302,296	250,877	51,419
Total	<u>707,556</u>	<u>563,992</u>	<u>143,564</u>
Clerk's Office:			
Salaries and employee benefits	153,820	146,300	7,520
Operating expenditures	43,030	41,581	1,449
Total	<u>196,850</u>	<u>187,881</u>	<u>8,969</u>
Finance:			
Salaries and employee benefits	324,650	289,996	34,654
Operating expenditures	157,333	150,468	6,865
Capital outlay	77,262	53,532	23,730
Total	<u>559,245</u>	<u>493,996</u>	<u>65,249</u>
Information technology:			
Salaries and employee benefits	207,929	204,306	3,623
Operating expenditures	113,506	88,959	24,547
Total	<u>321,435</u>	<u>293,265</u>	<u>28,170</u>
Human resources:			
Salaries and employee benefits	137,952	137,952	-
Operating expenditures	57,307	39,679	17,628
Total	<u>195,259</u>	<u>177,631</u>	<u>17,628</u>
Total general government	<u>\$ 2,224,735</u>	<u>\$ 1,946,350</u>	<u>\$ 278,385</u>

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2020

Schedule 1
(Continued)

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES (CONTINUED)			
Public safety:			
Police:			
Salaries and employee benefits	\$ 2,562,064	\$ 2,310,201	\$ 251,863
Operating expenditures	492,426	472,950	19,476
Capital outlay	224,623	188,951	35,672
Total	<u>3,279,113</u>	<u>2,972,102</u>	<u>307,011</u>
Waxhaw volunteer fire	<u>13,710</u>	<u>13,000</u>	<u>710</u>
Emergency management and safety:			
Salaries and employee benefits	15,464	15,464	-
Operating expenditures	109,631	77,586	32,045
Total	<u>125,095</u>	<u>93,050</u>	<u>32,045</u>
Total public safety	<u>3,417,918</u>	<u>3,078,152</u>	<u>339,766</u>
Economic and community development:			
Planning and community development:			
Salaries and employee benefits	565,710	464,523	101,187
Operating expenditures	197,550	68,584	128,966
Façade grant expenditures	25,000	-	25,000
Total	<u>788,260</u>	<u>533,107</u>	<u>255,153</u>
Main Street:			
Salaries and employee benefits	125,330	82,927	42,403
Operating expenditures	50,480	28,228	22,252
Total	<u>175,810</u>	<u>111,155</u>	<u>64,655</u>
Engineering:			
Salaries and employee benefits	473,946	472,088	1,858
Operating expenditures	362,299	186,939	175,360
Total	<u>836,245</u>	<u>659,027</u>	<u>177,218</u>
Code enforcement:			
Salaries and employee benefits	67,496	67,414	82
Operating expenditures	9,354	4,787	4,567
Total	<u>76,850</u>	<u>72,201</u>	<u>4,649</u>
Total economic and community development	<u>\$ 1,877,165</u>	<u>\$ 1,375,490</u>	<u>\$ 501,675</u>

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2020

Schedule 1
(Continued)

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES (CONTINUED)			
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	\$ 496,835	\$ 472,446	\$ 24,389
Operating expenditures	522,030	381,625	140,405
Capital outlay	94,950	69,595	25,355
Total culture and recreation	<u>1,113,815</u>	<u>923,666</u>	<u>190,149</u>
Public service and transportation:			
Public service:			
Salaries and employee benefits	629,840	623,588	6,252
Operating expenditures	346,645	306,290	40,355
Capital outlay	105,940	105,935	5
Total public service and transportation	<u>1,082,425</u>	<u>1,035,813</u>	<u>46,612</u>
Environmental protection:			
Sanitation contract	<u>1,390,000</u>	<u>1,327,073</u>	<u>62,927</u>
Debt service:			
Principal	413,852	413,801	51
Interest and bank fees	112,765	112,763	2
Total debt service	<u>526,617</u>	<u>526,564</u>	<u>53</u>
Total expenditures	<u>11,632,675</u>	<u>10,213,108</u>	<u>1,419,567</u>
Revenues over (under) expenditures	<u>453,005</u>	<u>2,336,652</u>	<u>1,883,647</u>
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	40	1,355	1,315
Sale of capital assets	30	10,466	10,436
Transfers in (out)	<u>(2,485,000)</u>	<u>(1,419,172)</u>	<u>1,065,828</u>
Total other financing sources (uses)	<u>(2,484,930)</u>	<u>(1,407,351)</u>	<u>1,077,579</u>
Fund balance appropriated	<u>2,031,925</u>		<u>(2,031,925)</u>
Net change in fund balance	<u>\$ -</u>	929,301	<u>\$ 929,301</u>
Fund balance, beginning		<u>7,210,023</u>	
Fund balances, ending		<u>\$ 8,139,324</u>	

TOWN OF WAXHAW, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

Schedule 2

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 494,477	\$ 106,425	\$ 600,902
Cash and cash equivalents, restricted	3,605,940	3,594,510	7,200,450
Receivables, net			
Accounts	243,201	-	243,201
Refundable taxes	(525)	-	(525)
Intergovernmental receivables	-	28,875	28,875
Prepays, inventories, and other assets	12,510	-	12,510
Total assets	<u>4,355,603</u>	<u>3,729,810</u>	<u>8,085,413</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	11,283	506	11,789
Due to other funds	239,777	-	239,777
Total liabilities	<u>251,060</u>	<u>506</u>	<u>251,566</u>
Fund balances:			
Restricted for:			
Stabilization by State statute	3,424	28,875	32,299
Capital improvement plan	-	2,650,000	2,650,000
Public safety	33,538	-	33,538
Culture and recreation	3,550	-	3,550
Public service and transportation	2,519,207	944,510	3,463,717
Economic and community development	1,050,381	-	1,050,381
Committed for:			
Public safety	9,546	-	9,546
Economic and community development	461,027	-	461,027
Public service and transportation	23,870	-	23,870
Assigned for:			
Culture and recreation	-	18,394	18,394
Public service and transportation	-	87,525	87,525
Total fund balances	<u>4,104,543</u>	<u>3,729,304</u>	<u>7,833,847</u>
Total liabilities and fund balances	<u>\$ 4,355,603</u>	<u>\$ 3,729,810</u>	<u>\$ 8,085,413</u>

TOWN OF WAXHAW, NORTH CAROLINA

Schedule 3

Combining Balance Sheet
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Rental Property Fund	Coronavirus Relief Fund	Caboose Donation Fund	Cemetery Fund	Police Explorer Fund	Police State Drug Fund	Police Federal Drug Fund
ASSETS							
Cash and cash equivalents	\$ 223,603	\$ -	\$ -	\$ 23,120	\$ 7,362	\$ -	\$ -
Cash and cash equivalents, restricted	-	-	3,550	5,239	-	32,807	731
Receivables, net							
Accounts	-	239,777	-	750	-	-	-
Refundable taxes	(67)	-	-	-	(12)	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>223,536</u>	<u>239,777</u>	<u>3,550</u>	<u>29,109</u>	<u>7,350</u>	<u>32,807</u>	<u>731</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	259	-	-	-	-	-	-
Due to other funds	-	239,777	-	-	-	-	-
Total liabilities	<u>259</u>	<u>239,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Restricted for:							
Stabilization by State statute	-	-	-	750	-	-	-
Public safety	-	-	-	-	-	32,807	731
Culture and recreation	-	-	3,550	-	-	-	-
Public service and transportation	-	-	-	4,489	-	-	-
Economic and community development	-	-	-	-	-	-	-
Committed for:							
Public safety	-	-	-	-	7,350	-	-
Economic and community development	223,277	-	-	-	-	-	-
Public service and transportation	-	-	-	23,870	-	-	-
Total fund balances	<u>223,277</u>	<u>-</u>	<u>3,550</u>	<u>29,109</u>	<u>7,350</u>	<u>32,807</u>	<u>731</u>
Total liabilities and fund balances	<u>\$ 223,536</u>	<u>\$ 239,777</u>	<u>\$ 3,550</u>	<u>\$ 29,109</u>	<u>\$ 7,350</u>	<u>\$ 32,807</u>	<u>\$ 731</u>

TOWN OF WAXHAW, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

Schedule 3
(Continued)

Powell Bill Fund	Technology Fund	Building Inspection Fund	Transportation Alternatives Program Grant Fund	Waxhaw- Marvin Sidewalk CDBG Grant Fund	Kensington Drive Improvements Grant Fund	COPS SVPP Grant Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 238,196	\$ -	\$ -	\$ -	\$ -	\$ 2,196	\$ 494,477
741,996	-	1,046,105	457,803	1,424	1,316,285	-	3,605,940
-	-	-	2,674	-	-	-	243,201
-	(446)	-	-	-	-	-	(525)
-	-	12,510	-	-	-	-	12,510
<u>741,996</u>	<u>237,750</u>	<u>1,058,615</u>	<u>460,477</u>	<u>1,424</u>	<u>1,316,285</u>	<u>2,196</u>	<u>4,355,603</u>
-	-	8,234	790	-	2,000	-	11,283
-	-	-	-	-	-	-	239,777
<u>-</u>	<u>-</u>	<u>8,234</u>	<u>790</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>251,060</u>
-	-	-	2,674	-	-	-	3,424
-	-	-	-	-	-	-	33,538
-	-	-	-	-	-	-	3,550
741,996	-	-	457,013	1,424	1,314,285	-	2,519,207
-	-	1,050,381	-	-	-	-	1,050,381
-	-	-	-	-	-	2,196	9,546
-	237,750	-	-	-	-	-	461,027
-	-	-	-	-	-	-	23,870
<u>741,996</u>	<u>237,750</u>	<u>1,050,381</u>	<u>459,687</u>	<u>1,424</u>	<u>1,314,285</u>	<u>2,196</u>	<u>4,104,543</u>
<u>\$ 741,996</u>	<u>\$ 237,750</u>	<u>\$ 1,058,615</u>	<u>\$ 460,477</u>	<u>\$ 1,424</u>	<u>\$ 1,316,285</u>	<u>\$ 2,196</u>	<u>\$ 4,355,603</u>

TOWN OF WAXHAW, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2020

Schedule 4

	Capital Projects Fund	Capital Improvements Reserve Fund	Small Transportation Projects Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 87,525
Cash and cash equivalents, restricted	469,510	2,650,000	475,000
Intergovernmental receivables	-	-	28,875
Total assets	<u>469,510</u>	<u>2,650,000</u>	<u>591,400</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Stabilization by State statute	-	-	28,875
Capital improvement plan	-	2,650,000	-
Public service and transportation	469,510	-	475,000
Assigned for:			
Culture and recreation	-	-	-
Public service and transportation	-	-	87,525
Total fund balances	<u>469,510</u>	<u>2,650,000</u>	<u>591,400</u>
Total liabilities and fund balances	<u>\$ 469,510</u>	<u>\$ 2,650,000</u>	<u>\$ 591,400</u>

TOWN OF WAXHAW, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2020

Schedule 4
(Continued)

Waxhaw Fields Project Fund	Nesbit Park Phase I Project Fund	Town Creek Park Phase I Project Fund	PSPR Fund	Nonmajor Capital Projects Funds
\$ -	\$ 7,983	\$ 117	\$ 10,800	\$ 106,425
-	-	-	-	3,594,510
-	-	-	-	28,875
-	7,983	117	10,800	3,729,810
-	506	-	-	506
-	-	-	-	28,875
-	-	-	-	2,650,000
-	-	-	-	944,510
-	7,477	117	10,800	18,394
-	-	-	-	87,525
-	7,477	117	10,800	3,729,304
\$ -	\$ 7,983	\$ 117	\$ 10,800	\$ 3,729,810

TOWN OF WAXHAW, NORTH CAROLINA

Schedule 5

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Other taxes and licenses	\$ -	\$ 340,375	\$ 340,375
Restricted intergovernmental revenue	1,146,480	-	1,146,480
Building inspection fees	1,039,645	-	1,039,645
Permits and fees	111,011	-	111,011
Sales and services	60,795	-	60,795
Local contributions	-	1,210	1,210
Investment earnings	14,017	-	14,017
Miscellaneous	132,571	-	132,571
Total revenues	<u>2,504,519</u>	<u>341,585</u>	<u>2,846,104</u>
EXPENDITURES			
Current:			
Public safety	347,901	-	347,901
Economic and community development	739,300	-	739,300
Culture and recreation	-	24,302	24,302
Public service and transportation	316,904	-	316,904
Capital outlay	630,745	692,439	1,323,184
Total expenditures	<u>2,034,850</u>	<u>716,741</u>	<u>2,751,591</u>
Revenues over expenditures	<u>469,669</u>	<u>(375,156)</u>	<u>94,513</u>
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	-	2,204	2,204
Transfers in (out)	-	1,419,172	1,419,172
Total other financing sources (uses)	<u>-</u>	<u>1,421,376</u>	<u>1,421,376</u>
Net change in fund balances	469,669	1,046,220	1,515,889
Fund balance, beginning	<u>3,634,874</u>	<u>2,683,084</u>	<u>6,317,958</u>
Fund balance, ending	<u>\$ 4,104,543</u>	<u>\$ 3,729,304</u>	<u>\$ 7,833,847</u>

TOWN OF WAXHAW, NORTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

Schedule 6

	Rental Property Fund	Coronavirus Relief Fund	Caboose Donation Fund	Cemetery Fund	Police Explorer Fund	Police State Drug Fund	Police Federal Drug Fund
REVENUES							
Restricted intergovernmental revenue	\$ -	\$ 239,777	\$ -	\$ -	\$ -	\$ 17,508	\$ -
Building inspection fees	-	-	-	-	-	-	-
Permits and fees	-	-	-	-	-	-	-
Sales and services	44,326	-	-	16,469	-	-	-
Investment earnings	-	-	54	81	-	-	-
Miscellaneous	-	-	-	-	1,582	368	-
Total revenues	<u>44,326</u>	<u>239,777</u>	<u>54</u>	<u>16,550</u>	<u>1,582</u>	<u>17,876</u>	<u>-</u>
EXPENDITURES							
Current:							
Public safety	-	239,777	-	-	609	-	-
Economic and community development	29,287	-	-	-	-	-	-
Public service and transportation	-	-	-	3,036	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>29,287</u>	<u>239,777</u>	<u>-</u>	<u>3,036</u>	<u>609</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>15,039</u>	<u>-</u>	<u>54</u>	<u>13,514</u>	<u>973</u>	<u>17,876</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,599)</u>
Net change in fund balances	15,039	-	54	13,514	973	17,876	(35,599)
Fund balance, beginning	<u>208,238</u>	<u>-</u>	<u>3,496</u>	<u>15,595</u>	<u>6,377</u>	<u>14,931</u>	<u>36,330</u>
Fund balance, ending	<u>\$ 223,277</u>	<u>\$ -</u>	<u>\$ 3,550</u>	<u>\$ 29,109</u>	<u>\$ 7,350</u>	<u>\$ 32,807</u>	<u>\$ 731</u>

TOWN OF WAXHAW, NORTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

Schedule 6
(Continued)

Powell Bill Fund	Technology Fund	Building Inspection Fund	Transportation Alternatives Program Grant Fund	Waxhaw-Marvin Sidewalk CDBG Grant Fund	Kensington Drive Improvements Grant Fund	COPS SVPP Grant Fund	Total Nonmajor Special Revenue Funds
\$ 361,660	\$ -	\$ -	\$ 24,359	\$ 161,054	\$ -	\$ 342,122	\$ 1,146,480
-	-	1,039,645	-	-	-	-	1,039,645
-	111,011	-	-	-	-	-	111,011
-	-	-	-	-	-	-	60,795
13,882	-	-	-	-	-	-	14,017
-	621	-	-	-	130,000	-	132,571
<u>375,542</u>	<u>111,632</u>	<u>1,039,645</u>	<u>24,359</u>	<u>161,054</u>	<u>130,000</u>	<u>342,122</u>	<u>2,504,519</u>
-	-	-	-	-	-	107,515	347,901
-	58,107	651,906	-	-	-	-	739,300
301,638	-	-	12,230	-	-	-	316,904
-	-	30,240	61,376	159,630	111,489	268,010	630,745
<u>301,638</u>	<u>58,107</u>	<u>682,146</u>	<u>73,606</u>	<u>159,630</u>	<u>111,489</u>	<u>375,525</u>	<u>2,034,850</u>
<u>73,904</u>	<u>53,525</u>	<u>357,499</u>	<u>(49,247)</u>	<u>1,424</u>	<u>18,511</u>	<u>(33,403)</u>	<u>469,669</u>
-	-	-	-	-	-	35,599	-
73,904	53,525	357,499	(49,247)	1,424	18,511	2,196	469,669
668,092	184,225	692,882	508,934	-	1,295,774	-	3,634,874
<u>\$ 741,996</u>	<u>\$ 237,750</u>	<u>\$ 1,050,381</u>	<u>\$ 459,687</u>	<u>\$ 1,424</u>	<u>\$ 1,314,285</u>	<u>\$ 2,196</u>	<u>\$ 4,104,543</u>

TOWN OF WAXHAW, NORTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2020

Schedule 7

	Capital Projects Fund	Capital Improvements Reserve Fund	Small Transportation Projects Fund
REVENUES			
Other taxes and licenses	\$ -	\$ -	\$ 340,375
Local contributions	-	-	-
Total revenues	-	-	340,375
EXPENDITURES			
Current:			
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	-	-	-
Revenues over expenditures	-	-	340,375
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	-	-	-
Transfers in/(out)	-	1,700,000	-
Total other financing sources (uses)	-	1,700,000	-
Net change in fund balances	-	1,700,000	340,375
Fund balance, beginning	469,510	950,000	251,025
Fund balance, ending	\$ 469,510	\$ 2,650,000	\$ 591,400

TOWN OF WAXHAW, NORTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2020

Schedule 7
(Continued)

Waxhaw Fields Project Fund	Nesbit Park Phase I Project Fund	Town Creek Park Phase I Project Fund	PSPR Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 340,375
-	10	1,200	-	1,210
-	10	1,200	-	341,585
-	24,302	-	-	24,302
-	27,156	1,083	664,200	692,439
-	51,458	1,083	664,200	716,741
-	(51,448)	117	(664,200)	(375,156)
-	2,204	-	-	2,204
(955,828)	-	-	675,000	1,419,172
(955,828)	2,204	-	675,000	1,421,376
(955,828)	(49,244)	117	10,800	1,046,220
955,828	56,721	-	-	2,683,084
\$ -	\$ 7,477	\$ 117	\$ 10,800	\$ 3,729,304

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Rental Property Fund
For the Year Ended June 30, 2020

Schedule 8

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Sales and services:			
Rental income	\$ 75,000	\$ 44,326	\$ (30,674)
EXPENDITURES			
Current:			
Economic and community development:			
Operating expenditures	225,000	29,287	195,713
Revenues over expenditures	(150,000)	15,039	165,039
Fund balance appropriated	150,000		(150,000)
Net change in fund balance	<u>\$ -</u>	15,039	<u>\$ 15,039</u>
Fund balance, beginning		<u>208,238</u>	
Fund balance, ending		<u>\$ 223,277</u>	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Coronavirus Relief Fund
For the Year Ended June 30, 2020

Schedule 9

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental revenue	\$ 533,918	\$ 239,777	\$ (294,141)
EXPENDITURES			
Current:			
Public safety:			
Salaries and employee benefits	368,818	207,732	161,086
Operating expenditures	165,100	32,045	133,055
Total expenditures	533,918	239,777	294,141
Revenues over expenditures	-	-	-
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Caboose Donation Fund
For the Year Ended June 30, 2020

Schedule 10

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	\$ -	\$ 54	\$ 54
EXPENDITURES			
Total expenditures	-	-	-
Net change in fund balance	<u>\$ -</u>	54	<u>\$ 54</u>
Fund balance, beginning		<u>3,496</u>	
Fund balance, ending		<u>\$ 3,550</u>	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Cemetery Fund
For the Year Ended June 30, 2020

Schedule 11

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales and services:			
Cemetery fees	\$ 20,000	\$ 16,469	\$ (3,531)
Investment earnings	100	81	(19)
Total revenues	<u>20,100</u>	<u>16,550</u>	<u>(3,550)</u>
EXPENDITURES			
Current:			
Public service and transportation:			
Operating expenditures	<u>20,100</u>	<u>3,036</u>	<u>17,064</u>
Revenues over expenditures	<u>-</u>	<u>13,514</u>	<u>(13,514)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>13,514</u>	<u><u>\$ 13,514</u></u>
Fund balance, beginning		<u>15,595</u>	
Fund balance, ending		<u><u>\$ 29,109</u></u>	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Police Explorer Fund
For the Year Ended June 30, 2020

Schedule 12

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Miscellaneous	\$ 1,230	\$ 1,582	\$ 352
EXPENDITURES			
Current:			
Public safety:			
Operating expenditures	6,230	609	5,621
Revenues over expenditures	(5,000)	973	5,973
Fund balance appropriated	5,000		(5,000)
Net change in fund balance	\$ -	973	\$ 973
Fund balance, beginning		6,377	
Fund balance, ending		\$ 7,350	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Police State Drug Fund
For the Year Ended June 30, 2020

Schedule 13

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental revenue:			
State distribution revenue	\$ 3,500	17,508	\$ 14,008
Miscellaneous	-	368	368
Total revenues	<u>3,500</u>	<u>17,876</u>	<u>14,376</u>
EXPENDITURES			
Current:			
Public safety:			
Operating expenditures	<u>13,500</u>	<u>-</u>	<u>13,500</u>
Revenues over expenditures	<u>(10,000)</u>	<u>17,876</u>	<u>27,876</u>
Fund balance appropriated	<u>10,000</u>		<u>(10,000)</u>
Net change in fund balance	<u><u>\$ -</u></u>	17,876	<u><u>\$ 17,876</u></u>
Fund balance, beginning		<u>14,931</u>	
Fund balance, ending		<u><u>\$ 32,807</u></u>	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Police Federal Drug Fund
For the Year Ended June 30, 2020

Schedule 14

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Total revenues	\$ 10	\$ -	\$ (10)
EXPENDITURES			
Current:			
Public safety:			
Operating expenditures	10	-	10
Revenues over expenditures	-	-	-
Fund balance appropriated	35,599		(35,599)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(35,599)	(35,599)	-
Total other financing sources (uses)	(35,599)	(35,599)	-
Net change in fund balance	\$ -	(35,599)	\$ (35,599)
Fund balance, beginning		36,330	
Fund balance, ending		\$ 731	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Powell Bill Fund
For the Year Ended June 30, 2020

Schedule 15

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental revenue:			
State street-aid (Powell Bill) program	\$ 360,000	\$ 361,660	\$ 1,660
Investment earnings	16,000	13,882	(2,118)
Total revenues	<u>376,000</u>	<u>375,542</u>	<u>(458)</u>
EXPENDITURES			
Current:			
Public service and transportation:			
Operating expenditures	<u>526,000</u>	<u>301,638</u>	<u>224,362</u>
Revenues over expenditures	<u>(150,000)</u>	<u>73,904</u>	<u>223,904</u>
Fund balance appropriated	<u>150,000</u>		<u>(150,000)</u>
Net change in fund balance	<u>\$ -</u>	73,904	<u>\$ 73,904</u>
Fund balance, beginning		<u>668,092</u>	
Fund balance, ending		<u>\$ 741,996</u>	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Technology Fund
For the Year Ended June 30, 2020

Schedule 16

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Permits and fees:			
Technology fee	\$ 113,500	\$ 111,011	\$ (2,489)
Miscellaneous	1,500	621	(879)
Total revenues	<u>115,000</u>	<u>111,632</u>	<u>(3,368)</u>
EXPENDITURES			
Current:			
Economic and community development:			
Operating expenditures	109,900	58,107	51,793
Capital outlay	<u>5,100</u>	<u>-</u>	<u>5,100</u>
Total expenditures	<u>115,000</u>	<u>58,107</u>	<u>56,893</u>
Revenues over expenditures	<u>-</u>	<u>53,525</u>	<u>53,525</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>53,525</u>	<u><u>\$ 53,525</u></u>
Fund balance, beginning		<u>184,225</u>	
Fund balance, ending		<u><u>\$ 237,750</u></u>	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Building Inspection Fund
For the Year Ended June 30, 2020

Schedule 17

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Building inspection fees	\$ 1,303,000	\$ 1,039,645	\$ (263,355)
EXPENDITURES			
Current:			
Economic and community development:			
Salaries and employee benefits	631,179	598,710	32,469
Operating expenditures	387,821	53,196	334,625
Capital outlay	284,000	30,240	253,760
Total expenditures	1,303,000	682,146	620,854
Revenues over expenditures	-	357,499	357,499
Net change in fund balance	\$ -	357,499	\$ 357,499
Fund balance, beginning		692,882	
Fund balance, ending		\$ 1,050,381	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Project Authorization and Actual (Non-GAAP)
Transportation Alternatives Program Grant Fund
For the Year Ended June 30, 2020

Schedule 18

		Actual			Variance
	Project	Prior Years	Current Year	Total to Date	Positive
	Authorization				(Negative)
REVENUES					
Restricted intergovernmental revenue:					
Grant revenue - FHWA	\$ 514,575	\$ 155,641	\$ 24,359	\$ 180,000	\$ (334,575)
EXPENDITURES					
Current:					
Public service and transportation:					
Operating expenditures	155,000	-	12,230	12,230	142,770
Capital outlay	1,024,150	311,282	61,376	372,658	651,492
Total expenditures	1,179,150	311,282	73,606	384,888	794,262
Revenues over expenditures	(664,575)	(155,641)	(49,247)	(204,888)	459,687
OTHER FINANCING SOURCES (USES)					
Transfers in	664,575	664,575	-	664,575	-
Net change in fund balance	\$ -	\$ 508,934	(49,247)	\$ 459,687	\$ 459,687
Fund balance, beginning			508,934		
Fund balance, ending			\$ 459,687		

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Project Authorization and Actual (Non-GAAP)
Waxhaw-Marvin Sidewalk CDBG Grant Fund
For the Year Ended June 30, 2020

Schedule 19

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental revenue:					
Grant revenue - CDBG	\$ 283,796	\$ 84,549	\$ 161,054	\$ 245,603	\$ (38,193)
EXPENDITURES					
Capital outlay	289,296	90,049	159,630	249,679	39,617
Revenues over expenditures	(5,500)	(5,500)	1,424	(4,076)	1,424
OTHER FINANCING SOURCES (USES)					
Transfers in	5,500	5,500	-	5,500	-
Net change in fund balance	\$ -	\$ -	1,424	\$ 1,424	\$ 1,424
Fund balance, beginning			-		
Fund balance, ending			\$ 1,424		

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Project Authorization and Actual (Non-GAAP)
Kensington Drive Improvements Grant Fund
For the Year Ended June 30, 2020

Schedule 20

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental revenue:					
Grant revenue - FHWA	\$ 3,169,760	\$ -	\$ -	\$ -	\$ (3,169,760)
Miscellaneous	-	-	130,000	130,000	130,000
Total revenues	<u>3,169,760</u>	<u>-</u>	<u>130,000</u>	<u>130,000</u>	<u>(3,039,760)</u>
EXPENDITURES					
Capital outlay	<u>4,481,760</u>	<u>16,226</u>	<u>111,489</u>	<u>127,715</u>	<u>(4,354,045)</u>
Revenues over expenditures	<u>(1,312,000)</u>	<u>(16,226)</u>	<u>18,511</u>	<u>2,285</u>	<u>1,314,285</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>1,312,000</u>	<u>1,312,000</u>	<u>-</u>	<u>1,312,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,295,774</u>	<u>18,511</u>	<u>\$ 1,314,285</u>	<u>\$ 1,314,285</u>
Fund balance, beginning			<u>1,295,774</u>		
Fund balance, ending			<u>\$ 1,314,285</u>		

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Project Authorization and Actual (Non-GAAP)
COPS SVPP Grant Fund
For the Year Ended June 30, 2020

Schedule 21

		Actual			Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental revenue:					
Grant revenue - COPS	\$ 373,971	\$ -	\$ 342,122	\$ 342,122	\$ (31,849)
EXPENDITURES					
Current:					
Public safety:					
Operating expenditures	119,902	-	107,515	107,515	12,387
Capital outlay	289,668	-	268,010	268,010	21,658
Total expenditures	409,570	-	375,525	375,525	34,045
Revenues over expenditures	(35,599)	-	(33,403)	(33,403)	2,196
OTHER FINANCING SOURCES (USES)					
Transfers in	35,599	-	35,599	35,599	-
Net change in fund balance	\$ -	\$ -	2,196	\$ 2,196	\$ 2,196
Fund balance, beginning			-		
Fund balance, ending			\$ 2,196		

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Capital Projects Fund
For the Year Ended June 30, 2020

Schedule 22

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay	466,910	-	466,910
Revenues over expenditures	(466,910)	-	466,910
Fund balance appropriated	466,910		(466,910)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		469,510	
Fund balance, ending		\$ 469,510	

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Capital Improvements Reserve Fund
For the Year Ended June 30, 2020

Schedule 23

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay	1,700,000	-	1,700,000
Revenues over expenditures	(1,700,000)	-	1,700,000
OTHER FINANCING SOURCES (USES)			
Transfers in	1,700,000	1,700,000	-
Net change in fund balance	<u>\$ -</u>	1,700,000	<u>\$ 1,700,000</u>
Fund balance, beginning		<u>950,000</u>	
Fund balance, ending		<u>\$ 2,650,000</u>	

TOWN OF WAXHAW, NORTH CAROLINA

Schedule 24

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Non-GAAP)

Small Transportation Projects Fund

For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Other taxes and licenses:			
Municipal motor vehicle tax	\$ 285,000	\$ 340,375	\$ 55,375
EXPENDITURES			
Capital outlay	520,000	-	520,000
Revenues over expenditures	(235,000)	340,375	575,375
Fund balance appropriated	235,000		(235,000)
Net change in fund balance	\$ -	340,375	\$ 340,375
Fund balance, beginning		251,025	
Fund balance, ending		\$ 591,400	

TOWN OF WAXHAW, NORTH CAROLINA

Schedule 25

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Project Authorization and Actual (Non-GAAP)

Waxhaw Fields Project Fund

For the Year Ended June 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Miscellaneous	\$ -	\$ 13,860	\$ -	\$ 13,860	\$ 13,860
EXPENDITURES					
Capital outlay	-	23,441	-	23,441	(23,441)
Revenues over expenditures	-	(9,581)	-	(9,581)	(9,581)
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	965,409	(955,828)	9,581	9,581
Net change in fund balance	\$ -	\$ 955,828	(955,828)	\$ -	\$ -
Fund balance, beginning			955,828		
Fund balance, ending			\$ -		

TOWN OF WAXHAW, NORTH CAROLINA

Schedule 26

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Project Authorization and Actual (Non-GAAP)

Nestbit Park Phase I Project Fund

For the Year Ended June 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Local contributions	\$ 2,705	\$ 2,694	\$ 10	\$ 2,704	\$ (1)
EXPENDITURES					
Current:					
Culture and recreation:					
Operating expenditures	28,083	-	24,302	24,302	3,781
Capital outlay	362,622	333,973	27,156	361,129	1,493
Total expenditures	390,705	333,973	51,458	385,431	5,274
Revenues over expenditures	(388,000)	(331,279)	(51,448)	(382,727)	5,273
OTHER FINANCING SOURCES (USES)					
Insurance proceeds	-	-	2,204	2,204	2,204
Transfers in	388,000	388,000	-	388,000	-
Total other financing sources (uses)	388,000	388,000	2,204	390,204	2,204
Net change in fund balance	\$ -	\$ 56,721	(49,244)	\$ 7,477	\$ 7,477
Fund balance, beginning			56,721		
Fund balance, ending			\$ 7,477		

TOWN OF WAXHAW, NORTH CAROLINA

Schedule 27

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Project Authorization and Actual (Non-GAAP)

Town Creek Park Phase I Project Fund

For the Year Ended June 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Local contributions	\$ 1,200	\$ -	\$ 1,200	\$ 1,200	\$ -
EXPENDITURES					
Capital outlay	152,995	151,795	1,083	152,878	117
Revenues over expenditures	(151,795)	(151,795)	117	(151,678)	117
OTHER FINANCING SOURCES (USES)					
Transfers in	151,795	151,795	-	151,795	-
Net change in fund balance	\$ -	\$ -	117	\$ 117	\$ 117
Fund balance, beginning			-		
Fund balance, ending			\$ 117		

TOWN OF WAXHAW, NORTH CAROLINA

Schedule 28

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Project Authorization and Actual (Non-GAAP)
PSPR Fund
For the Year Ended June 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Capital outlay	675,000	-	664,200	664,200	(10,800)
Revenues over expenditures	(675,000)	-	(664,200)	(664,200)	(10,800)
OTHER FINANCING SOURCES (USES)					
Transfers in	675,000	-	675,000	675,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	10,800	<u>\$ 10,800</u>	<u>\$ (10,800)</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 10,800</u>		

Town of Waxhaw, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2020

Schedule 29

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2019-2020	\$ -	\$ 8,168,816	\$ 8,111,459	\$ 57,357
2018-2019	22,731	4,701	13,668	13,764
2017-2018	8,206	2,428	4,459	6,175
2016-2017	5,101	2,060	2,499	4,662
2015-2016	3,704	934	2,337	2,301
2014-2015	5,319	906	1,645	4,580
2013-2014	4,246	-	617	3,629
2012-2013	3,961	-	569	3,392
2011-2012	3,833	-	518	3,315
2010 and prior	24,768	-	1,936	22,832
	<u>\$ 81,869</u>	<u>\$ 8,179,845</u>	<u>\$ 8,139,707</u>	<u>122,007</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>122,007</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				8,161,424
Reconciling items:				
Interest collected				(25,015)
Discounts allowed				-
Taxes written off				3,297
Subtotal				<u>(21,718)</u>
Total collections and credits				<u>\$ 8,139,706</u>

Town of Waxhaw, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Year Ended June 30, 2020

Schedule 30

				Total Levy	
	City - Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current rate	\$ 2,096,800,086	0.385	\$ 8,072,680	\$ 7,232,973	\$ 839,707
Discoveries - current and prior years	1,074,496	0.385	4,137	4,137	-
Supplemental bill	25,070,130	0.385	96,520	96,520	-
Releases	(1,174,322)	0.385	(4,521)	(4,521)	-
Total property valuation	<u>\$ 2,121,770,390</u>				
Net levy			8,168,816	7,329,109	839,707
Unpaid (by taxpayer) taxes at June 30, 2020			(57,357)	(57,357)	-
Current year's taxes collected			<u>\$ 8,111,459</u>	<u>\$ 7,271,752</u>	<u>\$ 839,707</u>
Current levy collection percentage			<u>99.29%</u>	<u>99.21%</u>	<u>100.00%</u>



Strickland Hardee PLLC

Certified Public Accountants

INTEGRITY MEETS TRUST

INDEPENDENT AUDITOR'S 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 Member of the Board of Commissioners
Town of 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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Town of Waxhaw, North Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 17, 2020. Our report includes a reference to other auditors who audited the financial statements of the Town of Waxhaw Alcoholic Beverage Board ("ABC Board"), as described in our report on the Town's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

Purpose of this Report

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

Strickland Hardee PLLC

Lexington, North Carolina
March 17, 2021

TOWN OF WAXHAW, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Schedule 31

Grantor/Pass-Through Grantor/Program or Cluster Title:	Federal CFDA Number	State/Pass- Through Entity Identifying Number	Expenditures
Federal Assistance			
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through from Union County, NC:			
Community Development Block Grant - Waxhaw-Marvin Sidewalk	14.218		\$ 159,630
<u>U.S. Department of Justice</u>			
Direct Program:			
Public Safety Partnership and Community Policing Grant - COPS SVPP Grant	16.710		342,122
<u>U.S. Department of Treasury</u>			
Pass-through from Union County, NC:			
Coronavirus Relief Fund - CARES Grant	21.019		<u>239,777</u>
Total Federal Assistance			<u><u>741,529</u></u>
State Assistance			
<u>N.C. Department of Transportation</u>			
Powell Bill Program		DOT-4	<u>301,638</u>
Total State Assistance			<u><u>301,638</u></u>
Total Federal and State Assistance			
Total Federal and State Assistance			<u><u>\$ 1,043,167</u></u>

Notes to the Schedule of Expenditures of Federal and State Awards

A. Basis of Presentation:

The accompanying Schedule of Federal and State Awards (SEFSA) presents the activity of all federal and state award programs of the Town of Waxhaw, North Carolina (the "Town") for the year ended June 30, 2020. Expenditures for federal and state financial assistance awarded directly from the federal or state agencies, as well as those passed through other entities, are included on the SEFSA. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State Single Audit Implementation Act.

B. Basis of Accounting:

The accompanying SEFSA is presented using the modified accrual basis of accounting, which is described in the notes to the Town's financial statements.

C. Indirect Cost Rate

The Town has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.