

Town of La Grange, North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2019



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Town of La Grange, North Carolina
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Introductory Section



Town of La Grange, North Carolina
List of Principal Officials
June 30, 2019

Mayor

Woodard H. Gurley

Council Members

Bobby Wooten (Mayor Pro-Tem)

Veronica Lee

Clifton Harrison

Larry Gladney

David Holmes

Albert Gray

Town Manager

John P. Craft

Finance Director

Leslie Garriss

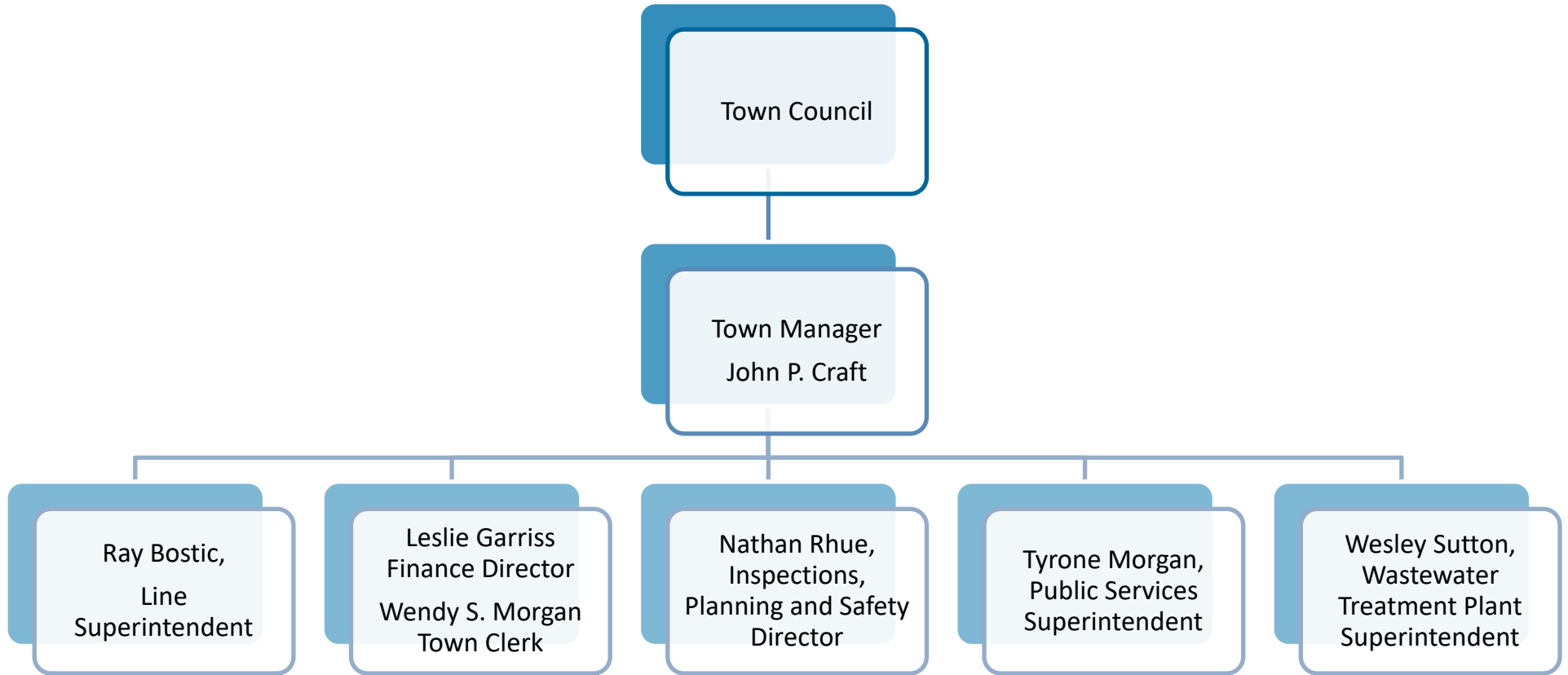
Town Clerk

Wendy S. Morton

Town Attorney

David M. Rief

Town of La Grange, North Carolina
Organizational Chart
June 30, 2019





Honorable Mayor and
Members of the La Grange Town Council
Town of La Grange, North Carolina

The Town of La Grange Finance Department and management of the Town are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of La Grange, North Carolina for fiscal year ended June 30, 2019. The report includes financial statements that have been audited by an independent firm of certified public accountants, Carr Riggs and Ingram, LLC, whose opinion also is a part of the report. However, responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Town.

This report is the official comprehensive publication of the Town's financial position at June 30, 2019, and results of operations for the fiscal year then ended. The organization, form, and contents of this report plus the accompanying financial statements are formulated in accordance with the standards of governmental accounting and financial reporting principles as promulgated by the Governmental Accounting Standards Board. We believe that the report, as presented, is accurate in all material aspects; is presented in a manner designed to fairly set forth the financial activity of the various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the Town's financial affairs have been included.

GOVERNMENT PROFILE

The Town of La Grange is located in the east-central part of North Carolina. The Town of La Grange was incorporated on April 10, 1869. La Grange is the second largest incorporated municipality in Lenoir County with 2,854 residents, and a land area of approximately 2.3 square miles. The Town is situated in Northwestern Lenoir County.

The Town operates under the Council-Manager form of government. The Mayor and six members of the Council are elected at large by the citizenry, with the Mayor being the presiding officer. The Mayor and Council members serve staggered four-year terms. The Manager is appointed by the Council and serves as the chief administrative officer of the Town and is responsible for

administering the policies and ordinances of the Council. Other primary duties of the Town Council are adoption of the annual budget, establishment of the annual property tax rate, enactment of policies concerning the operation of the Town, enactment of local ordinances and appointment of Town official members of various boards and commissions. The Town Council also has authority to call bond referendums, enter into contracts, and establish new programs and departments.

The Town provides a full range of services to its citizens. These services include police protection through a contract with the Lenoir County Sheriff's Office, a library in conjunction with Neuse Regional Public Library, fire protection, refuse collection, street maintenance, planning and zoning, community development, cemeteries, parks and recreation, and general administrative services. The Town owns and operates its own electric distribution system as an enterprise fund, and is part owner in the North Carolina Eastern Municipal Power Agency (NCEMPA) and a member of Electricities. The Town also owns and operates its own water infrastructure system, which distributes treated groundwater from wells. In addition, the Town also owns and operates its own wastewater infrastructure system which collects and transfers waste to the Town's newly upgraded wastewater facility. The Water and Sewer systems are accounted for together as a single enterprise fund.

The Town continues to maintain a system of budgetary controls as required by state statutes that promote sound financial management and fiscal accountability. The Town Manager annually submits to the Town Council by May 15th, a proposed budget for the upcoming fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a financial budget no later than June 30th. The annual budget is prepared by fund and department. During the fiscal year, the Town Manager is authorized to transfer resources within a department as he sees fit. Transfers between and within departments may not exceed \$30,000 within the same fund; and official report of such transfers must be made at the next Council Meeting. Transfers between funds may not be made without Ordinance from the Town Council.

ECONOMIC CONDITION

Although the recession has been declared over, Eastern North Carolina continues to experience the effects of the recession, as do many areas throughout the country. The recession has resulted in less spending by consumers, slowdowns in the construction market, and higher unemployment rates.

Agriculture and small business are the largest part of the economic base in Lenoir County. Cotton, tobacco, soybeans, and corn continue to be major contributors to agricultural income. Local businesses in our area consist of Lenoir County Schools, Food Lion, Bojangles, P & D Precast, Carr Riggs and Ingram, LLC, Town of La Grange, and Cooper Crouse- Hinds.

The main north-south highway arteries serving La Grange are NC Hwy 903. The main east-west highway is US Hwy 70. La Grange's railway system is served by CSX Transportation railroad and a number of certified freight carriers.

The Town of La Grange hosts the annual Garden Spot Festival. The festival is attended by approximately 2,000 people and offers many activities including live local music, arts and crafts, and various vendors. The Town works cooperatively with the Chamber of Commerce to carry out the festival each year.

The Town of La Grange is the beneficiary of progressive and effective elected and appointed leadership. The human factor is the Town's greatest asset at the present time. The Town has positioned itself for improvement and growth in the coming years by working with the State to complete the US Hwy 70 Bypass. Other attributes of the Town that contribute to its prospect for improvement and growth include a Chamber of Commerce, and an active Planning Board. These efforts assure the quality design of well planned residential developments, at places like Sutton Acres, and for future commercial developments provided by the US Hwy 70 Bypass.

The Town of La Grange has ample water and electrical capacity to support substantial growth and has focused recent efforts on assuring adequate sewer facilities for future growth as well.

The Town of La Grange is a "Public Power" community and an NCEMPA and Electricities participant. La Grange purchases its power at wholesale from the power agency, and re-sells it to La Grange customers. The customer base is approximately 1,500. The system encompasses 45 miles of service line and its average peak demand is 5 megawatts. The Town has successfully implemented a peak shaving generation project, also called load management, in conjunction with high use commercial electric customers on the electrical system. NCEMPA has identified attaining more competitive power rates and reducing debt as its top priorities. However, the additional cost to obtain non-renewable energy resources, as mandated by the North Carolina General Assembly, and capital addition projects at generation facilities necessary to ensure continued operations at the plants through their useful life, have conversely raised the retail rates for La Grange's citizenry.

The Town recently completed water infrastructure expansion with the completion of two new wells. Grant funding received from the North Carolina Rural Center and USDA loans made this expansion possible. The wells draw from the surficial Black Creek aquifer and will further assist in meeting the Town's needs for an estimated 40 years. Currently the Town has approximately 30 miles of water line. The average daily water use is approximately 300,000 gallons. The water treatment capacity for La Grange's 4 active deep wells is approximately 645,000 gallons daily. The Town of La Grange also received 500,000 gallons of water rights per day from the Town of Farmville, NC through July 31, 2018. The Town is in the process of constructing new wells to replace the water previously purchased from the Town of Farmville.

The Wastewater treatment plant has a capacity of 750,000 gallons per day, and the average daily flow is 300,000 gallons per day. In recent years, projects were completed to replace identified sewer lines to reduce inflow and infiltration into the system and delay the need for plant expansion. A recent improvement to the wastewater treatment plant has allowed for improved effluent water quality and a re-use system to be built. The Town of La Grange's water and sewer customer base is approximately 1,526 and 1,293, respectively.

LONG TERM FINANCIAL PLANNING

The General Statutes of North Carolina provide that net debt may not exceed 8% of the present assessed value of taxable property as certified by the county tax assessor. This provision, when compared to the net debt of the Town, provides a legal debt margin for the Town at June 30, 2019 of \$10,481,642.

RELEVANT FINANCIAL POLICIES

The Town did not establish any new or modify any existing policies during the fiscal year ending June 30, 2019. In its regularly scheduled board meetings, the Town Board recognized the need to amend the budget to properly reflect the Town's operations and approved three year-end ordinance amendments that amended the Town's budget ordinance for the fiscal year.

The Town utilized the pooled cash and investment concept in investing temporarily idle cash. The criteria for selecting investments are safety, liquidity, and yield. The investment guidelines that the Town uses are based on state statute; and as a result, investments are in Certificates of Deposits, NOW accounts, and the North Carolina Capital Management Trust, an SEC registered mutual fund. All deposits are either insured by Federal Depository Insurance Corporation or collateralized by pledged securities.

RISK MANAGEMENT

The Town of La Grange emphasizes risk control and work place safety. The Town is implementing a loss control program that provides staff with training in safety procedures and protocol. Employees are covered by workers compensation as required by state statute.

All full-time employees are provided with health care coverage for hospitalization and major medical expenses with specified limits. The policies are purchased from commercial carriers. The Town is not self-insured.

In accordance with G.S. 159-29, the Finance Officer is bonded, as well as the Town Manager.

PENSION PLANS

The permanent full-time employees of the Town participate in the statewide North Carolina Local Government Employees' Retirement System (NCLGERS), a cost-sharing multi-employer public

employee defined benefit plan administered by the State of North Carolina. The NCLGERS plan is funded by contributions from the Town that equal 7.79% of earnings for employees for the period of July 1, 2018 to June 30, 2019. All employees contribute 6.0% of their earnings to the state retirement system.

ACKNOWLEDGEMENT

Preparation of this report could not have been accomplished without the efficient and dedicated efforts of the Finance Department staff, the various employees who assisted in obtaining information, and our independent auditor, Carr, Riggs & Ingram, LLC. We would also like to thank the Mayor and Town Council for their interest and support in planning and conducting the financial operation of the Town in a responsible and professional manner.

Respectfully submitted,

John P Craft

John P. Craft
Town Manager

Leslie Garriss

Leslie Garriss
Finance Director



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the Town Council
Town of La Grange, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of La Grange, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of La Grange, North Carolina, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 26, and the Other Post-employment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 76 through 77, 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 basic financial statements of the Town of La Grange, North Carolina. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of the Town of La Grange, 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 to solely 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 of La Grange, North Carolina'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 of La Grange's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Goldsboro, North Carolina
January 15, 2020

Town of La Grange, North Carolina Management's Discussion and Analysis

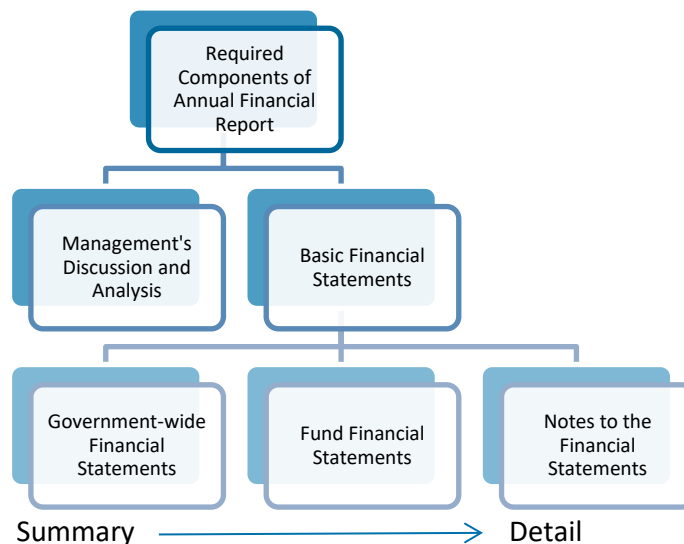
As management of the Town of La Grange, we offer readers of the Town of La Grange's financial statements this narrative overview and analysis of the financial activities of the Town of La Grange for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of La Grange exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,033,900 (net position).
- The government's total net position increased by \$619,569 primarily due to an increase in governmental activities of \$499,112 and an increase in business-type activities of \$120,457, before restatements.
- At the end of the current fiscal year, the Town's General Fund reported an ending fund balance of \$2,021,246. Approximately 47.23% of this total amount or \$954,693 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$954,693, or 63.25% of total general fund expenditures for the fiscal year.
- The Town of La Grange's total debt decreased by \$178,534 (19.57%) during the current fiscal year which consists of debt service payments of \$178,534.

Overview of the Financial Statements

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



Town of La Grange, North Carolina Management's Discussion and Analysis

Basic Financial Statements

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

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

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Required Supplementary Information** provides information on the Town of La Grange's proportionate share of the LGERS pension liability and the total OPEB liability. Supplemental Information is provided to show details about the Town's 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 they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the refuse collection, electric, water, and sewer services offered by the Town of La Grange.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of La Grange, 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 Requirements of the

Town of La Grange, North Carolina Management's Discussion and Analysis

Town's budget ordinance. All of the funds of the Town of La Grange can be divided into two categories: governmental funds and proprietary funds.

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

The Town of La Grange adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Council about services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the town council; 2) the final budget as amended by the town council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the budgetary basis of accounting and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of La Grange has only one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of La Grange uses enterprise funds to account for its electric and water and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 40 to 74 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of La Grange's

Town of La Grange, North Carolina Management's Discussion and Analysis

progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 75 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 appropriations.

Government-wide Financial Analysis:

Figure 1
Town of La Grange, North Carolina
Condensed Statement of Net Position
June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,360,492	\$ 2,020,896	\$ 2,564,396	\$ 2,314,034	\$ 4,924,888	\$ 4,334,930
Capital assets	2,211,489	2,105,189	8,493,184	8,643,231	10,704,673	10,748,420
Total assets	4,571,981	4,126,085	11,057,580	10,957,265	15,629,561	15,083,350
Deferred outflows of resources	69,489	41,472	192,931	128,565	262,420	170,037
Current liabilities	116,478	134,592	613,905	543,302	730,383	677,894
Long-term liabilities	235,019	255,941	857,800	879,070	1,092,819	1,135,011
Total liabilities	351,497	390,533	1,471,705	1,422,372	1,823,202	1,812,905
Deferred inflows of resources	9,276	9,937	25,603	30,712	34,879	40,649
Net investment in capital assets	2,084,635	1,887,497	7,886,488	7,948,839	9,971,123	9,836,336
Restricted	689,329	710,004	-	-	689,329	710,004
Unrestricted	1,506,733	1,169,586	1,866,715	1,683,907	3,373,448	2,853,493
Total net position	\$ 4,280,697	\$ 3,767,087	\$ 9,753,203	\$ 9,632,746	\$ 14,033,900	\$ 13,399,833

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of La Grange exceed liabilities and deferred inflows of resources by \$14,033,900 as of June 30, 2019. The largest portion, 71.05%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, equipment, and construction in progress). The Town of La Grange uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of La Grange's net investment in 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. An additional portion of the Town of La Grange's net position, \$689,329 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,373,448 is unrestricted.



Town of La Grange, North Carolina Management's Discussion and Analysis

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.73%, which remains below the statewide average of 98.13%.
- Significant decrease in operating expenses in Water and Sewer Funds.
- Increase in revenues in the General, Electric, and Water and Sewer Funds including increases in Federal and State grants and insurance proceeds related to Hurricane Florence repairs.

Figure 2
Town of La Grange, North Carolina
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

Town of La Grange, North Carolina Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program revenues						
Charges for services	\$ 468,059	\$ 422,222	\$ 4,041,845	\$ 4,847,681	\$ 4,509,904	\$ 5,269,903
Operating grants and contributions	278,192	218,348	117,331	-	396,523	218,348
General revenues	708,280	707,470	-	-	708,280	707,470
Grants and contributions not related to specific programs	811,046	801,281	88,433	48,720	478,199	850,001
Total	1,335,577	1,349,321	4,247,609	4,896,401	5,702,896	6,345,722

Total revenues 2,884,877 3,018,132 6,165,218 6,886,424 7,251,895 8,005,556



Town of La Grange, North Carolina Management's Discussion and Analysis

Governmental activities:

Revenues for general governmental functions (General Fund, Capital Reserve Fund, Volunteer Fire Department Fund and Hurricane Florence Fund) amounted to \$2,083,539 for the fiscal year ended June 30, 2019.

Figure 3
Town of La Grange, North Carolina
Summary of Revenues – Governmental Funds
For the Year Ended June 30, 2019 and 2018



Town of La Grange, North Carolina Management's Discussion and Analysis

Year Ended June 30, 2019 Year Ended June 30, 2018

Revenue Source % of Total Amount % of Total Amount



Town of La Grange, North Carolina Management's Discussion and Analysis

Assessed valuation of all taxable property in the Town is approximately \$132,606,203 million.

Expenditures for general government purposes (General Fund, Capital Reserve Fund, Volunteer Fire Department Fund and Hurricane Florence Fund) total \$2,011,431 for the fiscal year ended June 30, 2019.

Figure 4
Town of La Grange, North Carolina
Summary of Expenditures by Function – Governmental Funds
For the Year Ended June 30, 2019 and 2018



Town of La Grange, North Carolina Management's Discussion and Analysis

Year Ended June 30, 2019 Year Ended June 30, 2018

Expenditure Function Yr of Total Amount Yr of Total Amount

Town of La Grange, North Carolina Management's Discussion and Analysis

Fund Balance in the General Fund at June 30, 2019, was \$2,021,246 and continues to remain at a level that compliments the Town's financial position, maintains credit worthiness, and provides a resource for unforeseen emergencies.

Business-type activities:

The Town's enterprise operations consist of water and sewer utilities and electric utilities. The Water and Sewer net position at June 30, 2019 was \$8,047,916 compared to \$7,882,117 the preceding year. Operating income (loss) after depreciation totaled \$124,074 and (\$345,013) for the years ended June 30, 2019 and 2018, respectively. The primary reason for this decrease was a decrease in operating expenses in the water and sewer fund.

The Town's water system average daily use is approximately 300,000 gallons daily with a capacity of approximately 645,000 gallons daily. The Town also received 500,000 of water rights per day from the Town of Farmville, North Carolina through July 31, 2018.

The Town's sewer system average daily use is approximately 335,000 gallons per day with a permitted capacity of 750,000 gallons per day.

The Electric net position at June 30, 2019 was \$1,705,287 compared to \$1,750,629 the preceding year. Operating income after depreciation totaled \$22,919 for the year ended June 30, 2019, whereas 2018 showed an operating income after depreciation of \$166,345. The primary reason for this decrease was an increase of operating expenses in the electric fund.

Electric system revenues for the year ended June 30, 2019 was \$3,572,570. System power cost for power purchased from NCEMPA for the year ended June 30, 2019 was \$2,419,673.

The Town of La Grange's electrical customer base is approximately 1,500. The systems average peak demand is 5 megawatts. The Town encourages use of timers for hot water heaters and load management for heating/cooling systems. We have worked with our largest load users toward installation of peak shaving load management generation projects as well as installing regulators to regulate voltage during load management periods. The purpose of these projects are to reduce the overall peak demand on the system thereby reducing the power costs to the Town and the consumers. Reduction of the peak demand also allows for future growth.

Financial Analysis of the Town's Funds:

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

Governmental Funds: The focus of the Town of La Grange'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 of La Grange'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.

Town of La Grange, North Carolina Management's Discussion and Analysis

The general fund is the integral operating fund of the Town of La Grange. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$954,693, while the total General Fund balance increased by \$459,338 to a total of \$2,021,246. These funds are required to be maintained to ensure that the Town has sufficient funds to operate for the first part of the fiscal year as revenues are collected to operate during the next 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 available fund balance represents 63.25% of total General Fund expenditures, while total fund balance represents 133.91% of that same amount.

Additional comments regarding the Town's governmental funds are:

- An overall increase of revenues of \$266,022.
- An overall increase of expenses of \$456,171.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that became necessary to maintain/increase services. For 2019, significant budget amendments were made for the general government function (decrease of \$41,533), the transportation function (decrease of \$25,925), the environmental protection function (decrease of \$42,000) the cultural and recreation function (increase of \$17,000), and debt service function (increase of \$98,925).

Total revenues were greater than final budgeted amounts and expenditures were less than budgeted amounts.

Proprietary Funds: The Town of La Grange's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$986,992. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$879,723. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of La Grange's business-type activities.

Additional comments regarding the Town's proprietary funds are:

- On a budgetary basis, revenues exceeded expenditures in the Electric Fund by \$155,439.
- On a budgetary basis, revenues exceeded expenditures in the Water and Sewer Fund by \$265,349.

Capital Asset and Debt Administration



Town of La Grange, North Carolina Management's Discussion and Analysis

Capital Assets: The Town of La Grange's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$10,704,673 (net of accumulated depreciation). These assets include buildings, land, construction in process, machinery and equipment, park facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following:

- Purchase of fire truck at a cost of \$230,352.
- Construction of new basketball courts and pavilion at a cost of \$70,162.
- Construction in progress of \$346,943 in the water and sewer fund.
- Purchase of land at a cost of \$28,470.

Figure 5
Town of La Grange, North Carolina
Condensed Statement of Capital Assets (net of depreciation)
June 30, 2019 and 2018



Town of La Grange, North Carolina Management's Discussion and Analysis

Governmental Activities Business-Type Activities Total

2019 2018 2019 2018 2019 2018

Town of La Grange, North Carolina Management's Discussion and Analysis

Additional information on the Town's capital assets can be found in Note 5 of the financial statements.

Long-term Debt: As of June 30, 2019 the Town of La Grange had total installment notes payable of \$733,550, of which \$126,854 belongs to governmental activities and \$606,696 belongs to business-type activities.

The Town of La Grange's total debt decreased by \$178,534 during the past fiscal year, primarily due to principal payments on existing debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries.

Additional information regarding the Town of La Grange's long-term debt can be found in Note 12 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town's occupancy rate is 85.6% for the year, which is higher than the state average of 84.4%.
- The Town of La Grange's median household income is \$38,068, compared with \$46,291 for the state (US Census 2010)

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes, sales taxes, and franchise taxes make up the projected 11% increase in budgeted revenue for the fiscal year 2019-2020. The Town will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to increase to \$175,957. This increase primarily reflects projected cost of living increases across all departments.

Business-type Activities: The water rates in the Town are expected to decrease by 18.5%, while sewer rates will increase by 22.2%. Electrical rates will remain the same as the prior year.

Upcoming Challenges

General Fund

Town of La Grange, North Carolina Management's Discussion and Analysis

The primary challenge facing the Town in relation to the general fund is to find a new sustainable funding stream, or increase an existing stream, that will allow the Town to begin to repave the streets that are maintained by the Town. While the Town continues to slowly grow both residentially and commercially, the tax revenues generated from this growth will not keep pace with the increasing costs to fund the projects which will need to take place annually beginning soon and continue until all of the existing town maintained streets are resurfaced.

Proprietary Funds

The primary challenge for the electric fund will be federal or state regulations that increase the cost to purchase energy. The cost of coal ash cleanup will likely increase the cost of power for the NC Eastern Municipal Power Agency (NCEMPA). Energy prices are heavily influenced by the cost of fuel, and legislative actions both at the state and federal level. Climate Change Legislation, or USEPA decision to cap carbon emissions could also adversely affect NCEMPA, and as a result the Town due to its contractual obligations with Duke Energy Progress associated with coal fired or natural gas generation facilities. Our limited customer base, comprised primarily of residential customers, limits the Town's ability to generate additional revenues, without rate increases being passed directly on to our customers.

The Sewer fund continues to face challenges caused by infiltration and inflow into the sewer system causing excessive flows during periods of heavy rain. To date, the Town has expended in excess of \$4,200,000 in efforts to reduce or eliminate the sources of infiltration and inflow. Unfortunately, these efforts have not been successful. Should the Town wish to grow beyond the limits of its existing sewer system; additional funds will be required to continue the efforts of reducing infiltration and inflow or consider a significantly more costly option to upgrade the Wastewater Treatment Plant to increase the plant's permitted flow and continue to treat the rain and groundwater that enters the system. The Town Council has authorized the Town Manager to seek grant funding and a grant application was submitted and approved to begin to remedy this issue. The project is beginning the design phase and is anticipated to take 1.5 to 2 years to complete.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of La Grange, North Carolina at 252-566-3186 or visit our website at www.lagrangenc.com.



**Town of La Grange, North Carolina
Management's Discussion and Analysis**

Town of La Grange, North Carolina
Statement of Net Position
June 30, 2019
Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 855,615	\$ 430,296	\$ 1,285,911
Investments	738,854	1,200,099	1,938,953
Receivables, net	275,667	277,063	552,730
Internal balances	(30,714)	30,714	-
Note receivable - current maturities	-	14,126	14,126
Inventories	41,381	303,964	345,345
Prepaid items	-	76,450	76,450
Restricted cash and investments	479,689	212,850	692,539
Total current assets	2,360,492	2,545,562	4,906,054
Noncurrent assets:			
Note Receivable - net of current maturities	-	18,834	18,834
Capital assets:			
Land and construction in progress	111,212	830,928	942,140
Other capital assets, net of depreciation	2,100,277	7,662,256	9,762,533
Total capital assets	2,211,489	8,493,184	10,704,673
Total assets	4,571,981	11,057,580	15,629,561
Deferred outflows of resources	69,489	192,931	262,420
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	59,817	334,066	393,883
Customer deposits	-	191,932	191,932
Current maturities of notes payable	56,661	87,907	144,568
Total current liabilities	116,478	613,905	730,383
Long-term liabilities:			
Compensated absences	40,476	51,397	91,873
Net pension liability	91,905	255,169	347,074
Other post-employment benefits	32,445	32,445	64,890
Notes payable, net of current maturities	70,193	518,789	588,982
Total long-term liabilities	235,019	857,800	1,092,819
Total liabilities	351,497	1,471,705	1,823,202
Deferred inflows of resources	9,276	25,603	34,879
Net Position			
Net investment in capital assets	2,084,635	7,886,488	9,971,123
Restricted for:			
Stabilization by state statute	202,748	-	202,748
Transportation	279,057	-	279,057
Fire protection	207,524	-	207,524
Unrestricted	1,506,733	1,866,715	3,373,448
Total net position	\$ 4,280,697	\$ 9,753,203	\$ 14,033,900

The accompanying notes are an integral part of these financial statements

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 147,783	\$ 7,697	\$ -	\$ -
Public safety	745,131	-	183,171	-
Human services	4,755	-	-	-
Transportation	260,045	-	93,976	-
Environmental protection	492,637	397,520	2,045	-
Cultural and recreational	161,996	62,842	-	-
Interest on long-term debt	5,749	-	-	-
Total governmental activities	1,818,096	468,059	279,192	-
Business-type activities:				
Electric	3,554,393	3,572,570	57,206	-
Water and sewer	1,259,137	1,369,275	60,125	-
Total business type activities	4,813,530	4,941,845	117,331	-
Total primary government	\$ 6,631,626	\$ 5,409,904	\$ 396,523	\$ -

General revenues:

Property taxes, levied for general purpose
Local option sales taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Unrestricted miscellaneous revenue
Gain on disposal of capital assets

Total general revenues not including transfers

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, as previously reported

Prior period adjustment

Net position, beginning of year, as restated

Net position, end of year

The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
	Governmental Activities		Business-type Activities	Total
\$	(140,086)	\$	-	\$ (140,086)
	(561,960)		-	(561,960)
	(4,755)		-	(4,755)
	(166,069)		-	(166,069)
	(93,072)		-	(93,072)
	(99,154)		-	(99,154)
	(5,749)		-	(5,749)
	(1,070,845)		-	(1,070,845)
	-		75,383	75,383
	-		170,263	170,263
	-		245,646	245,646
	(1,070,845)		245,646	(825,199)
	709,290		-	709,290
	259,850		43,633	303,483
	175,316		-	175,316
	17,005		21,237	38,242
	176,165		41,872	218,037
	-		400	400
	1,337,626		107,142	1,444,768
	232,331		(232,331)	-
	1,569,957		(125,189)	1,444,768
	499,112		120,457	619,569
	3,767,087		9,632,746	13,399,833
	14,498		-	14,498
	3,781,585		9,632,746	13,414,331
\$	4,280,697	\$	9,753,203	\$ 14,033,900

Town of La Grange, North Carolina
Balance Sheet – Governmental Funds
June 30, 2019

Exhibit 3

	Major	Non-major Other	
	General Fund	Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 848,723	\$ 6,892	\$ 855,615
Investments	738,854	-	738,854
Restricted cash and investments	279,057	200,632	479,689
Receivables, net:			
Taxes	59,039	-	59,039
Accounts	15,949	-	15,949
Intergovernmental	197,691	2,988	200,679
Inventories	41,381	-	41,381
Total assets	\$ 2,180,694	\$ 210,512	\$ 2,391,206
Liabilities			
Accounts payable and accrued liabilities	\$ 55,760	\$ -	\$ 55,760
Due to other funds	30,714	-	30,714
Total liabilities	86,474	-	86,474
Deferred Inflow of Resources			
Sanitation revenue receivable	13,880	-	13,880
Prepaid taxes	55	-	55
Property taxes receivable	59,039	-	59,039
Total deferred inflows of resources	72,974	-	72,974
Fund Balances			
Non Spendable:			
Inventories	41,381	-	41,381
Restricted for:			
Stabilization by state statute	199,760	2,988	202,748
Transportation	279,057	-	279,057
Fire protection	-	207,524	207,524
Committed for:			
Public safety	40,894	-	40,894
Transportation	11,454	-	11,454
Environmental protection	156,035	-	156,035
Cultural and recreational	337,972	-	337,972
Unassigned	954,693	-	954,693
Total fund balances	2,021,246	210,512	2,231,758
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,180,694	\$ 210,512	

The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2019
Exhibit 3

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balances, Governmental Funds		\$ 2,231,758
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	17,643,157	
Accumulated depreciation	15,431,668	2,211,489
Deferred outflows of resources related to pensions are not reported in the funds		69,489
Earned revenues considered deferred inflows of resources in fund statements		
Sanitation revenue	13,880	
Tax revenue	59,039	72,919
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Gross long-term debt		(126,854)
Net pension liability		(91,905)
Deferred inflows of resources related to pensions are not reported in the funds		(9,221)
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest	(4,057)	
Compensated absences	(40,476)	
Other post-employment benefits	(32,445)	(76,978)
Net position of governmental activities		\$ 4,280,697

The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019
Exhibit 4

	Major	Non-major	
		Other	
	General Fund	Governmental Funds	Total
Revenues			
Ad valorem taxes	\$ 708,740	\$ -	\$ 708,740
Local option sales taxes	259,850	-	259,850
Unrestricted intergovernmental	175,316	-	175,316
Restricted intergovernmental	161,131	118,061	279,192
Permits and fees	7,697	-	7,697
Sales and services	459,574	-	459,574
Investment earnings	14,448	2,557	17,005
Miscellaneous	150,902	25,263	176,165
Total revenues	1,937,658	145,881	2,083,539
Expenditures			
General government	119,738	-	119,738
Public safety	587,741	341,914	929,655
Human services	3,534	-	3,534
Transportation	233,172	-	233,172
Environmental protection	274,520	160,129	434,649
Cultural and recreational	192,785	-	192,785
Debt service:			
Principal retirement	90,838	-	90,838
Interest and fees	7,060	-	7,060
Total expenditures	1,509,388	502,043	2,011,431
Revenues over (under) expenditures	428,270	(356,162)	72,108
Other financing sources (uses)			
Transfers from other funds	120,000	201,263	321,263
Transfers to other funds	(88,932)	-	(88,932)
Total other financing sources (uses)	31,068	201,263	232,331
Net change in fund balances	459,338	(154,899)	304,439
Fund balance, beginning of year as previously reported	1,545,459	365,411	1,910,870
Prior period adjustment	14,498	-	14,498
Fund balance, beginning of year as restated	1,559,957	365,411	1,925,368
Change in reserve for inventories	1,951	-	1,951
Fund balances, end of year	\$ 2,021,246	\$ 210,512	\$ 2,231,758

The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 4

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances	\$	304,439
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay expenditures which were capitalized	300,514		
Depreciation expense for governmental assets	(194,214)		106,300

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		17,830
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax and sanitation revenues		1,338
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payments on long-term debt		90,838
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Increase in inventory		1,951
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest	1,311		
Pension expense	(24,022)		
Other post-employment benefits	8,259		
Compensated absences	(9,132)		(23,584)

Total changes in net position of governmental activities	\$	499,112
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The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina
General Fund Statement of Revenues, Expenditures,
and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2019
Exhibit 5

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Ad valorem taxes	\$ 662,857	\$ 662,857	\$ 708,740	\$ 45,883
Local option sales taxes	188,000	236,000	259,850	23,850
Unrestricted intergovernmental	169,295	169,295	175,316	6,021
Restricted intergovernmental	92,822	95,822	161,131	65,309
Permits and fees	10,350	10,350	7,697	(2,653)
Sales and services	392,800	392,800	459,574	66,774
Investment earnings	4,000	4,000	14,448	10,448
Miscellaneous	1,000	1,000	150,902	149,902
Total revenues	1,521,124	1,572,124	1,937,658	365,534
Expenditures				
Current:				
General government	217,578	176,045	119,738	56,307
Public safety	603,609	603,609	587,741	15,868
Human services	3,325	3,325	3,534	(209)
Transportation	321,072	295,147	233,172	61,975
Environmental protection	329,815	287,815	274,520	13,295
Cultural and recreational	125,075	142,075	192,785	(50,710)
Debt service:				
Principal retirement and interest	-	98,925	97,898	1,027
Total expenditures	1,600,474	1,606,941	1,509,388	97,553
Revenues over (under) expenditures	(79,350)	(34,817)	428,270	463,087
Other financing sources (uses)				
Transfers from other funds	120,000	120,000	120,000	-
Transfers to other funds	(40,650)	(85,183)	(88,932)	(3,749)
Total other financing sources (uses)	79,350	34,817	31,068	(3,749)
Appropriated fund balance	-	-	-	-
Net change in fund balance	\$ -	\$ -	459,338	\$ 459,338
Fund balance, beginning of year as previously reported			1,545,448	
Prior period adjustment			14,498	
Fund balance, beginning of year as restated			1,559,946	
Change in reserve for inventories			1,951	
Fund balance, end of year			\$ 2,021,235	

The accompanying notes are an integral part of these financial statements

**Town of La Grange, North Carolina
 General Fund Statement of Revenues, Expenditures,
 and Changes in Fund Balances – Budget and Actual
 For the Fiscal Year Ended June 30, 2019
 Exhibit 5**

A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:

	Actual
Fund balance, end of year - General Fund	\$ 2,021,235
Fund balance, beginning of year	11
Fund balance, end of year (Exhibit 4)	\$ 2,021,246

The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina
Statement of Fund Net Position – Proprietary Funds
June 30, 2019
Exhibit 6

	Major		
	Electric Fund	Water and Sewer Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 74,212	\$ 356,084	\$ 430,296
Investments	639,769	560,330	1,200,099
Receivables, net:			
Accounts	187,765	66,465	254,230
Intergovernmental	19,677	-	19,677
Other	2,690	466	3,156
Due from other funds	21,653	10,615	32,268
Note receivable - current maturities	14,126	-	14,126
Inventories	244,495	59,469	303,964
Prepaid items	76,450	-	76,450
Restricted cash and cash equivalents	185,878	26,972	212,850
Total current assets	1,466,715	1,080,401	2,547,116
Noncurrent assets:			
Note Receivable - net of current maturities	18,834	-	18,834
Capital assets:			
Land and construction in progress	6,000	824,928	830,928
Other capital assets, net of depreciation	886,885	6,775,371	7,662,256
Total capital assets	892,885	7,600,299	8,493,184
Total assets	2,378,434	8,680,700	11,059,134
Deferred outflow of resources	105,624	87,307	192,931
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	244,719	89,347	334,066
Customer deposits	185,878	6,054	191,932
Due to other funds	1,554	-	1,554
Current maturities of notes payable	80,997	6,910	87,907
Total current liabilities	513,148	102,311	615,459
Long-term liabilities:			
Compensated absences	18,316	33,081	51,397
Net pension liability	139,697	115,472	255,169
Other post-employment benefits	-	32,445	32,445
Notes payable, net of current maturities	93,593	425,196	518,789
Total long-term liabilities	251,606	606,194	857,800
Total liabilities	764,754	708,505	1,473,259
Deferred inflows of resources	14,017	11,586	25,603
Net Position			
Net investment in capital assets	718,295	7,168,193	7,886,488
Unrestricted	986,992	879,723	1,866,715
Total net position	\$ 1,705,287	\$ 8,047,916	\$ 9,753,203

The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina
Statement of Revenues, Expenses, and Changes
in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2019
Exhibit 7

	Major		Total
	Electric Fund	Water and Sewer Fund	
Operating Revenues			
Charges for services	\$ 3,568,285	\$ 1,315,347	\$ 4,883,632
Other operating revenues	4,285	53,928	58,213
Total operating revenues	3,572,570	1,369,275	4,941,845
Operating Expenses			
Electrical operations	995,981	-	995,981
Electrical power purchases	2,419,673	-	2,419,673
Water operations	-	308,094	308,094
Sewer operations	-	364,556	364,556
Wastewater operations	-	171,045	171,045
Non-capitalized equipment and supplies	10,043	-	10,043
Depreciation	123,954	401,506	525,460
Total operating expenses	3,549,651	1,245,201	4,794,852
Operating income (loss)	22,919	124,074	146,993
Nonoperating revenues (expenses)			
Federal grants	52,206	60,125	112,331
Electricities grant	5,000	-	5,000
Investment earnings	10,634	10,603	21,237
Interest and fees	(4,742)	(13,936)	(18,678)
Gain (loss) on sale of capital assets	-	400	400
Sales tax refund	-	43,633	43,633
Miscellaneous revenues	20,847	21,025	41,872
Net nonoperating revenues (expenses)	83,945	121,850	205,795
Income (loss) before transfers and capital contributions	106,864	245,924	352,788
Transfer to other funds	(152,206)	(80,125)	(232,331)
Change in net position	(45,342)	165,799	120,457
Total net position, beginning of year	1,750,629	7,882,117	9,632,746
Total net position, end of year	\$ 1,705,287	\$ 8,047,916	\$ 9,753,203

The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2019
Exhibit 8

	Major		Total
	Electric Fund	Water and Sewer Fund	
Cash Flows From Operating Activities			
Cash received from customers	\$ 3,550,052	\$ 1,363,824	\$ 4,913,876
Cash paid for goods and services	(3,006,045)	(391,659)	(3,397,704)
Cash paid to employees for services	(472,497)	(393,428)	(865,925)
Customer deposits received	6,031	8	6,039
Net cash provided (used) by operating activities	77,541	578,745	656,286
Cash Flows From Non-Capital Financing Activities			
Transfers to other funds	(152,206)	(80,125)	(232,331)
Local option sales taxes received	4,088	46,041	50,129
Other revenues	20,847	21,025	41,872
Net cash provided (used) by non-capital and related financing activities	(127,271)	(13,059)	(140,330)
Cash Flows From Capital and Related Financing Activities			
Federal and other grants received	57,206	60,125	117,331
Acquisition and construction of capital assets	-	(375,414)	(375,414)
Proceeds from sale of capital assets	-	400	400
Principal received on note receivable	14,126	-	14,126
Principal paid on installment obligations	(80,997)	(6,699)	(87,696)
Interest paid on installment obligations	(5,391)	(14,008)	(19,399)
Net cash provided (used) by capital and related financing activities	(15,056)	(335,596)	(350,652)
Cash Flows From Investing Activities			
Purchase of investments	(258,437)	(198,381)	(456,818)
Interest on investments	10,634	10,603	21,237
Net cash provided (used) by investing activities	(247,803)	(187,778)	(435,581)
Net increase (decrease) in cash and cash equivalents	(312,589)	42,312	(270,277)
Cash and cash equivalents, beginning of year	572,679	340,744	913,423
Cash and cash equivalents, end of year	\$ 260,090	\$ 383,056	\$ 643,146

The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2019
Exhibit 8

	Major		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of cash at end of year:			
Cash	\$ 74,212	\$ 356,084	\$ 430,296
Restricted cash	185,878	26,972	212,850
Total cash	\$ 260,090	\$ 383,056	\$ 643,146

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

	Water and		
	Electric Fund	Sewer Fund	Total
Operating income (loss)	\$ 22,919	\$ 124,074	\$ 146,993
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	123,954	401,506	525,460
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(22,518)	(5,451)	(27,969)
(Increase) decrease in inventory	17,354	2,622	19,976
(Increase) decrease in prepaid items	(76,450)	-	(76,450)
Increase (decrease) in accounts payable and accrued liabilities	(16)	65,091	65,075
Increase (decrease) in customer deposits	6,031	8	6,039
Increase (decrease) in compensated absences payable	(1,271)	(2,269)	(3,540)
(Increase) decrease in deferred outflows of resources for pensions	(39,531)	(24,835)	(64,366)
Increase (decrease) in net pension liability	48,841	29,595	78,436
Increase (decrease) in other post-employment benefits	-	(8,259)	(8,259)
Increase (decrease) in deferred inflows of resources for pensions	(1,772)	(3,337)	(5,109)
Total adjustments	54,622	454,671	509,293
Net cash provided (used) by operating activities	\$ 77,541	\$ 578,745	\$ 656,286

The accompanying notes are an integral part of these financial statements

Town of La Grange, North Carolina Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of La Grange, North Carolina (the “Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements include all funds and account groups of the Town.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.



Town of La Grange, North Carolina Notes to Financial Statements

The Town reports the following major governmental funds:

General Fund. This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

The Town reports the following non-major governmental funds:

Volunteer Fire Department Fund. This fund accounts for the restricted funds received from Lenoir and Wayne Counties to provide fire protection services.

Hurricane Florence Repair Fund. This fund accounts for grant funds received from the North Carolina Department of Public Safety for damages and repairs related to Hurricane Florence.

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electrical operations.

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The *Well Capital Project Fund* has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Well Capital project Fund has been included in the supplemental information.

Measurement Focus, Basis of Accounting

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and

Town of La Grange, North Carolina Notes to Financial Statements

contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Town of La Grange, North Carolina Notes to Financial Statements

available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, capital reserve fund, volunteer fire department fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for capital project funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level (the legal level of budgetary control) for the general fund, capital reserve fund, and enterprise funds. All amendments must be approved by the governing board. The Town Manager is authorized to transfer appropriations within a fund. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.
- June 1 The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
- July 1 The budget ordinance shall be adopted by the governing board.

As required by State law [G.S. 159-26(d)], the Town maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. The Town has no encumbrances outstanding at year-end and any unencumbered appropriations lapse at year-end.

Deposits and Investments

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

Town of La Grange, North Carolina Notes to Financial Statements

State law [G.S. 159-30(c)] authorizes the Town 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). Investments are reported at fair value, with the exception of NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool which complies with criteria set forth in Section 150: *Investments* of the GASB Codification and has elected to measure the investment at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Town pools monies from several funds to facilitate disbursement and investment and maximize investment income. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures, for financial reporting purposes, all of its investments at amortized cost, it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the County's access to 100 percent of their account value in either external investment pool.

Restricted Assets

Unexpended Powell Bill funds are classified as restricted cash and investments within the General Fund because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per NC G.S. 136-41.1 through 136-41.4. Also in the General fund is cash restricted due to a provision in a financing arrangement with the USDA. The provision states that the Town shall maintain a minimum of an annual debt payment in a separate cash account. Money in the Volunteer Fire Department Fund is classified as restricted because its use is restricted to providing fire protection services per the funding agreements in place with Lenoir and Wayne counties. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Money in project funds is classified as restricted because it may only be spent on the specific project to which it has been allocated.

Town of La Grange, North Carolina Notes to Financial Statements

A summary of restricted cash and investments as of June 30, 2019 follows.

<u>Governmental Activities:</u>	
General Fund:	
Streets - Powell bill	\$ 241,395
Streets - USDA loan provision	37,663
Volunteer Fire Department Fund:	
Fire protection - Lenoir and Wayne counties	200,631
Total governmental activities	479,689
 Business-Type Activities:	
Electric Fund:	
Customer Deposits	185,878
Water and Sewer Fund:	
Customer Deposits	6,054
USDA debt service	20,918
Total governmental activities	212,850
Total restricted cash and investments	\$ 692,539

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, penalties and interest do not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's general fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The amount is estimated by analyzing the percentage of receivables that were written off in prior years, or that may require write-off in the future.

Inventories and Prepaid Items

Inventories are maintained for all enterprise fund supplies. They are valued at cost (first-in, first-out), which approximates market. The cost of these inventories is expensed when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements and expensed as the items are used.

Town of La Grange, North Carolina Notes to Financial Statements

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical 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. Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

Asset Class	Useful Life
Infrastructure	25 years
Furniture and office equipment	10 years
Maintenance and construction equipment	5-10 years
Building and improvements	10-50 years
Electric system	40 years
Water and sewer system	40 years
Vehicles	5 years
Computer software	5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – property taxes receivable, sanitation revenue receivable, and pension deferrals.

Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

Town of La Grange, North Carolina Notes to Financial Statements

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the Town provide 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 accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

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

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance - This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Town of La Grange, North Carolina Notes to Financial Statements

is 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 Transportation - portion of fund balance that is either restricted by revenue source to pay for the maintenance and upkeep of town streets or restricted by the lender due to a provision in the UDSA street improvement loan. This amounts includes the balance of the total unexpended Powell Bill funds.

Restricted for Fire Protection - portion of fund balance that is restricted by revenue source to provide fire protection services.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of Town of La Grange’s governing body (highest level of decision-making authority). The governing body 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 that can only be used for public safety activities.

Committed for Transportation - portion of fund balance that can only be used for transportation activities.

Committed for Environmental Protection - portion of fund balance that can only be used for environmental protection activities.

Committed for Cultural and Recreational - portion of fund balance that can only be used for cultural and recreational activities.

Assigned Fund Balance - portion of fund balance that the Town of La Grange intends to use for specific purposes.

Subsequent year’s expenditures - portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriation by resource or appropriation within funds not to exceed 10% of departmental expenditures.

Town of La Grange, North Carolina Notes to Financial Statements

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director 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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

Defined Benefit Cost-Sharing Plan

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Adoption of New Financial Accounting Standards

The following is a listing of GASB Statements recently issued and adopted by the Town:

GASB Statement No. 83, Certain Asset Retirement Obligations ("GASB 83"), requires that a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. GASB 83 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has minimal effect on the Town's financial statements.

GASB Statement No. 85, Omnibus 2017 ("GASB 85"), seeks to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other

Town of La Grange, North Carolina Notes to Financial Statements

postemployment benefits [OPEB]). GASB 85 will be effective for the fiscal years beginning after June 15, 2017. Currently, this new standard has minimal effect on the Town's financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues ("GASB 86"), seeks to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 will be effective for the fiscal years beginning after June 15, 2017. Currently, this new standard has minimal effect on the Town's financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt ("GASB 88"), seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has minimal effect on the Town's financial statements.

Future Accounting Pronouncements

The following is a listing of GASB Statements recently issued and being reviewed by the Town:

GASB Statement No. 84, Fiduciary Activities ("GASB 84"), seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2018. The Town is reviewing this standard to determine the effect on the Town's financial statements.

GASB Statement No. 87, Leases ("GASB 87"), seeks to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the

Town of La Grange, North Carolina Notes to Financial Statements

foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the fiscal years beginning after December 15, 2019. The Town is reviewing this standard to determine the effect on the Town's financial statements.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* ("GASB 90"), seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Town is reviewing this standard to determine the effect on the Town's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations* ("GASB 91"), seeks to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt

Town of La Grange, North Carolina
Notes to Financial Statements

obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

All of the Town deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the Town. 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, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town 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 properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,698,893; \$1,285,911 was unrestricted and \$413,482 was restricted, and a bank balance of \$1,696,908. Of the bank balance, \$701,992 was covered by federal depository insurance and \$994,916 was covered by collateral held under the Pooling Method. At June 30, 2019, the Town had \$500 cash on hand.

NOTE 3 – INVESTMENTS

At June 30, 2019, the Town of La Grange had the following investments and maturities:

Investment Type	Valuation Measurement Method	Value	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 2,218,010	N/A	AAAm

Of the \$2,218,010, \$1,938,953 was unrestricted and \$279,057 was restricted.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Town of La Grange, North Carolina
Notes to Financial Statements

Level or fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's investment policy requires purchases of securities to be tiered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

Credit Risk. The County limits 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. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSRO's); however, the Town had no formal policy on managing credit risk. The Town's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019.

NOTE 4 – RECEIVABLES

Note Receivable

The Town entered into an agreement with the Lenoir Community College Foundation, Inc. in November 2012, to lease certain property located within the Town for monthly payments of \$1,177.16, through October 2021. Due to the substance of the transaction, including a bargain purchase option at the end of the term, the Town has accounted for this transaction as a sale and recorded a note receivable for future payments to be received.

The future minimum lease payments as of June 30, 2019 were as follows:

Year ending June 30,	
2020	\$ 14,126
2021	14,126
2022	<u>4,708</u>
Total	<u><u>\$ 32,960</u></u>

Town of La Grange, North Carolina
Notes to Financial Statements

Government-wide receivables as of June 30, 2019 are as follows:

	Taxes	Accounts	Inter- governmental	Other	Total
Governmental Activities:					
General Fund	\$ 89,138	\$ 42,301	\$ 197,691	\$ 1,872	\$ 331,002
Volunteer Fire Department Fund	-	-	2,988	-	2,988
Total	89,138	42,301	200,679	1,872	333,990
Allowance for doubtful accounts	(30,099)	(28,224)	-	-	(58,323)
Total governmental activities	\$ 59,039	\$ 14,077	\$ 200,679	\$ 1,872	\$ 275,667
Business-type Activities:					
Electric Fund	\$ -	\$ 349,467	\$ 19,677	\$ 2,690	\$ 371,834
Water and Sewer Fund	-	183,337	-	466	183,803
Total	-	532,804	19,677	3,156	555,637
Allowance for doubtful accounts	-	(278,574)	-	-	(278,574)
Total business-type activities	\$ -	\$ 254,230	\$ 19,677	\$ 3,156	\$ 277,063
Total primary government	\$ 59,039	\$ 268,307	\$ 220,356	\$ 5,028	\$ 552,730

The due from other governments that is owed to the Town consists of the following:

Sales tax refund	\$ 21,787
Local option sales taxes	80,989
Utility franchise taxes	36,053
Solid waste disposal tax	509
Lenoir County - Fire district taxes	878
Lenoir County -Motor vehicle taxes	15,040
FEMA - NC Department of Public Safety	65,100
Total intergovernmental receivables	\$ 220,356

LEASE INCOME

The Town's leasing operations consists principally of two land rentals. The first agreement is with a cellular service company which provides rents for a term of five years with an automatic renewal of five years for five additional terms. This agreement commenced in August 2012 and was renewed on August 2017. The second agreement is a farm land rental which is a year to year lease dependent upon the type of crops planted and harvested each year. Therefore, under the second agreement there is no future minimum lease rental income.

Town of La Grange, North Carolina
Notes to Financial Statements

Future minimum lease rental income is as follows:

Year ending June 30,	
2020	\$ 13,890
2021	14,171
2022	14,451
2023	14,743
Thereafter	1,340
	\$ 58,595

NOTE 5 – CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 41,050	\$ -	\$ -	\$ 41,050
Construction in progress	-	70,162		70,162
Total capital assets not being depreciated	41,050	70,162	-	111,212
Capital assets being depreciated:				
Buildings	2,007,346	-	-	2,007,346
Improvements	216,573	-	-	216,573
Equipment	632,714	-	-	632,714
Vehicles	1,018,114	230,352	-	1,248,466
Infrastructure	13,426,846	-	-	13,426,846
Total capital assets being depreciated	17,301,593	230,352	-	17,531,945
Less accumulated depreciation:				
Buildings	636,420	57,385	-	693,805
Improvements	98,337	13,106	-	111,443
Equipment	539,740	28,298	-	568,038
Vehicles	779,086	85,736	-	864,822
Infrastructure	13,183,871	9,689	-	13,193,560
Total accumulated depreciation	15,237,454	194,214	-	15,431,668
Total capital assets being depreciated, net	2,064,139			2,100,277
Governmental activities capital assets, net	\$ 2,105,189			\$ 2,211,489

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

Town of La Grange, North Carolina
Notes to Financial Statements

General government	\$	20,980
Public safety		45,828
Human services		1,221
Transportation		28,824
Environmental protection		57,988
Cultural and recreational		39,373
Total depreciation expense	\$	194,214

Business-type capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type Activities - Electric</u>				
<u>Fund</u>				
Capital assets not being depreciated:				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Total capital assets not being depreciated	6,000	-	-	6,000
Capital assets being depreciated:				
Electrical system	1,401,390	-	-	1,401,390
Equipment	335,246	-	-	335,246
Vehicles	485,701	-	-	485,701
Total capital assets being depreciated	2,222,337	-	-	2,222,337
Less accumulated depreciation:				
Electrical system	832,745	29,030	-	861,775
Equipment	183,976	21,470	-	205,446
Vehicles	194,777	73,454	-	268,231
Total accumulated depreciation	1,211,498	123,954	-	1,335,452
Total capital assets being depreciated, net	1,010,839			886,885
Electric fund capital assets, net	\$ 1,016,839			\$ 892,885

Town of La Grange, North Carolina
Notes to Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type Activities - Water and Sewer Fund</u>				
Capital assets not being depreciated:				
Land	\$ 412,760	\$ 28,470	\$ -	\$ 441,230
Construction in progress	36,755	346,943	-	383,698
Total capital assets not being depreciated	449,515	375,413	-	824,928
Capital assets being depreciated:				
Plant and distribution systems	14,873,440	-	-	14,873,440
Equipment	984,136	-	(675)	983,461
Vehicles	227,678	-	-	227,678
Total capital assets being depreciated	16,085,254	-	(675)	16,084,579
Less accumulated depreciation:				
Plant and distribution systems	8,108,359	326,047	-	8,434,406
Equipment	631,910	56,155	(675)	687,390
Vehicles	168,108	19,304	-	187,412
Total accumulated depreciation	8,908,377	401,506	(675)	9,309,208
Total capital assets being depreciated, net	7,176,877			6,775,371
 Water and sewer fund capital assets, net	 \$ 7,626,392			 \$ 7,600,299
 Total business-type activities capital assets, net	 \$ 8,643,231			 \$ 8,493,184

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Government-wide accounts payable and accrued liabilities as of June 30, 2019 are as follows:

	Vendors	Salaries and Employee Benefits	Accrued Interest	Total
<u>Governmental Activities:</u>				
General Fund	\$ 32,501	\$ 23,259	\$ 4,057	\$ 59,817
Volunteer Fire Department Fund	-	-	-	-
Total governmental activities	\$ 32,501	\$ 23,259	\$ 4,057	\$ 59,817
<u>Business-type activities:</u>				
Electric Fund	\$ 239,719	\$ 3,163	\$ 1,837	\$ 244,719
Water and Sewer Fund	76,849	7,773	4,725	89,347
Total business-type activities	\$ 316,568	\$ 10,936	\$ 6,562	\$ 334,066
Total primary government	\$ 349,069	\$ 34,195	\$ 10,619	\$ 393,883

Town of La Grange, North Carolina Notes to Financial Statements

NOTE 7 – PENSION PLAN OBLIGATION

Local Governmental Employees' Retirement System (LGERS)

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 (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Town of La Grange, North Carolina Notes to Financial Statements

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, 2019, was 7.79% 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 were \$69,490 for the year ended June 30, 2019.

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 of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$347,074 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was .01463%, which was a decrease of .00067% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$84,195. At June 30, 2019, 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
Difference between expected and actual experience	\$ 53,545	\$ 1,797
Changes of assumptions	92,100	-
Net difference between projected and actual earnings on pension plan investments	47,643	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	33,027
Employer contributions subsequent to the measurement date	69,132	-
	\$ 262,420	\$ 34,824

Town of La Grange, North Carolina Notes to Financial Statements

\$69,132 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	80,425
2021		50,172
2022		2,498
2023		25,369
2024		-
Thereafter		-
	<u>\$</u>	<u>158,464</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

Town of La Grange, North Carolina Notes to Financial Statements

adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 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 1-percentage-point lower (6.00 percent) or 1-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)	\$ 833,701	\$ 347,074	\$ 59,560

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

Town of La Grange, North Carolina Notes to Financial Statements

Supplemental Retirement Income Plan of North Carolina (NC 401(k) Plan)

Plan Description. The Town participates in the Supplemental Retirement Income Plan of North Carolina (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan primarily provides retirement benefits to law enforcement officers employed by state and local government entities in the State of North Carolina. However, all general employees of state and local government entities are permitted to participate in the Plan. 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 of North Carolina is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each law enforcement officer’s salary, and all amounts contributed are vested immediately. In addition, law enforcement officers and general employees may make voluntary contributions to the Plan. During the fiscal year ended June 30, 2019 the Town did not employ any law enforcement officers, therefore, they were not required to make contributions to the Plan. Contributions to the Plan for the year ended June 30, 2019 totaled \$11,960 from the Town’s general employees.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT OBLIGATION

Healthcare Benefits

Plan Description. Under the terms of a Town of La Grange resolution, Town of La Grange administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides post-employment healthcare benefits to certain retirees of the Town, provided they participated in the North Carolina Local Governmental Employees’ Retirement System.

Eligibility for Allowance. The Town does not provide coverage for retirees, except those who were hired before October 1, 1994. Those employees hired before October 1, 1994 retiring under the criteria required by the North Carolina Local Governmental Employees’ Retirement System (NCLGERS) and who have been continuously employed by the Town for a minimum of twenty-five (25) years are eligible for group health, dental, and life insurance.

Amount of Allowance. The Town will pay health, life, and dental insurance for eligible retirees until they become eligible for Medicare. Life insurance will be provided by the Town in the amount of \$1,000 for the retiree; coverage will end once the retiree becomes eligible for Medicare.

Other Post-Employment Benefits. Health care, prescription drug, dental, and life insurance are provided in the Town’s retiree health care plan.

Town of La Grange, North Carolina
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Dependent Coverage. The current retiree does not have dependent coverage.

The Town of La Grange Council may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive members entitled to but not yet receiving benefits	-
Active employees	-
Total membership	1

Total OPEB Liability

The Town's total OPEB liability of \$64,890 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date for the June 30, 2019 report date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Salary increases, including wage inflation	
General employees	3.50% - 7.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.89%
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

Town of La Grange, North Carolina
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The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Schedule of Changes in Total OPEB Liability (TOL)

Total OPEB Liability	2019
Service cost at the end of the year	\$ -
Interest on TOL and cash flows	2,564
Changes of benefit terms	-
Differences between expected and actual experience	185
Changes of assumptions or other inputs	(319)
Benefit payments	(18,948)
Other changes	-
Net change in total OPEB liability	(16,518)
Total OPEB liability - beginning	81,408
Total OPEB liability - ending	\$ 64,890

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability (TOL) of the Plan, calculated using current health care cost trend rates, as well as what the Plan's TOL would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than current rates.

Health Care Cost Trend Rate Sensitivity

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 63,665	\$ 64,890	\$ 66,133

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the TOL of the Plan, calculated using the discount rate of 3.89%, as well as what the Plan's TOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Town of La Grange, North Carolina
Notes to Financial Statements

Discount Rate Sensitivity

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 65,865	\$ 64,890	\$ 63,944

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$2,430. At June 30, 2019, the Town did not have any deferred outflows of resources and deferred inflows of resources amounts required to be reported related to OPEB. Therefore the below tables outlines there were no differences between expected and actual experience or changes of assumptions and other inputs.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions and other inputs	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

The Town did not have any deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date that would require recognition in future periods as outlined in the below table:

Year ended June 30:	
2020	\$ -
2021	-
2022	-
2023	-
2024	-
Thereafter	-
	<u>\$ -</u>

NOTE 9 – OTHER EMPLOYMENT BENEFITS

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing

Town of La Grange, North Carolina
Notes to Financial Statements

membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$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.

NOTE 10 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The Town has both deferred outflows and inflows of resources at June 30, 2019. Deferred outflows of resources is comprised of the following:

Source	Amount
Difference between expected and actual experience	\$ 53,545
Changes in assumptions	92,100
Net difference between projected and actual earnings on pension plan investments	47,643
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Employer contributions subsequent to the measurement date	69,132
	\$ 262,420

Deferred inflows of resources at year-end are comprised of the following:

Source	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 59,039
Refuse receivable (General Fund)	-	13,880
Prepaid taxes	55	55
Difference between expected and actual experience	1,797	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,027	-
	\$ 34,879	\$ 72,974



Town of La Grange, North Carolina Notes to Financial Statements

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims from these risks have not exceeded the total commercial insurance coverage in any of the last three fiscal years.

The Town is not in an area of the State that has been mapped and designated an "A" area by the Federal Emergency Management Agency, however the Town purchases flood insurance through a commercial insurance company.

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

NOTE 12 – LONG-TERM OBLIGATIONS

Installment Notes Payable (Direct Borrowings)

As authorized by State law (G.S. 160A-20 and 153A-158.1) the Town has entered in installment purchase contracts for the purchase of capital equipment needs of the Town. The installment purchases were issued pursuant to a deed of trust which requires that legal title remain with the Town as long as the debt is outstanding. The capital assets associated with the installment purchase obligations are recorded by the Town. The Town's installment notes payable at June 30, 2019 are comprised of the following:

Town of La Grange, North Carolina
Notes to Financial Statements

Serviced by the General Fund:	June 30, 2019
Notes Payable (Direct Borrowings)	Balance
\$330,000 loan from the United States Department of Agriculture, in August, 2002, due in twenty annual installments of \$25,925 including interest at 4.75 percent	\$ 91,730
\$210,743 loan from a financial institution, executed in January, 2017, due in six semi-annual installments of \$35,124 plus interest at 2 percent	35,124
Total installment notes payable serviced by the General Fund	\$ 126,854

Serviced by the Electric Fund:	June 30, 2019
Notes Payable (Direct Borrowings)	Balance
\$187,187 loan from a financial institution, executed in December 2017, due in four annual installments of \$46,797 plus interest at 2.25%	\$ 140,390
\$171,000 loan from a financial institution, executed in June 2015, due in ten semi-annual installments of \$17,109 plus interest at 2.00 percent	34,200
Total installment notes payable serviced by the Electric Fund	\$ 174,590

Serviced by the Water and Sewer Fund:	June 30, 2019
Notes Payable (Direct Borrowings)	Balance
\$141,700 loan from the United States Department of Agriculture, executed in February, 2014, first installment due in February, 2015 is a 2.5 percent interest only installment, with remaining thirty-nine annual installments of \$5,731 including interest at 2.5 percent due each February	\$ 132,612
\$316,000 loan from the United States Department of Agriculture, executed in February, 2014, first installment due in February, 2015 is a 3.5 percent interest only installment, and remaining thirty-nine annual installments of \$14,976 including interest at 3.5 percent are due each February	299,494
Total installment notes payable serviced by the Water and Sewer Fund	\$ 432,106

Town of La Grange, North Carolina
Notes to Financial Statements

Annual debt service requirements to maturity for long-term obligations are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 56,661	\$ 4,742	\$ 87,907	\$ 17,470
2021	22,561	3,364	53,923	15,692
2022	23,632	2,293	54,149	14,408
2023	24,000	1,925	7,583	13,124
2024	-	-	7,823	12,884
2025-2029	-	-	42,985	60,550
2030-2034	-	-	50,246	53,289
2035-2039	-	-	58,763	44,772
2040-2044	-	-	68,755	34,780
2045-2049	-	-	80,488	23,047
2050-2054	-	-	94,074	9,460
Totals	\$ 126,854	\$ 12,324	\$ 606,696	\$ 299,476

Per the debt agreements for the outstanding notes payable, the Town is required to make scheduled payments as outlined in the amortization schedule. For each of the outstanding notes payable, the Town has pledged the underlying assets (purchased and / or constructed) as collateral. The US Department of Agriculture (USDA) notes payable also require debt service reserves equal to one year's annual payment. The Town has set aside restricted cash of \$58,581 for USDA debt reserves. As of June 30, 2019, the Town of La Grange, North Carolina had notes payable authorized but unissued of \$202,450 and a legal debt margin of \$10,481,642.

Long-term Obligation Activity

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2019.

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 31,344	\$ 9,132	\$ -	\$ 40,476	\$ -
Net pension liability (LGERS)	57,010	34,895	-	91,905	-
Other post-employment benefits	40,704	-	(8,259)	32,445	-
Notes payable (Direct borrowings)	217,692	-	(90,838)	126,854	56,661
Total governmental activities	\$ 346,750	\$ 44,027	\$ (99,097)	\$ 291,680	\$ 56,661

Town of La Grange, North Carolina
Notes to Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Business-type Activities:					
<u>Electric Fund:</u>					
Compensated absences	\$ 19,587	\$ -	\$ (1,271)	\$ 18,316	\$ -
Net pension liability (LGERS)	90,856	48,841	-	139,697	-
Notes payable (Direct borrowings)	255,587	-	(80,997)	174,590	80,997
<u>Water and Sewer Fund:</u>					
Compensated absences	35,350	-	(2,269)	33,081	-
Net pension liability (LGERS)	85,877	29,595	-	115,472	-
Other post-employment benefits	40,704	-	(8,259)	32,445	-
Notes payable (Direct borrowings)	438,805	-	(6,699)	432,106	6,910
Total business-type activities	\$ 966,766	\$ 78,436	\$ (99,495)	\$ 945,707	\$ 87,907

NOTE 13 – INTERFUND BALANCES AND ACTIVITY

Transfers to/from other funds for the year ended June 30, 2019 consist of the following:

Transfer from the General Fund to the Volunteer Fire Department Fund	\$ 40,650
Transfer from the Electric Fund to the General Fund	100,000
Transfer from the Water and Sewer Fund to the General Fund	20,000
Transfer from the General Fund to the Hurricane Florence Fund	48,282
Transfer from the Electric Fund to the Hurricane Florence Fund	60,125
Transfer from the Water and Sewer Fund to the Hurricane Florence Fund	<u>52,206</u>
Total Interfund transfers	<u>\$321,263</u>

The transfer from the General Fund to the Volunteer Fire Department Fund is the Town's funding of the volunteer fire department. The transfers from the General, Electric and Water and Sewer Fund to the Hurricane Florence Fund were for FEMA reimbursements received from the North Carolina Department of Public Safety related to damages and repairs resulting from Hurricane Florence. The transfers from the Electric Fund and Water and Sewer Fund to the General Fund were reimbursement for administrative expenditures paid by the General Fund.

Interfund balance due to/from other funds for the year ended June 30, 2019 consist of the following. The Town plans to repay these interfund balance during the fiscal year ending June 30, 2020:

Due from the General Fund to the Electric Fund	\$ 21,653
Due from the General Fund to the Water and Sewer Fund	9,061
Due from the Electric Fund to the Water and Sewer Fund	<u>1,554</u>
Total Interfund balances due to/from	<u>\$32,268</u>

Town of La Grange, North Carolina
Notes to Financial Statements

NOTE 14 – NET POSITION

Government-wide net position consists of the following as of June 30, 2019:

Net investment in capital assets	\$ 2,084,635	\$ 7,886,488	\$ 9,971,123
Restricted:			
Stabilization by state statute	202,748	-	202,748
Transportation	279,057	-	279,057
Fire protection	207,524	-	207,524
Unrestricted	1,506,733	1,866,715	3,373,448
Total net position	\$ 4,280,697	\$ 9,753,203	\$ 14,033,900

Net investment in capital assets consists of the following as of June 30, 2019:

	Governmental Activities	Business-type Activities	Total
Total capital assets	\$ 2,211,489	\$ 8,493,184	\$ 10,704,673
Less associated notes payable	(126,854)	(606,696)	(733,550)
Net investment in capital assets	\$ 2,084,635	\$ 7,886,488	\$ 9,971,123

NOTE 15 – CONSTRUCTION COMMITMENTS

The Town has active construction commitments as of June 30, 2019. At year-end, the Town's commitments with contractors are as follows:

Vendor / Project	Spent To Date	Remaining Commitment
Central Builders – Sewer Inflow & Infiltration Project	\$ 50,613	\$ 98,237
Black & Veatch International – Engineering Water and Sewer	<u>108,660</u>	<u>19,340</u>
Total	<u>\$159,273</u>	<u>\$117,577</u>

Town of La Grange, North Carolina
Notes to Financial Statements

NOTE 16 – FUND BALANCES

Governmental fund balances consist of the following as of June 30, 2019:

	General Fund	Volunteer Fire Department Fund	Total
NonSpendable:			
Inventories	\$ 41,381	\$ -	\$ 41,381
Restricted:			
Stabilization by state statute	199,760	2,988	202,748
Transportation	279,057	-	279,057
Fire protection	-	207,524	207,524
Total restricted	478,817	210,512	689,329
Committed:			
Public safety	40,894	-	40,894
Transportation	11,454	-	11,454
Environmental protection	156,035	-	156,035
Cultural and recreational	337,972	-	337,972
Total committed	546,355	-	546,355
Unassigned	954,693	-	954,693
Total fund balances	\$ 2,021,246	\$ 210,512	\$ 2,231,758

NOTE 17 – USE OF 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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 18 – JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with twenty other local governments, is a member of the North Carolina Eastern Municipal Power Agency. The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The twenty one members that receive power from the Agency have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2019 amounted to \$2,419,673.



Town of La Grange, North Carolina Notes to Financial Statements

NOTE 19 – ELECTRIC DEREGULATION

In 1997, the General Assembly appointed the Study Commission on the Future of Electric Service in North Carolina (“Study Commission”) to examine the cost, adequacy, availability and pricing of electric rates in North Carolina, in order to determine whether legislation is necessary to assure an adequate and reliable source of electricity and economical, fair and equitable rates for all consumers in North Carolina.

After the creation of this Study Commission, but before any of its recommendations were acted upon by the General Assembly, several developments outside of North Carolina occurred (including the Enron bankruptcy, the California and other electric power outages, issues relating to federal and state jurisdiction over electricity services, and other matters) that make it unlikely that any action toward electric deregulation on North Carolina will be made in the foreseeable future. Also, the Study Commission did not meet after 2002 and in accordance with earlier legislation the Study Commission terminated on June 30, 2006.

The Town and the Electric Power Agency are not able to predict whether proposals for full or partial deregulation of retail electric service in North Carolina may be introduced or adopted in the future, nor is it able to predict the effect of any such proposals on the Town or the Electric Power Agency.

NOTE 20 – FEDERAL AND STATE ASSISTED PROGRAMS

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

NOTE 21 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2020, the date on which the financial statements were available to be issued.

Town of La Grange, North Carolina
Notes to Financial Statements

NOTE 22 – PRIOR PERIOD ADJUSTMENT RESTATEMENT

During the year ended June 30, 2019, the Town corrected errors related to receivables from Lenoir County for property taxes on motor vehicles.

The correction of the errors had the following impact on the governmental activities and business-type activities ending net position at June 30, 2019:

	Governmental Activities
Net position - June 30, 2018	\$ 3,767,087
Prior period adjustments:	
Receivables - correction of an error	14,498
Total prior period adjustment	14,498
Net position - June 30, 2018, restated	\$ 3,781,585

The correction of the errors had the following impact on the governmental and proprietary funds ending fund balance / net position at June 30, 2019:

	General Fund
Fund balance / net position - June 30, 2018	\$ 1,545,459
Prior period adjustments:	
Receivables - correction of an error	14,498
Total prior period adjustment	14,498
Fund balance / net position - June 30, 2018, restated	\$ 1,559,957

NOTE 23 – STEWARSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditures exceeded the amounts appropriated in the annual budget ordinance for the following departments:

General Fund	
Human Services	\$209
Recreation	\$54,626
Transfers to Other Funds	\$3,749
Hurricane Florence Fund	\$5,113
Electric Fund	
Debt Service	\$146



Required and Supplementary Information

Town of La Grange, North Carolina
Other Post-employment Benefits
Required Supplementary Information
Schedules of Changes in the Total OPEB Liability and Related Ratios
Exhibit A-1

Schedule of Changes in Total OPEB Liability (TOL)

Total OPEB Liability	<u>2019</u>	<u>2018</u>
Service cost at the end of the year	\$ -	\$ -
Interest on TOL and cash flows	2,564	2,658
Change in benefit terms	-	-
Difference between expected and actual experience	185	294
Changes of assumptions or other inputs	(319)	(907)
Benefit payments	(18,948)	(17,747)
Other changes	-	-
Net change in total OPEB liability	<u>(16,518)</u>	<u>(15,702)</u>
Total OPEB liability - beginning	81,408	97,110
Total OPEB liability - ending	<u><u>\$ 64,890</u></u>	<u><u>\$ 81,408</u></u>

As there are no active employees covered by the plan there is no applicable covered payroll.

Notes to Schedule:

Benefit changes. There were no changes of benefit terms for the year ended June 30, 2019.

Changes of Assumptions. The discount rate as of June 30, 2017 was 3.56% and increased to 3.89% as of June 30, 2018.

The above schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

Inflation	2.50%
Real wage growth	1.00%
Salary increases, including wage inflation	
General employees	3.50% - 7.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.89%
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

Town of La Grange, North Carolina
Local Government Employees' Retirement System
Required Supplementary Information
Exhibit A-2

Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset)
 Last Six Fiscal Years *

	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) %	0.01463%	0.01530%	0.01801%	0.01725%	0.01738%	0.01650%
Town proportion of the net pension liability (asset) \$	\$ 347,074	\$ 233,743	\$ 382,236	\$ (77,417)	\$ 102,500	\$ (139,764)
Town's covered payroll	\$ 882,826	\$ 900,226	\$ 887,907	\$ 876,153	\$ 836,274	\$ 823,572
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.31%	25.96%	43.05%	-8.84%	12.26%	-16.97%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

The above schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

Schedule of Town Contributions
 Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 69,132	\$ 66,565	\$ 62,483	\$ 61,862	\$ 61,943	\$ 59,125
Contributions in relation to the contractually required contribution	69,132	66,565	62,483	61,862	61,943	59,125
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 892,046	\$ 882,826	\$ 900,226	\$ 887,907	\$ 876,153	\$ 836,274
Contributions as a percentage of covered-employee payroll	7.75%	7.54%	6.94%	6.97%	7.07%	7.07%

The above schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

Town of La Grange, North Carolina
General Fund Combining Balance Sheet
June 30, 2019
Exhibit B-1

	General Fund	Capital Reserve Fund	Total
Assets			
Cash and cash equivalents	\$ 848,712	\$ 11	\$ 848,723
Investments	738,854	-	738,854
Restricted cash and investments	279,057	-	279,057
Receivables, net:			
Taxes	59,039	-	59,039
Accounts	15,949	-	15,949
Intergovernmental	197,691	-	197,691
Inventories	41,381	-	41,381
Total assets	\$ 2,180,683	\$ 11	\$ 2,180,694
Liabilities			
Accounts payable and accrued liabilities	\$ 55,760	\$ -	\$ 55,760
Due to other funds	30,714	-	30,714
Total liabilities	86,474	-	86,474
Deferred Inflow of Resources			
Sanitation revenue receivable	13,880	-	13,880
Prepaid taxes	55	-	55
Property taxes receivable	59,039	-	59,039
Total deferred inflows of resources	72,974	-	72,974
Fund Balance			
Non Spendable:			
Inventories	41,381	-	41,381
Restricted:			
Stabilization by state statute	199,760	-	199,760
Transportation	279,057	-	279,057
Committed:			
Public safety	40,894	-	40,894
Transportation	11,454	-	11,454
Environmental protection	156,035	-	156,035
Cultural and recreational	337,972	-	337,972
Unassigned	954,682	11	954,693
Total fund balance	2,021,235	11	2,021,246
Total liabilities, deferred inflows of resources and fund balances	\$ 2,180,683	\$ 11	\$ 2,180,694

Town of La Grange, North Carolina
General Fund Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019
Exhibit B-2

	General Fund	Capital Reserve Fund	Total
Revenues			
Ad valorem taxes	\$ 708,740	\$ -	\$ 708,740
Local option sales taxes	259,850	-	259,850
Unrestricted intergovernmental	175,316	-	175,316
Restricted intergovernmental	161,131	-	161,131
Permits and fees	7,697	-	7,697
Sales and services	459,574	-	459,574
Investment earnings	14,448	-	14,448
Miscellaneous	150,902	-	150,902
Total revenues	1,937,658	-	1,937,658
Expenditures			
General government	119,738	-	119,738
Public safety	587,741	-	587,741
Human services	3,534	-	3,534
Transportation	233,172	-	233,172
Environmental protection	274,520	-	274,520
Cultural and recreational	192,785	-	192,785
Debt service:			
Principal retirement	90,838	-	90,838
Interest and fees	7,060	-	7,060
Total expenditures	1,509,388	-	1,509,388
Revenues over (under) expenditures	428,270	-	428,270
Other financing sources (uses)			
Transfers from other funds	120,000	-	120,000
Transfers to other funds	(88,932)	-	(88,932)
Total other financing sources (uses)	31,068	-	31,068
Net change in fund balance	459,338	-	459,338
Fund balances, beginning of year, as previously reported	1,545,448	11	1,545,459
Prior period adjustment	14,498	-	14,498
Fund balances, beginning of year, as restated	1,559,946	11	1,559,957
Change in reserve for inventories	1,951	-	1,951
Fund balances, end of year	\$ 2,021,235	\$ 11	\$ 2,021,246

Town of La Grange, North Carolina
General Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019
Exhibit B-3

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Taxes	\$ 657,857	\$ 701,893	\$ 44,036
Penalties and interest	5,000	6,847	1,847
Total	662,857	708,740	45,883
Local option sales taxes	236,000	259,850	23,850
Unrestricted Intergovernmental :			
Utility franchise taxes	156,550	163,425	6,875
Beer and wine taxes	12,745	11,891	(854)
Total	169,295	175,316	6,021
Restricted Intergovernmental:			
Powell Bill allocation	91,972	93,976	2,004
FEMA Grant - Hurricane Florence	3,000	65,100	62,100
Controlled substance tax	-	10	10
Solid waste disposal tax distribution	850	2,045	1,195
Total	95,822	161,131	65,309
Permits and fees:			
Building permits	10,000	5,612	(4,388)
Inspection fees	-	255	255
Other permits	350	1,830	1,480
Total	10,350	7,697	(2,653)
Sales and services:			
Sanitation revenues	310,200	342,748	32,548
Cemetery lot sales	41,100	51,444	10,344
Community Center revenues	41,000	62,842	21,842
Other sale and services	500	2,540	2,040
Total	392,800	459,574	66,774
Investment earnings	4,000	14,448	10,448
Miscellaneous:			
Insurance proceeds	-	120,987	120,987
Other revenues	1,000	29,915	28,915
Total	1,000	150,902	149,902
Total revenues	1,572,124	1,937,658	365,534

Town of La Grange, North Carolina
General Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019
Exhibit B-3

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
<u>General Government:</u>			
General Government:			
Mayor and Town Council		8,816	
Other operating expenditures		52,194	
Capital Outlay		1,438	
Total	93,000	62,448	30,552
Administration:			
Salaries and employee benefits		70,392	
Other operating expenditures		898	
Reimbursement - Electric Fund		(14,000)	-
Total	83,045	57,290	25,755
Total general government	176,045	119,738	56,307
<u>Public Safety:</u>			
Police:			
Contracted services		521,391	
Other operating expenditures		19,827	
Total	549,798	541,218	8,580
Inspections:			
Salaries and employee benefits		39,426	
Other operating expenditures		7,097	
Total	53,811	46,523	7,288
Total public safety	603,609	587,741	15,868
<u>Human Services:</u>			
Council on Aging:			
Operating expenditures	3,325	3,534	(209)

Town of La Grange, North Carolina
General Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019
Exhibit B-3

	Final Budget	Actual	Variance Positive (Negative)
<u>Transportation:</u>			
Streets:			
Salaries and employee benefits		117,405	
Vehicle fuel and maintenance		17,553	
Utilities		23,942	
Repairs and maintenance		29,397	
Other operating expenditures		44,375	
Capital outlay		500	
Total transportation	295,147	233,172	61,975
<u>Environmental Protection:</u>			
Sanitation:			
Salaries and employee benefits		73,981	
Contracted services		1,389	
Other operating expenditures		137,884	
Total	221,055	213,254	7,801
Cemetery:			
Salaries and employee benefits		12,154	
Operating expenditures		49,112	
Total	66,760	61,266	5,494
Total environmental protection	287,815	274,520	13,295
<u>Cultural and Recreational:</u>			
Recreation:			
Salaries and employee benefits		26,198	
Operating expenditures		81,841	
Capital outlay		70,162	
Total	123,575	178,201	(54,626)

Town of La Grange, North Carolina
General Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019
Exhibit B-3

	Final Budget	Actual	Variance Positive (Negative)
Library:			
Operating expenditures	18,000	14,084	3,916
Contribution to the Arts Council	500	500	-
Total cultural and recreational	142,075	192,785	(50,710)
Debt service:			
Note principal		90,838	
Interest and fees		7,060	
Total debt service	98,925	97,898	1,027
Total expenditures	1,606,941	1,509,388	97,553
Revenues over (under) expenditures	(34,817)	428,270	463,087
Other financing sources (uses)			
Transfers from (to) other funds:			
Transfers from other funds	120,000	120,000	-
Transfers to other funds	(85,183)	(88,932)	(3,749)
Net transfers (to) from other funds	34,817	31,068	(3,749)
Total other financing sources (uses)	34,817	31,068	(3,749)
Revenues and other financing sources over (under) expenditures and other financing uses	-	459,338	459,338
Appropriated fund balance	-	-	-
Net change in fund balance	<u>\$ -</u>	459,338	<u>\$ 459,338</u>
Fund balances, beginning of year, as previously reported		1,545,448	
Prior period adjustment		14,498	
Fund balances, beginning of year, as restated		1,559,946	
Change in reserve for inventories		1,951	
Fund balance, end of year		<u>\$ 2,021,235</u>	

Town of La Grange, North Carolina
Capital Reserve Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019
Exhibit B-4

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ -	\$ -
Expenditures			
General improvements	-	-	-
Revenues over (under) expenditures	-	-	-
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year		11	
Fund balance, end of year		<u>\$ 11</u>	

Town of La Grange, North Carolina
Non-Major Governmental Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019
Exhibit C-1

	Fire Department Fund	Hurricane Florence Fund	Total
Revenues			
Restricted intergovernmental	\$ 118,061	\$ -	\$ 118,061
Investment earnings	2,557	-	2,557
Miscellaneous	25,263	-	25,263
Total revenues	145,881	-	145,881
Expenditures			
Public safety	341,430	484	341,914
Environmental protection	-	160,129	160,129
Total expenditures	341,430	160,613	502,043
Revenues over (under) expenditures	(195,549)	(160,613)	(356,162)
Other financing sources (uses)			
Transfers (to) from other funds	40,650	160,613	201,263
Total other financing sources (uses)	40,650	160,613	201,263
Net change in fund balances	(154,899)	-	(154,899)
Fund balances, beginning of year, as previously reported	365,411	-	365,411
Prior period adjustment	-	-	-
Fund balances, beginning of year, as restated	365,411	-	365,411
Fund balances, end of year	\$ 210,512	\$ -	\$ 210,512

**Town of La Grange, North Carolina
Volunteer Fire Department Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019**

Exhibit D-1

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted Intergovernmental:			
Lenoir County fire district taxes	\$ 90,060	\$ 92,877	\$ 2,817
Wayne County fire district taxes	4,805	5,231	426
Lenoir County local option sales taxes	14,000	19,953	5,953
Sales tax refund	3,035	-	(3,035)
Total	111,900	118,061	6,161
Miscellaneous:			
Fundraising and contributions	22,000	24,676	2,676
Other income	-	587	587
Total	22,000	25,263	3,263
Investment earnings	600	2,557	1,957
Total revenues	134,500	145,881	11,381
Expenditures			
Public Safety:			
Repairs		15,814	
Fuel		7,264	
Firefighting supplies		26,479	
Insurance		31,184	
Radio maintenance		3,891	
Utilities		13,101	
Pension		8,152	
Dues		3,047	
Fundraising		2,146	
Capital outlay		230,352	
Total expenditures	385,502	341,430	44,072
Revenues over (under) expenditures	(251,002)	(195,549)	55,453

**Town of La Grange, North Carolina
Volunteer Fire Department Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019**

Exhibit D-1

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses)			
Transfers from (to) other funds:			
Transfers from other funds	40,650	40,650	-
Total other financing sources (uses)	40,650	40,650	-
Appropriated fund balance	210,352	-	(210,352)
Net change in fund balance	<u>\$ -</u>	(154,899)	<u>\$ (154,899)</u>
Fund balances, beginning of year, as previously reported		365,411	
Prior period adjustment			
Fund balances, beginning of year, as restated		365,411	
Fund balance, end of year		<u>\$ 210,512</u>	

**Town of La Grange, North Carolina
Hurricane Florence Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019**

Exhibit D-2

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Environmental Protection			
Hurricane Florence - General Fund	\$ 3,000	\$ 5,530	\$ (2,530)
Hurricane Florence - Electric Fund	70,000	72,992	(2,992)
Hurricane Florence - Water and Sewer Fund	82,000	81,607	393
Public Safety			
Hurricane Florence - Fire Department	500	484	16
Total expenditures	155,500	160,613	(5,113)
Revenues over (under) expenditures	(155,500)	(160,613)	5,113
Other financing sources (uses)			
Transfers from other funds			
Transfer from General Fund	3,000	48,282	45,282
Transfer from Electric Fund	70,000	52,206	(17,794)
Transfer from Water and Sewer Fund	82,000	60,125	(21,875)
Transfer from Fire Department Fund	500	-	(500)
Total other financing sources (uses)	155,500	160,613	5,113
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			-
Fund balance, end of year		\$ -	

Town of La Grange, North Carolina
Electric Fund Statement of Revenues and Expenditures –
Budget and Actual – (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
Exhibit E-1

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues:			
Charges for services:			
Electric charges	\$ 3,590,798	\$ 3,552,405	\$ (38,393)
Service charges	15,000	15,880	880
Total charges for services	3,605,798	3,568,285	(37,513)
Other operating revenues	-	4,285	4,285
Total operating revenues	3,605,798	3,572,570	(33,228)
Nonoperating revenues:			
Federal grants	82,000	52,206	(29,794)
Electricities grant	-	5,000	5,000
Investment earnings	2,500	10,634	8,134
Sale of Materials	500	2,277	1,777
Miscellaneous revenues	2,000	2,514	514
Sales tax refund	15,000	-	(15,000)
Rental income	30,261	16,056	(14,205)
Total nonoperating revenues	132,261	88,687	(43,574)
Total revenues	3,738,059	3,661,257	(76,802)
Expenditures			
Electrical operations:			
Salaries and employee benefits		472,497	
Contracted services		49,505	
Maintenance and repairs		11,811	
Reimbursement to General Fund		14,000	
Other operating expenditures		441,901	
Total	1,065,295	989,714	75,581
Electrical power purchases	2,390,022	2,419,673	(29,651)
Capital outlay	14,500	10,043	4,457

Town of La Grange, North Carolina
Electric Fund Statement of Revenues and Expenditures –
Budget and Actual – (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
Exhibit E-1

	Final Budget	Actual	Variance Positive (Negative)
Debt Service:			
Principal Payments	86,242	80,997	5,245
Interest Payments	-	5,391	(5,391)
Total	86,242	86,388	(146)
Total expenditures	3,556,059	3,505,818	50,241
Revenues over (under) expenditures	182,000	155,439	(26,561)
Other financing sources (uses)			
Transfers to other funds	(182,000)	(152,206)	29,794
Total Other financing sources (uses)	(182,000)	(152,206)	29,794
Revenues, and other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ 3,233	\$ 3,233
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues, and other financing sources, and appropriated fund balance over (under) expenditures and other financing uses		\$ 3,233	
Reconciling items:			
Debt principal		80,997	
Depreciation		(123,954)	
Decrease in accrued interest payable		649	
Decrease in accrued compensated absences		1,271	
Increase in net pension liability		(48,841)	
Increase in deferred outflows of resources - pensions		39,531	
Decrease in deferred inflows of resources - pensions		1,772	
Total reconciling items		(48,575)	
Change in net position		\$ (45,342)	

Town of La Grange, North Carolina
Water and Sewer Fund Statement of Revenues and Expenditures –
Budget and Actual – (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
Exhibit E-2

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues:			
Charges for services:			
Water charges	\$ 680,000	\$ 677,052	\$ (2,948)
Sewer charges	640,425	636,975	(3,450)
Water and sewer taps	1,200	1,320	120
Total charges for services	1,321,625	1,315,347	(6,278)
Other operating revenues	101,500	53,928	(47,572)
Total operating revenues	1,423,125	1,369,275	(53,850)
Nonoperating revenues:			
Federal grants	70,000	60,125	(9,875)
Investment earnings	3,575	10,603	7,028
Rental income	20,956	21,650	694
Sale of scrap metal	-	178	178
Miscellaneous revenues	-	(803)	(803)
Local option sales taxes	38,500	43,633	5,133
Total nonoperating revenues	133,031	135,386	2,355
Total revenues	1,556,156	1,504,661	(51,495)
Expenditures			
Water operations:			
Salaries and employee benefits		152,755	
Utilities		37,015	
Repairs and maintenance		831	
Contracted services		48,208	
Other operating expenditures		78,390	
Total	405,745	317,199	88,546
Sewer operations:			
Salaries and employee benefits		144,615	
Utilities		70,308	
Repairs and maintenance		5,387	
Contracted services		49,518	
Other operating expenditures		94,728	
Total	398,518	364,556	33,962

Town of La Grange, North Carolina
Water and Sewer Fund Statement of Revenues and Expenditures –
Budget and Actual – (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
Exhibit E-2

	Final Budget	Actual	Variance Positive (Negative)
Wastewater operations:			
Salaries and employee benefits		96,058	
Utilities		16,675	
Repairs and maintenance		16,864	
Contracted services		16,051	
Other operating expenditures		25,397	
Total	209,346	171,045	38,301
Capital outlay	431,840	365,805	66,035
Debt service:			
Note principal		6,699	
Interest and fees		14,008	
Total	20,707	20,707	-
Total expenditures	1,466,156	1,239,312	226,844
Revenues over (under) expenditures	90,000	265,349	175,349
Other financing sources (uses)			
Sale of capital assets	-	400	400
Transfers to other funds	(90,000)	(80,125)	9,875
Total other financing sources (uses)	(90,000)	(79,725)	10,275
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ 185,624	\$ 185,624

Town of La Grange, North Carolina
Water and Sewer Fund Statement of Revenues and Expenditures –
Budget and Actual – (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
Exhibit E-2

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

	Actual
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	\$ 185,624
Reconciling items:	
Capital outlay	365,805
Debt principal	6,699
Decrease in accrued compensated absences	2,269
Decrease in accrued OPEB liability	8,259
Increase in net pension liability	(29,595)
Increase in deferred outflows of resources - pensions	24,835
Decrease in deferred inflows of resources - pensions	3,337
Decrease in accrued interest payable	72
Depreciation	(401,506)
Total reconciling items	(19,825)
Change in net position	\$ 165,799

Town of La Grange, North Carolina
Well Capital Project Fund
Statement of Revenues and Expenditures –
Budget and Actual – (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019
Exhibit E-3

	Project Authorization	Actual		Total to Date	variance Positive (Negative)
		Prior Years	Current Year		
Expenditures					
Engineering	\$ 40,000	\$ 36,755	\$ 9,609	\$ 46,364	\$ (6,364)
Total expenditures	40,000	36,755	9,609	46,364	(6,364)
Revenues over (under) expenditures	(40,000)	(36,755)	(9,609)	(46,364)	(6,364)
Other financing sources					
Transfers from Water and Sewer Fund	40,000	40,000	-	40,000	-
Total other financing sources	40,000	40,000	-	40,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 3,245	\$ (9,609)	\$ (6,364)	\$ (6,364)

Town of La Grange, North Carolina
Schedule of Cash and Cash Equivalent Balances
June 30, 2019
Schedule 1

Cash and Cash Equivalents:	
On hand	\$ 500
In time deposits	992,564
Certificates of deposit	706,329
	1,699,393
Investments:	
North Carolina Capital Management Trust	2,218,010
	2,218,010
Total cash and investments	\$ 3,917,403
Distribution by funds:	
General Fund	\$ 1,866,623
Capital Reserve Fund	11
Volunteer Fire Department Fund	207,524
Electric Fund	899,859
Water and Sewer Fund	943,386
	943,386
Total cash and investments	\$ 3,917,403
Unrestricted:	
Cash and cash equivalents	\$ 1,285,911
Investments	1,938,953
	1,938,953
Total unrestricted	3,224,864
Restricted:	
Cash and cash equivalents	413,482
Investments	279,057
	279,057
Total restricted	692,539
Total cash and investments	\$ 3,917,403

Town of La Grange, North Carolina
General Fund Schedule of Ad Valorem Taxes Receivable
June 30, 2019
Schedule 2

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 706,040	\$ 675,883	\$ 30,157
2017-2018	34,797	-	16,422	18,375
2016-2017	15,673	-	5,166	10,507
2015-2016	8,019	-	1,937	6,082
2014-2015	6,168	-	1,383	4,785
2013-2014	6,680	-	779	5,901
2012-2013	5,706	-	1,124	4,582
2011-2012	3,914	-	378	3,536
2010-2011	2,826	-	155	2,671
2009-2010	2,699	-	157	2,542
2008-2009	3,499	-	3,499	-
	<u>\$ 89,981</u>	<u>\$ 706,040</u>	<u>\$ 706,883</u>	<u>\$ 89,138</u>
Less allowance for uncollectible ad valorem taxes receivable				(30,099)
Ad valorem taxes receivable, net				<u>\$ 59,039</u>
Reconciliation with revenues:				
Total ad valorem taxes - General Fund				\$ 708,740
Penalties and interest, net of discounts				(6,847)
Amounts written off for prior year taxes and releases				4,990
Total collections and credits				<u><u>\$ 706,883</u></u>

Town of La Grange, North Carolina
General Fund Analysis of Current Tax Levy – Town-wide Levy
For the Fiscal Year Ended June 30, 2019
Schedule 3

	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 126,951,504	0.532	\$ 675,382	\$ 594,653	\$ 80,729
Property taxed at prior year's rate	3,603,759	0.532	19,172	-	19,172
Penalties and interest	-		575	575	-
	<u>130,555,263</u>		<u>695,129</u>	<u>595,228</u>	<u>99,901</u>
Discoveries:					
Current year taxes	2,050,940	0.532	10,911	10,911	-
Releases	-	0.532	-	-	-
Total property valuation	<u>\$ 132,606,203</u>				
Net levy			706,040	606,139	99,901
Uncollected taxes at June 30, 2019			(30,157)	(30,157)	-
Current year's taxes collected			\$ 675,883	\$ 575,982	\$ 99,901
Current levy collection percentage			95.73%	95.02%	100.00%



**Statistical Section
(Unaudited)**

Town of La Grange, North Carolina
Net Position by Component
Last Ten Years
(Accrual Basis of Accounting)

Table 1

<i>Year Ended June 30,</i>	2010	2011	2012	2013
Governmental activities				
Net investment in capital assets	\$ 2,804,333	\$ 2,688,005	\$ 2,454,952	\$ 2,182,552
Restricted	18,654	710,501	113,853	470,682
Unrestricted	1,377,637	514,603	1,239,900	903,529
Total	\$ 4,200,624	\$ 3,913,109	\$ 3,808,705	\$ 3,556,763
Business-type activities				
Net investment in capital assets	\$ 8,466,410	\$ 10,008,440	\$ 9,903,170	\$ 9,133,249
Restricted	-	28,670	-	456,842
Unrestricted	748,519	843,281	694,268	1,240,390
Total	\$ 9,214,929	\$ 10,880,391	\$ 10,597,438	\$ 10,830,481
Primary government				
Net investment in capital assets	\$ 11,270,743	\$ 12,696,445	\$ 12,358,122	\$ 11,315,801
Restricted	18,654	739,171	113,853	927,524
Unrestricted	2,126,156	1,357,884	1,934,168	2,143,919
Total	\$ 13,415,553	\$ 14,793,500	\$ 14,406,143	\$ 14,387,244

Town of La Grange, North Carolina
Net Position by Component
Last Ten Years
(Accrual Basis of Accounting)

Table 1

2014	2015	2016	2017	2018	2019
2,205,338	\$ 2,222,826	\$ 2,148,194	\$ 1,975,234	\$ 1,887,497	\$ 2,084,635
1,010,419	870,312	771,768	557,310	710,004	703,209
527,875	596,517	716,666	954,996	1,169,586	1,492,853
<u>\$ 3,743,632</u>	<u>\$ 3,689,655</u>	<u>\$ 3,636,628</u>	<u>\$ 3,487,540</u>	<u>\$ 3,767,087</u>	<u>\$ 4,280,697</u>
9,416,523	\$ 9,066,437	\$ 8,700,504	\$ 8,345,803	\$ 7,948,839	\$ 7,886,488
66,133	65,521	-	-	-	-
1,295,721	1,116,113	1,234,230	1,479,423	1,683,907	1,866,715
<u>\$ 10,778,377</u>	<u>\$ 10,248,071</u>	<u>\$ 9,934,734</u>	<u>\$ 9,825,226</u>	<u>\$ 9,632,746</u>	<u>\$ 9,753,203</u>
\$ 11,621,861	\$ 11,289,263	\$ 10,848,698	\$ 10,321,037	\$ 9,836,336	\$ 9,971,123
1,076,552	935,833	771,768	557,310	710,004	703,209
1,823,596	1,712,630	1,950,896	2,434,419	2,853,493	3,359,568
<u>\$ 14,522,009</u>	<u>\$ 13,937,726</u>	<u>\$ 13,571,362</u>	<u>\$ 13,312,766</u>	<u>\$ 13,399,833</u>	<u>\$ 14,033,900</u>

Town of La Grange, North Carolina
Change in Net Position
Last Ten Years
(Accrual Basis of Accounting)
Table 2

<i>Year Ended June 30,</i>	2010	2011	2012	2013
Expenses				
Governmental Activities:				
General government	\$ 176,841	\$ 177,167	\$ 199,661	\$ 157,003
Public safety	695,133	645,115	637,167	764,576
Human services	5,580	3,568	5,726	5,990
Transportation	471,271	494,139	551,473	495,248
Cultural and recreational	37,527	68,079	85,940	77,939
Environmental protection	294,646	301,737	296,715	315,474
Interest on long-term debt	26,254	21,234	17,237	13,800
Total	1,707,252	1,711,039	1,793,919	1,830,030
Business-type activities:				
Electric	3,708,129	3,809,376	3,893,225	3,661,069
Water and sewer	1,349,782	1,606,184	1,820,900	1,638,049
Total	5,057,911	5,415,560	5,714,125	5,299,118
Total primary government	\$ 6,765,163	\$ 7,126,599	\$ 7,508,044	\$ 7,129,148
Program Revenues				
Governmental activities:				
Charges for services:				
Environmental protection	\$ 342,937	\$ 344,195	\$ 343,039	\$ 362,309
Public safety	50,224	6,740	42,168	41,097
Cultural and recreational	-	-	-	-
General government	39,547	375	-	12,500
Operating grants and contributions	97,358	88,346	137,935	231,657
Capital grants and contributions	-	-	92,487	4,838
Total	530,066	439,656	615,629	652,401
Business-type activities:				
Charges for services:				
Electric	3,868,201	4,010,677	3,700,161	3,722,188
Water and Sewer	1,155,253	1,359,630	1,423,849	1,375,839
Operating grants and contributions	-	-	52,913	338
Capital grants and contributions	-	-	200,936	40,000
Total	5,023,454	5,370,307	5,377,859	5,138,365
Total primary government	\$ 5,553,520	\$ 5,809,963	\$ 5,993,488	\$ 5,790,766

Town of La Grange, North Carolina
Change in Net Position
Last Ten Years
(Accrual Basis of Accounting)
Table 2

	2014	2015	2016	2017	2018	2019
\$	159,342	\$ 141,847	\$ 170,280	\$ 147,153	\$ 140,767	\$ 147,783
	768,452	672,763	762,806	847,376	759,116	745,131
	6,553	5,287	2,367	4,580	4,681	4,755
	522,616	544,717	519,225	485,303	260,942	260,045
	349,571	327,892	309,758	330,652	317,605	492,637
	59,598	119,107	169,374	159,780	145,547	161,996
	18,163	15,659	12,012	11,551	8,635	5,749
	<u>1,884,295</u>	<u>1,827,272</u>	<u>1,945,822</u>	<u>1,986,395</u>	<u>1,637,293</u>	<u>1,818,096</u>
	3,918,219	3,826,037	3,323,921	3,455,594	3,379,845	3,554,393
	1,684,632	1,683,907	1,696,617	1,688,987	1,684,874	1,259,137
	5,602,851	5,509,944	5,020,538	5,144,581	5,064,719	4,813,530
\$	<u>7,487,146</u>	<u>7,337,216</u>	<u>6,966,360</u>	<u>7,130,976</u>	<u>6,702,012</u>	<u>6,631,626</u>
\$	353,494	\$ 344,562	\$ 329,317	\$ 401,520	\$ 364,242	\$ 397,520
	49,683	9,271	22,644	119,279	-	-
	-	-	37,854	50,718	47,951	62,842
	40,000	-	59,340	12,601	10,129	7,697
	216,263	198,819	125,864	140,515	219,349	279,192
	298,629	85,282	-	-	-	-
	<u>958,069</u>	<u>637,934</u>	<u>575,019</u>	<u>724,633</u>	<u>641,671</u>	<u>747,251</u>
	3,844,206	3,764,577	3,439,139	3,378,393	3,541,838	3,572,570
	1,331,795	1,319,308	1,317,409	1,378,546	1,325,853	1,369,275
	4,867,691	-	-	156,585	-	117,331
	350,000	-	-	-	-	-
	<u>10,393,692</u>	<u>5,083,885</u>	<u>4,756,548</u>	<u>4,913,524</u>	<u>4,867,691</u>	<u>5,059,176</u>
\$	<u>11,351,761</u>	<u>5,721,819</u>	<u>5,331,567</u>	<u>5,638,157</u>	<u>5,509,362</u>	<u>5,806,427</u>

Town of La Grange, North Carolina
Change in Net Position
Last Ten Years
(Accrual Basis of Accounting)
Table 2

<i>Year Ended June 30,</i>	2010	2011	2012	2013
Net (Expense) Revenue				
Governmental activities	\$ (1,177,186)	\$ (1,271,383)	\$ (1,178,290)	\$ (1,177,629)
Business-type activities	(34,457)	(45,253)	(336,266)	(160,753)
Total primary government	\$ (1,211,643)	\$ (1,316,636)	\$ (1,514,556)	\$ (1,338,382)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 602,153	\$ 606,691	\$ 613,905	\$ 617,941
Sales taxes	165,609	165,810	178,366	165,867
Franchise taxes	172,754	172,754	172,032	166,540
Investment earnings	4,245	5,376	2,381	3,073
Miscellaneous	197,579	74,751	29,124	28,721
Gain (Loss) on disposal of capital assets	-	-	-	(17,888)
Transfers	(76,362)	(41,514)	78,077	(315,778)
Total	1,065,978	983,868	1,073,885	648,476
Business-type activities:				
Sales tax	32,153	32,801	34,195	37,237
Other taxes	-	1,596,182	-	-
Investment earnings	2,311	2,459	2,314	1,479
Miscellaneous	174,025	37,761	94,881	63,714
Gain (loss) on disposal of capital assets	-	-	-	(24,412)
Transfers	76,362	41,514	(78,077)	315,778
Total	284,851	1,710,717	53,313	393,796
Total primary government	\$ 1,350,829	\$ 2,694,585	\$ 1,127,198	\$ 1,042,272
Change in Net Position				
Governmental activities	\$ (111,208)	\$ (287,515)	\$ (104,405)	\$ (529,153)
Business-type activities	250,394	1,665,464	(282,953)	233,043
Total primary government	\$ 139,186	\$ 1,377,949	\$ (387,358)	\$ (296,110)

Town of La Grange, North Carolina
Change in Net Position
Last Ten Years
(Accrual Basis of Accounting)
Table 2

(continued)					
2014	2015	2016	2017	2018	2019
\$ (926,226)	\$ (1,189,338)	\$ (1,370,803)	\$ (1,261,762)	\$ (995,622)	\$ (1,070,845)
4,790,841	(426,059)	(263,990)	(231,057)	(197,028)	245,646
<u>\$ 3,864,615</u>	<u>\$ (1,615,397)</u>	<u>\$ (1,634,793)</u>	<u>\$ (1,492,819)</u>	<u>\$ (1,192,650)</u>	<u>\$ (825,199)</u>
\$ 624,057	\$ 624,057	\$ 643,216	\$ 633,669	\$ 707,470	\$ 709,290
178,144	178,144	184,725	214,271	226,971	259,850
198,367	198,367	195,316	193,706	174,984	175,316
2,425	2,425	2,200	4,393	9,505	17,005
80,207	80,207	115,971	47,807	31,133	176,165
(14,737)	(14,737)	6,933	18,828	27,398	-
98,990	98,990	169,415	-	90,000	232,331
<u>1,167,453</u>	<u>1,167,453</u>	<u>1,317,776</u>	<u>1,112,674</u>	<u>1,267,461</u>	<u>1,569,957</u>
34,847	34,847	31,956	36,801	48,729	43,633
-	-	-	-	-	-
1,452	1,452	1,444	4,090	6,057	21,237
58,536	58,536	71,488	73,811	42,745	41,872
7,575	7,575	15,180	6,847	21,202	400
(98,990)	(98,990)	(169,415)	-	(90,000)	(232,331)
<u>3,420</u>	<u>3,420</u>	<u>(49,347)</u>	<u>121,549</u>	<u>28,733</u>	<u>(125,189)</u>
<u>\$ 1,170,873</u>	<u>\$ 1,170,873</u>	<u>\$ 1,268,429</u>	<u>\$ 1,234,223</u>	<u>\$ 1,296,194</u>	<u>\$ 1,444,768</u>
\$ 241,227	\$ (21,885)	\$ (53,027)	\$ (149,088)	\$ 271,839	\$ 499,112
4,794,261	(422,639)	(313,337)	(109,508)	(168,295)	120,457
<u>\$ 5,035,488</u>	<u>\$ (444,524)</u>	<u>\$ (366,364)</u>	<u>\$ (258,596)</u>	<u>\$ 103,544</u>	<u>\$ 619,569</u>

Town of La Grange, North Carolina
Fund Balances – Governmental Funds
Post GASB 54
(Modified Accrual Basis of Accounting)
Table 3

<i>June 30,</i>	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,430	\$ 41,381
Restricted	710,501	113,853	141,928	442,858	493,960	445,697	262,229	344,593	492,697
Comitted	-	707,661	410,209	431,089	453,687	446,650	481,947	522,071	546,355
Assigned	8,000	28,000	75,000	-	-	-	-	-	-
Unassigned	442,659	464,942	366,237	302,640	298,164	431,810	449,048	639,365	940,813
Total	\$ 1,161,160	\$ 1,314,456	\$ 993,374	\$ 1,176,587	\$ 1,245,811	\$ 1,324,157	\$ 1,193,224	\$ 1,545,459	\$ 2,021,246
All Other Governmental Funds:									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	328,754	567,561	376,352	326,071	295,081	365,411	210,512
Comitted	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(271,279)	(186,448)	(200,875)	-	-	-
Total	\$ -	\$ -	\$ 328,754	\$ 296,282	\$ 189,904	\$ 125,196	\$ 295,081	\$ 365,411	\$ 210,512

Note: GASB 54 was adopted for the year ended June 30, 2011.

Town of La Grange, North Carolina
Fund Balances – Governmental Funds
Pre GASB 54
(Modified Accrual Basis of Accounting)
Table 4

<i>June 30,</i>	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$ 125,038	\$ 115,152	\$ 90,480	\$ 124,473	\$ 133,485	\$ 67,767
Unreserved	741,629	801,025	791,765	720,745	593,669	547,746
Total	\$ 866,667	\$ 916,177	\$ 882,245	\$ 845,218	\$ 727,154	\$ 615,513
All Other Governmental Funds:						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:						
Special revenue funds	286,499	470,535	636,475	750,598	807,636	707,569
Total	\$ 286,499	\$ 470,535	\$ 636,475	\$ 750,598	\$ 807,636	\$ 707,569

Note: GASB 54 was adopted for the year ended June 30, 2011.

Town of La Grange, North Carolina
Changes in Fund Balances – Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

Table 5

<i>Year Ended June 30,</i>	2010	2011	2012	2013
Revenues				
Ad valorem taxes	\$ 604,688	\$ 604,315	\$ 619,043	\$ 608,178
Local option sales taxes	165,609	165,810	178,366	165,867
Other taxes and licenses	6,428	50	-	-
Unrestricted intergovernmental	164,509	172,954	170,627	163,524
Restricted intergovernmental	99,175	88,096	226,321	233,033
Permits and fees	5,271	7,115	12,319	12,737
Sales and services	427,437	344,195	390,405	400,572
Investment earnings	4,245	5,376	2,382	3,073
Miscellaneous	184,829	67,523	33,513	29,222
Total revenues	1,662,191	1,455,434	1,632,976	1,616,206
Expenditures				
General government	158,160	250,370	181,557	142,383
Public safety	640,467	608,153	595,056	740,207
Transportation	462,421	293,658	316,008	3,843
Cultural and recreational	116,038	54,971	251,254	222,420
Human Services	3,433	3,568	3,579	256,433
Environmental protection	278,315	252,201	65,930	308,134
Debt service:				
Principal retirement	125,199	98,910	102,906	114,721
Interest and fees	26,254	21,234	17,237	13,800
Total expenditures	1,810,287	1,583,065	1,533,527	1,801,941
Revenues over/under expenditures	(148,096)	(127,631)	99,449	(185,735)
Other financing sources (uses)				
Operating transfers from other funds	83,210	21,737	50,627	-
Operating transfers to other funds	(159,572)	(63,251)	-	(315,778)
Total operating transfers	(76,362)	(41,514)	50,627	(315,778)
Proceeds from sale of capital assets	12,750	7,228	3,220	6,974
Loan proceeds	-	-	-	225,000
Total other financing sources (uses)	(63,612)	(34,286)	53,847	(83,804)
Net changes in fund balance	\$ (211,708)	\$ (161,917)	\$ 153,296	\$ (269,539)
Debt service as a percentage of noncapital expenditures	8.37%	7.59%	7.83%	7.13%

Town of La Grange, North Carolina
Changes in Fund Balances – Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

Table 5

2014	2015	2016	2017	2018	2019
\$ 645,440	\$ 633,450	\$ 643,216	\$ 633,669	\$ 708,474	\$ 708,740
165,165	178,144	183,072	214,271	226,971	259,850
-	-	-	-	-	-
179,420	198,367	195,316	193,706	174,984	175,316
451,739	284,101	210,695	240,623	219,349	279,192
9,853	9,381	22,644	12,601	10,129	7,697
428,448	351,830	388,657	400,079	436,972	459,574
2,128	2,425	2,200	4,393	9,505	17,005
35,211	107,203	70,648	121,136	31,133	176,165
<u>1,917,404</u>	<u>1,764,901</u>	<u>1,716,448</u>	<u>1,820,478</u>	<u>1,817,517</u>	<u>2,083,539</u>
144,294	130,944	218,068	148,126	115,066	119,738
798,908	693,543	854,189	914,207	715,207	929,655
387,197	252,501	241,828	228,236	246,758	233,172
259,594	410,978	142,187	119,077	106,174	192,785
4,406	3,603	1,146	3,359	3,460	3,534
449,604	226,499	238,257	433,494	234,559	434,649
115,806	169,314	170,108	152,851	124,277	90,838
17,387	16,911	13,375	11,747	9,759	7,060
<u>2,177,196</u>	<u>1,904,293</u>	<u>1,879,158</u>	<u>2,011,097</u>	<u>1,555,260</u>	<u>2,011,431</u>
(259,792)	(139,392)	(162,710)	(190,619)	262,257	72,108
50,000	98,990	169,415	-	90,000	321,263
-	-	-	-	-	(88,932)
<u>50,000</u>	<u>98,990</u>	<u>169,415</u>	<u>-</u>	<u>90,000</u>	<u>232,331</u>
4,985	3,250	6,933	18,828	27,558	-
319,360	-	-	210,743	-	-
<u>374,345</u>	<u>102,240</u>	<u>176,348</u>	<u>229,571</u>	<u>117,558</u>	<u>232,331</u>
<u>\$ 114,553</u>	<u>\$ (37,152)</u>	<u>\$ 13,638</u>	<u>\$ 38,952</u>	<u>\$ 379,815</u>	<u>\$ 304,439</u>
6.12%	9.78%	9.76%	8.18%	8.62%	4.87%

Town of La Grange, North Carolina
Direct and Overlapping Property Tax Rates
Last Ten Years
Table 6

Year Ended June 30,	Town Direct Rates		Overlapping Rates		Total Direct and Overlapping Rates
	General Fund Rate	Total Direct Rate	Fire District	County Rate	
2010	0.450	0.450	0.040	0.800	1.290
2011	0.450	0.450	0.040	0.800	1.290
2012	0.450	0.450	0.040	0.800	1.290
2013	0.450	0.450	0.040	0.800	1.290
2014	0.450	0.450	0.040	0.835	1.325
2015	0.450	0.450	0.040	0.835	1.325
2016	0.470	0.470	0.040	0.835	1.345
2017	0.470	0.470	0.040	0.835	1.345
2018	0.532	0.532	0.040	0.830	1.402
2019	0.532	0.532	0.040	0.830	1.402

Note: Tax rates are based on \$100 per assessed valuation for the Town of La Grange and all overlapping governments.

Source: Lenoir County Tax Administrator

Town of La Grange, North Carolina
Governmental Funds Tax Revenues by Source
Last Ten Years
(Modified Accrual Basis of Accounting)
Table 7

Year Ended June 30,	Property Tax	Sales Tax	Privilege License Tax	Utility Tax	Beer and Wine tax	Other Taxes	Total
2010	\$ 604,688	\$ 165,609	\$ 6,428	\$ 160,425	\$ 3,969	\$ 115	\$ 941,234
2011	604,315	165,810	50	160,478	12,226	250	943,129
2012	619,043	178,366	-	157,484	12,448	695	968,036
2013	608,178	165,867	-	151,516	11,579	429	937,569
2014	645,440	165,165	-	151,445	12,550	425	975,025
2015	633,450	178,144	-	169,790	13,612	965	995,961
2016	643,216	183,072	-	168,810	12,506	-	1,007,604
2017	633,669	214,271	-	166,921	12,746	39	1,027,646
2018	708,474	226,971	-	162,969	12,015	-	1,110,429
2019	708,740	259,850	-	163,425	11,891	-	1,143,906

Town of La Grange, North Carolina
Assessed Value of Taxable Property
Last Ten Years
Table 8

Year Ended June 30,	Real Property	Personal Property	Public Service Companies	Registered Motor Vehicles	Total Property Valuation	Total Direct Tax Rate Per \$100
2010	\$ 110,289,723	\$ 4,690,508	\$ 2,296,134	\$ 15,324,392	\$ 132,600,757	0.450
2011	112,018,774	4,662,463	2,095,414	14,220,990	132,997,641	0.450
2012	112,401,662	4,723,929	1,981,828	15,807,432	134,914,851	0.450
2013	112,395,682	5,083,505	2,002,631	15,744,689	135,226,507	0.450
2014	111,721,803	5,540,476	1,887,720	21,637,778	140,787,777	0.450
2015	104,677,655	5,191,145	1,724,998	25,826,202	137,420,000	0.450
2016	112,437,579	5,954,666	2,145,584	17,620,851	138,158,680	0.470
2017	112,836,496	5,611,974	1,923,057	18,697,660	139,069,187	0.470
2018	105,557,559	5,460,400	2,427,255	19,036,651	132,481,865	0.532
2019	105,422,598	6,401,964	2,003,212	18,778,429	132,606,203	0.532

Source: Lenoir County Tax Administrator

Note: Property in the county is reassessed once every eight years. The last county-wide revaluation went into effect during the year ended June 30, 2018. The county assesses property at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Town of La Grange, North Carolina
Property Tax Levies and Collections
Last Ten Years
Table 9

Year Ended June 30,	Original Levy	Adjustments	Total Adjusted Levy	Collections within the Year of the Levy		Collections in Subsequent Years	Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Adjusted Levy
2010	\$ 577,923	\$ 21,798	\$ 599,721	\$ 554,557	92.47%	\$ 42,622	\$ 597,179	99.58%
2011	588,077	10,630	598,707	553,247	92.41%	42,789	596,036	99.55%
2012	609,408	(1,933)	607,475	559,324	92.07%	44,615	603,939	99.42%
2013	609,171	1,855	611,026	558,722	91.44%	47,722	606,444	99.25%
2014	635,554	(1,654)	633,900	591,234	93.27%	36,765	627,999	99.07%
2015	611,124	7,713	618,837	587,798	94.98%	13,898	614,052	99.23%
2016	649,346	256	649,602	617,712	95.09%	25,808	643,520	99.06%
2017	652,934	973	653,907	620,284	94.86%	23,116	643,400	98.39%
2018	671,449	31,222	702,671	667,874	95.05%	16,422	684,296	97.38%
2019	675,382	30,658	706,040	675,883	95.73%	-	675,883	95.73%

Source: Lenoir County Tax Administrator

Note: Property in the county is reassessed once every eight years. The last county-wide revaluation went into effect during the year ended June 30, 2018. The county assesses property at actual value, therefore, the assessed values are equal to actual value.

Town of La Grange, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Years
Table 10

Year Ended June 30,	Governmental	Business-type	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	Activities	Activities			
	Installment Notes Payable	Installment Notes Payable			
2010	\$ 511,481	\$ 311,559	\$ 823,040	290	0.92%
2011	412,571	234,372	646,943	225	0.70%
2012	309,665	157,185	466,850	163	0.47%
2013	419,944	537,698	957,642	334	*
2014	623,498	497,699	1,121,197	393	*
2015	454,184	628,700	1,082,884	416	*
2016	284,076	591,662	875,738	346	*
2017	341,968	547,900	889,868	313	*
2018	217,692	694,392	912,084	329	*
2019	126,854	606,696	733,550	268	*

* Information not yet available

- (1) See table 12 for personal income and population data
- (2) The above table represents secured long-term debt.

Town of La Grange, North Carolina
Legal Debt Margin Information
Last Ten Years
Table 11

<i>June 30,</i>	2015	2016	2017	2018	2019
Debt Limit, 8% of assessed value	\$ 11,125,535	\$ 11,052,916	\$ 11,125,535	\$ 10,598,549	\$ 10,608,496
Total net debt applicable to limit	454,184	284,076	341,968	217,692	126,854
Legal Debt Margin	\$ 10,671,351	\$ 10,768,840	\$ 10,783,567	\$ 10,380,857	\$ 10,481,642
Total net debt applicable to the limit as a percentage of debt limit	4.08%	2.57%	3.07%	2.05%	1.20%
<i>June 30,</i>	2010	2011	2012	2013	2014
Debt Limit, 8% of assessed value	\$ 9,217,511	\$ 10,639,811	\$ 10,793,188	\$ 10,818,121	\$ 10,993,600
Total net debt applicable to limit	636,681	412,571	309,665	419,944	623,498
Legal Debt Margin	\$ 8,580,830	\$ 10,227,240	\$ 10,483,523	\$ 10,398,177	\$ 10,370,102
Total net debt applicable to the limit as a percentage of debt limit	6.91%	3.88%	2.87%	3.88%	5.67%

Town of La Grange, North Carolina
Demographic and Economic Statistics
Last Ten Years
Table 12

Year Ended June 30,	(1) Population	(2) Personal Income (in Thousands)	Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate Percentage
2010	2,834	\$ 1,866,662	\$ 31,426	9,228	11.30%
2011	2,873	1,900,136	32,022	9,231	11.10%
2012	2,868	2,051,045	34,630	9,086	10.60%
2013	2,869	*	*	9,211	10.00%
2014	2,854	*	*	9,167	8.80%
2015	2,854	*	*	9,167	8.80%
2016	2,816	*	*	9,167	6.40%
2017	2,844	*	*	9,167	5.90%
2018	2,774	*	*	9,167	4.20%
2019	2,733	*	*	*	4.00%

* Information not yet available

- (1) NC Office of State Planning-State Demographer
- (2) US Department of Commerce, Bureau of Economic Analysis
- (3) Lenoir County Board of Education
- (4) NC Bureau of Labor Statistics

Town of La Grange, North Carolina
Principal Employers
Current Year and Ten Years Ago
Table 13

Employer	2019			2009		
	Full Time Employees	Rank	Percentage of Total Town Employment	Full Time Employees	Rank	Percentage of Total Town Employment
Howell's Child Care	295	1	n/a	n/a	8	n/a
Cooper Crouse-Hinds	132	2	n/a	n/a	1	n/a
Lenoir County Schools	108	3	n/a	n/a	2	n/a
Food Lion	90	4	n/a	n/a	3	n/a
Bojangles	65	5	n/a	n/a	4	n/a
Sandpiper	60	6	n/a	n/a	9	n/a
P&D Precast	23	7	n/a	n/a	5	n/a
U.S. Post Office	20	8	n/a	n/a	6	n/a
Town of La Grange	20	9	n/a	n/a	7	n/a
Riley Landscaping	19	10	n/a	n/a	10	n/a

Town of La Grange, North Carolina
Full Time Equivalent Government Employees by Function/Program
Last Ten Years
Table 14

Function/Program	<i>Year Ended June 30,</i>									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:										
Administration	1	1	1	1	1	1	1	1	1	1
Finance/Clerk	4	4	4	4	4	4	4	4	4	4
Buildings	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Sworn Officers	c	c	c	c	c	c	c	c	c	c
Transportation	2	3	3	3	3	3	3	3	3	3
Environmental Protection:										
Refuse Collection	1	1	1	1	1	1	1	1	1	1
Cemetery	1	1	1	c	c	c	c	c	c	c
Electric operations	2	2	2	3	3	3	3	3	3	3
Water	3	3	3	4	4	4	4	4	4	4
Wastewater	3	3	3	3	3	3	3	3	3	3
Total	18	19	19	20	20	20	20	20	20	20

c - denotes contract with outside company

Town of La Grange, North Carolina
Capital Asset Statistics by Function/Program
Last Ten Years
Table 15

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Stations	0	0	0	0	0	0	0	1	1	1
Patrol Units	9	9	9	9	9	9	9	9	9	9
Fire Stations	1	1	1	1	1	1	1	1	1	1
Refuse Collection:										
Collection trucks	2	2	2	3	3	3	3	3	3	3
Other public works:										
Streets (miles)	22	22	22	22	22	22	22	22	22	22
Streetlights	385	385	385	385	385	385	385	426	428	428
Traffic signals	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Acreage	66	66	66	66	66	66	66	66	66	66
Playgrounds	1	1	1	1	1	1	1	1	1	1
Basketball courts	1	1	1	1	1	1	1	0	0	2
Soccer/Football fields	0	0	0	0	0	0	0	0	0	0
Community Spray-parks	1	1	1	1	1	1	1	1	1	1
Water:										
Water Mains (miles)	30	30	30	30	30	30	30	30	30	30
Fire Hydrants	209	209	209	209	209	209	209	209	209	209
Wastewater:										
Sanitary sewer (miles)	24	24	24	24	24	24	24	24	24	24
Storm Sewer (miles)	30	30	30	30	30	30	30	30	30	30
Treatment capacity (Kgals)	750	750	750	750	750	750	750	750	750	750
Electric:										
Electric Service Line (miles)	45	45	45	45	45	45	45	45	45	45
Average NCP kW	5,558	5,328	5,266	5,283	N/A	N/A	N/A	N/A	5314	5688
Maximum NCP kW	6,942	6,484	6,420	6,011	N/A	N/A	N/A	N/A	8003	6988



Compliance Section



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INDEPENDENT AUDITORS' 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 Town Council
Town of La Grange, 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 business-type activities, each major fund and the aggregate remaining fund information of the Town of La Grange, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of La Grange, North Carolina's basic financial statements and have issued our report thereon dated January 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of La Grange's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of La Grange's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of La Grange'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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 of La Grange's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cary Riggs & Ingram, L.L.C.

Goldsboro, North Carolina
January 15, 2020