

**Town of Landis
Landis, North Carolina
For the year ended
June 30, 2019**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Governance

Board of Aldermen Members

Mike Mahaley, Mayor

Tommy Garver, Mayor Pro Tempore

Seth Moore

Bobby G. Brown

Tony Corriher

Administrative and Financial Staff

Kenny Isenhour, Interim Town Manager

Roger Hosey, Interim Finance Officer

Town of Landis

Table of Contents
June 30, 2019

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	13
Exhibit 2 Statement of Activities	14
Fund Financial Statements:	
Exhibit 3 Balance Sheet – Governmental Funds	15-16
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17-18
Exhibit 5 Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual – General Fund and Storm Water Fund	19-20
Exhibit 6 Statement of Fund Net Position – Proprietary Fund	21
Exhibit 7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	22
Exhibit 8 Statement of Cash Flows – Proprietary Fund	23
Notes to the Financial Statements	24-56
Required Supplemental Financial Data:	
LEO Special Separation Allowance – Schedule Changes in Total Pension Liability and Pension Liability as a Percentage of Covered Payroll	57
Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System	58
Schedule of Contributions – Local Government Employees' Retirement System	59
Individual Fund Statements and Schedules:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	60-65
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Capital Projects	66

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Storm Water Fund	67
Schedule of Revenues and Expenditures – Budget and Actual – (Non-GAAP) Light Fund	68-69
Schedule of Revenues and Expenditures – Budget and Actual – (Non-GAAP) Sewer Fund	70-71
Schedule of Revenues and Expenditures – Budget and Actual – (Non-GAAP) Water Fund	72-73

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	74
Analysis of Current Tax Levy	75

Compliance Section:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed In Accordance with <u>Government Auditing Standards</u>	76-77
Schedule of Findings and Questioned Costs	78
Corrective Action Plan	79

EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor
And Board of Aldermen
Town of Landis, North Carolina

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 Landis, 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.

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

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

Opinions

In our opinion, based on our audit, 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 Landis, 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 of the General Fund and Storm Water 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 Management's Discussion and Analysis on pages 3 through 12, the Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll on page 57, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 58 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Landis, North Carolina's basic financial statements. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund 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. In our opinion, based on our audit, and the procedures performed as describe above, the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019, on our consideration of the Town of Landis, 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 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 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 Landis, North Carolina's internal control over financial reporting and compliance.

Eddie Carrick CPA, PC



Lexington, North Carolina
October 29, 2019

Town of Landis

Established in 1901

Mike Mahaley, Mayor

Tommy Garver, Mayor Pro Tem

Seth Moore, Alderman

Bobby Brown, Alderman

Tony Corriher, Alderman

Management's Discussion and Analysis

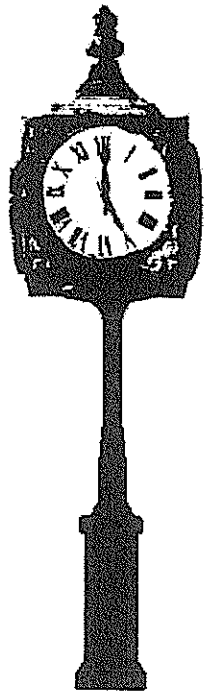
As management of the Town of Landis, we offer the readers of the Town of Landis' financial statements this narrative overview and analysis of the financial activities of the Town of Landis for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction 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 Landis exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,135,209 (*net position*).
- The government's total net position increased by \$944,686, primarily due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Landis' governmental funds reported combined ending fund balances of \$1,897,552 with a net increase of \$172,780 in fund balance. Approximately 85% of this total amount, or \$1,595,907, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$301,645 or 9% of total general fund expenditures for the fiscal year.
- The Town of Landis' total debt decreased by \$314,091. The key factors in this decrease were principal payments on notes payable of \$438,299, principal payments on general obligation bonds of \$72,000, a decrease in compensated absences of \$30,448, an increase in Law Enforcement Separation Allowance (LEO) of \$14,429, and an increase in net pension liability (LGERS) of \$212,227.

Overview of the Financial Statements

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



312 South Main Street

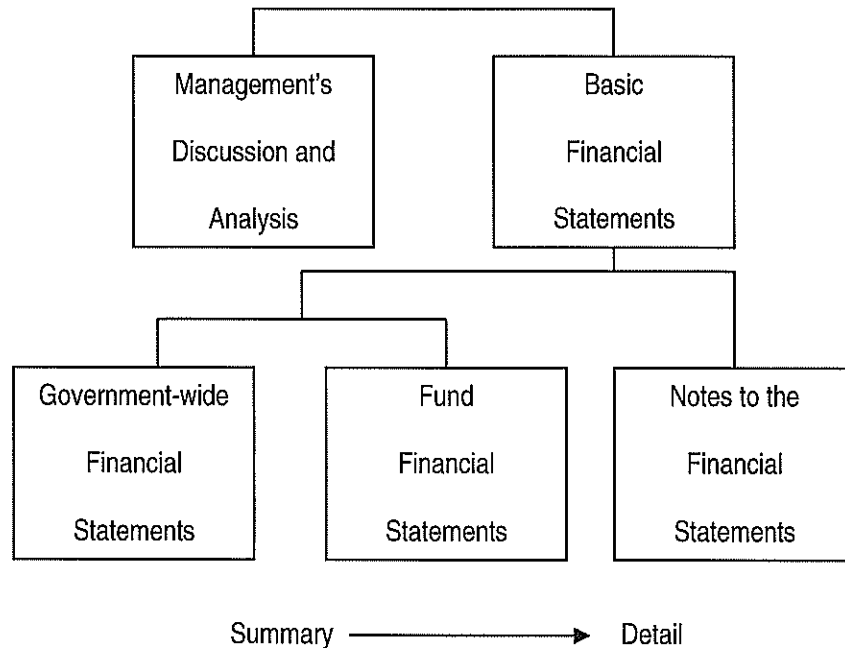
P. O. Box 8165

Landis, North Carolina 28088

Phone: 704.857.2411

Fax: 704.855.3350

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibit 3 through 8) 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 fund statements 2) the budgetary comparison statements and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as safety and security, transportation and administration. Property tax and state shared revenues finance these activities. The business-type activities are those that the Town charges customers to provide. These include light, water and sewer services offered by the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Landis, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Landis 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. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Management Discussion and Analysis

Town of Landis

The Town of Landis adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance the 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 in the same format, language and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board 2) the final budget as amended by the board 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the differences or variance between the final budget and 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 Landis has one type 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 uses an enterprise fund to account for its light, water and sewer activity. This fund is the same as the functions shown in the business-type activities in the Statement of Net position and Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

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

Management Discussion and Analysis
Town of Landis

Town of Landis's Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Current and other assets	\$ 2,061,106	\$ 1,894,500	\$ 2,214,464	\$ 1,577,453	\$ 4,275,570	\$ 3,471,953
Capital assets	4,281,034	4,387,728	13,930,201	14,469,272	18,211,235	18,857,000
Deferred outflows of resources	294,507	159,492	248,915	134,176	543,422	293,668
Total assets and deferred outflows of resources	6,636,647	6,441,720	16,393,580	16,180,901	23,030,227	22,622,621
Long-term liabilities	2,447,097	2,553,655	5,718,757	6,057,122	8,165,854	8,610,777
Other Liabilities	66,551	102,102	648,119	699,586	714,670	801,688
Deferred inflows of resources	10,272	10,356	4,222	9,277	14,494	19,633
Total liabilities and deferred inflows of resources	2,523,920	2,666,113	6,371,098	6,765,985	8,895,018	9,432,098
Net assets:						
Net investment in capital assets	2,239,815	2,160,114	8,629,647	8,844,815	10,869,463	11,004,929
Restricted for:						
Stabilization by State Statute	597,090	329,230	-	-	597,090	329,230
Capital project	23,506	111,537	-	-	23,506	111,537
Streets	504,027	743,403	-	-	504,027	743,403
Park construction	210,981	207,429	-	-	210,981	-
USDA loan reserve	75,550	75,550	161,958	130,858	237,508	-
Unrestricted	461,758	148,344	1,230,877	439,244	1,692,635	238,229
Total net position	\$ 4,112,727	\$ 3,775,607	\$ 10,022,482	\$ 9,414,917	\$ 14,135,209	\$ 13,190,523

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 exceeded liabilities and deferred inflows by \$14,135,209 as of June 30, 2019. The Town's net position increased by \$944,686 for the fiscal year ended June 30, 2019. However, the largest portion, \$10,869,463, or 77%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$1,573,112, or 12%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,692,635, or 11%, is unrestricted.

Management Discussion and Analysis
Town of Landis

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

- Overall prior maintenance of fixed assets.
- Non-essential employee positions are not being filled if vacated.
- Insurance proceeds

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Revenues						
Program revenues:						
Charges for services	\$ 407,476	\$ 368,870	\$ 9,355,519	\$ 8,587,096	\$ 9,762,995	\$ 8,955,966
Operating grants and contributions	260,928	231,709	-	-	260,928	231,709
Capital grants and contributions	43,265	519,659	-	-	43,265	519,659
General revenues:						
Property taxes	1,492,069	1,254,481	-	-	1,492,069	1,254,481
Stormwater fees	106,687	101,398	-	-	106,687	101,398
Grants and contrib. unrestricted to specific programs	1,055,997	994,609	-	-	1,055,997	994,609
Other	426,049	176,666	2,007	2,513	428,056	179,179
Total revenues	3,792,471	3,647,392	9,357,526	8,589,609	13,149,997	12,237,001
Expenses:						
General government	351,712	314,684	-	-	351,712	314,684
Public safety	1,646,703	1,706,453	-	-	1,646,703	1,706,453
Transportation	646,310	336,704	-	-	646,310	336,704
Environmental protection	258,938	270,067	-	-	258,938	270,067
Cultural and recreational	468,553	541,775	-	-	468,553	541,775
Interest on long-term debt	83,133	79,113	181,482	178,587	264,615	257,700
Water	-	-	766,855	851,293	766,855	851,293
Sewer	-	-	1,335,394	1,190,424	1,335,394	1,190,424
Light	-	-	6,466,229	6,916,727	6,466,229	6,916,727
Total expenses	3,455,349	3,248,796	8,749,960	9,137,031	12,205,309	12,385,827
Increase (decrease)in net position before transfers	337,120	398,597	607,565	(547,421)	944,686	(148,824)
Transfers	-	-	-	-	-	-
Change in net position	337,120	398,597	607,565	(547,421)	944,686	(148,824)
Net position, beginning	3,775,607	3,377,008	9,414,917	9,962,338	13,190,523	13,339,346
Net position June 30	\$ 4,112,727	\$ 3,775,607	\$ 10,022,482	\$ 9,414,917	\$ 14,135,209	\$ 13,190,523

Management Discussion and Analysis
Town of Landis

Governmental activities. Governmental activities increased the Town's net position by \$337,120, thereby accounting for 36% of the total increase in net position of the Town. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues. Increased efforts to maximize tax collections also contributed to the favorable net position. Town management acknowledges that 2019 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities: Business-type activities increased the Town's net position by \$607,565, accounting for 64% of the total increase in the government's net position.

Key elements of this increase are as follows:

- Overall increase in business-type revenues with overall decreases in expenditures

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$301,645 while total fund balance reached \$1,674,097. The Town currently has an available fund balance of 9% of general fund expenditures, while total fund balance represents 49% of the same amount.

At June 30, 2019, the governmental funds of the Town reported a combined fund balance of \$1,897,552, a \$172,780 increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund and decrease in fund balance in the Storm Water and Capital Projects Funds.

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

Management Discussion and Analysis
Town of Landis

There were several reasons the Town revised its budget throughout the year. The Town amend the budget in the General Fund in General Government, Public Safety, Transportation, and Cultural and Recreational departments to account for unexpected expenditures.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Funds at the end of the fiscal year amounted to \$998,215 and (\$420,794), respectively, and for the Electric Fund, \$653,455. The total change in net position for the Water and Sewer Funds was \$95,371 and \$32,925, respectively. The total change in net position for the Electric Fund was \$479,269. The change in net position in the Water Fund is a result of an increase in water revenue and a decrease in distribution expenditures. The change in net position in the Sewer Fund is a result of an increase in sewer charges and a decrease in capital outlay expenditures and the change in net position in the Electric Fund is a result of an increase in charges as well as a decrease in capital outlay expenditures.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$18,211,235 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following additions:

General Fund equipment and construction	\$ 105,320
Light Fund equipment and improvements	56,200
Water system improvements	73,315
Sewer system improvements	54,466

Town of Landis' Capital Assets (net of depreciation) (Figure 4)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Land and CIP	\$ 2,036,793	\$ 2,036,729	\$ 38,511	\$ 38,511	\$ 2,075,305	\$ 2,075,240
Buildings and systems	971,155	1,016,910	129,876	142,605	1,101,031	1,159,515
Infrastructure	111,525	120,724	12,282,880	12,620,289	12,394,405	12,741,013
Storm water improvements	29,986	11,560	-	-	29,986	11,560
Storm water equipment	32,389	-	-	-	32,389	-
Machinery / equipment	398,585	384,579	1,459,696	1,637,883	1,858,281	2,022,462
Vehicles / motorized equip.	700,601	817,226	19,238	29,984	719,839	847,210
	<u>\$ 4,281,034</u>	<u>\$ 4,387,728</u>	<u>\$ 13,930,201</u>	<u>\$ 14,469,272</u>	<u>\$ 18,211,235</u>	<u>\$ 18,857,000</u>

Additional information on the Town's capital assets can be found in Note III.A.3 of the Basic Financial Statements.

Management Discussion and Analysis
Town of Landis

Long-term Debt. As of June 30, 2019 the Town had two installment purchase contracts with USDA for safety vehicles and construction of \$989,558, an installment purchase the Bank of the Carolinas for a safety vehicle of \$269,596, two installment purchase contracts with Bank of the Ozarks for a sanitation vehicle and pool renovations of \$252,344, a financing agreement with the Bank of the Ozarks for construction improvements to their Lake Corriher Wilderness area of \$312,498, a financing agreement with F&M Bank for police cars of \$217,221, a financing agreement with F&M Bank for sewer equipment of \$324,762, an installment purchase contract with the NCDEQ for advanced metering infrastructure of \$180,788, public works bonds through USDA of \$4,576,000 and an installment purchase contract with the Bank OZK for the construction improvements of their electrical system of \$219,003.

(Figure 5)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Installment purchase payments	\$ 2,041,219	\$ 2,227,614	\$ 724,554	\$ 976,457	\$ 2,765,773	\$ 3,204,071
General obligation bonds	-	-	4,576,000	4,648,000	4,576,000	4,648,000
Net pension liability (LGERs)	335,390	225,803	304,905	202,265	640,295	428,068
LEO separation allowance	41,071	26,642	-	-	41,071	26,642
Compensated absences	29,417	73,596	113,298	99,567	142,715	173,163
	<u>\$ 2,447,097</u>	<u>\$ 2,553,655</u>	<u>\$ 5,718,757</u>	<u>\$ 5,926,289</u>	<u>\$ 8,165,854</u>	<u>\$ 8,479,944</u>

Town of Landis' Outstanding Debt

The Town of Landis' total debt decreased by \$314,091. The key factors in this decrease were principal payments on notes payable of \$438,299, principal payments on general obligation bonds of \$72,000, a decrease in compensated absences of \$30,448, an increase in Law Enforcement Separation Allowance (LEO) of \$14,429, and an increase in net pension liability (LGERs) of \$212,227.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of property located within that government's boundaries. The legal debt margin for the Town is \$23,504,167.

Additional information regarding the Town's long-term debt can be found in Note III.B.4 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Two major subdivisions continue to add new homes. It is projected that by the end of the 2019-2020 budget year there will be 75 new construction single family homes as well as 4 duplexes, 13 accessory structures and 18 new businesses. The Town estimates that in the next five years a total of 535 single family homes will be built in Irish Creek and Oaks of Landis, as well as 12 duplexes, 25 new businesses and 3 industrial developments.
- The Town maintained its tax rate of \$.53 but with revaluation will see an increase in revenue of approximately \$181,000.00.
- The Old Beatty Ford interstate interchange will be open soon and it is predicted that this will bring increased economic growth to the Town of Landis due to incoming businesses and traffic.
- The Town is currently investigating alternate options for wastewater treatment to help bring down costs.
- Parkdale Mill Textile Plant 23 continues to be the only textile mill within the Parkdale family that is producing the Heather blend of cotton. Due to this, they are currently operating on a 24 hours a day schedule, 7 days week.
- The Old Corriher Mill, now known as 501 Main, has been refurbished and continues holding large events and is on the market to be sold.
- Multiple parcels of prime commercial real estate are currently on the market and multiple buyers and contractors have shown interest in developing this land for business purposes.
- There is also a strong focus on increasing the Town's Fund Balance and the budget is on track to have increased the Fund Balance by \$1 million by the end of the 2019-2020 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

The 2019-20 budget maintains a conservative approach to spending. The Town continues to take an aggressive approach toward the use of grant funding where available to supplement revenues by contracting a grant writer through our engineering firm. The continued growth in population and development should provide for increases in property taxes and state shared revenues. The Lake Corriher Wilderness Park continues to bring those from outside of the community into Landis, which provides economic benefits for the Town and local business owners. Additionally, with a new Town Manager and Finance Officer in place they are current in the process of renegotiating contracts as well as identifying any inefficiency in the Town's policies and procedures to best utilize the Town's finances and to rebuild the Town's Fund Balance. The Town has chosen not to appropriate fund balance in the fiscal year 2019 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$.01 increase in the property tax rate will result in additional revenues of approximately \$25,227 at current values and collection rate.

Business-type Activities:

Customer growth is expected to remain consistent with prior years. Emphasis on improved maintenance of vehicles and equipment should continue to provide for long term savings. The Town has also adopted a flat electric rate for residential companies that will save customers approximately \$1 million annually. Water and Sewer rates remain consistent with prior year's rates.

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 Administrator or the Finance Director, Town of Landis, P.O. Box 8165, Landis, NC 28088-8165.

Town of Landis, North Carolina
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 610,116	\$ 659,202	\$ 1,269,318
Taxes receivables (net)	97,004	-	97,004
Sales tax receivable	7,734	12,209	19,943
Accounts receivable	57,202	1,196,697	1,253,899
Insurance proceeds receivable	252,000	-	252,000
Internal balances	(57,166)	57,166	-
Due from other government	280,151	-	280,151
Restricted cash and cash equivalents	814,064	289,191	1,103,254
	<u>2,061,106</u>	<u>2,214,464</u>	<u>4,275,570</u>
Non-current assets:			
Capital assets (Note 4):			
Land and construction in progress	2,036,794	38,511	2,075,305
Other capital assets, net of depreciation	2,244,240	13,891,690	16,135,930
Total capital assets	<u>4,281,034</u>	<u>13,930,201</u>	<u>18,211,235</u>
Total assets	<u>6,342,140</u>	<u>16,144,665</u>	<u>22,486,805</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals - LEO	20,705	-	20,705
Pension deferrals - LGERS	273,802	248,915	522,717
Total deferred outflows of resources	<u>294,507</u>	<u>248,915</u>	<u>543,422</u>
LIABILITIES			
Current liabilities:			
Accounts payable	66,551	511,686	578,238
Due within one year	426,338	207,966	634,304
Payable from restricted assets	-	136,433	136,433
Long-term debt:			
Net pension liability	335,390	304,905	640,295
LEO separation allowance	41,071	-	41,071
Compensated absences	29,417	113,298	142,715
Due in more than one year	1,614,881	5,092,588	6,707,469
Total liabilities	<u>2,513,648</u>	<u>6,366,876</u>	<u>8,880,524</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals - LGERS	4,645	4,222	8,867
Pension deferrals - LEO	5,627	-	5,627
Total deferred inflows of resources	<u>10,272</u>	<u>4,222</u>	<u>14,494</u>
NET POSITION			
Net investment in capital assets	2,239,815	8,629,647	10,869,463
Restricted for:			
Stabilization by State Statute	597,090	-	597,090
Capital project	23,506	-	23,506
Streets	504,027	-	504,027
Park construction	210,981	-	210,981
USDA loan reserve	75,550	161,958	237,508
Unrestricted	461,758	1,230,877	1,692,635
Total net position	<u>\$ 4,112,727</u>	<u>\$ 10,022,482</u>	<u>\$ 14,135,209</u>

The accompanying notes are an integral part of the financial statements

Exhibit 2

**Town of Landis, North Carolina
Statement of Activities
For the Year Ended June 30, 2019**

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
General government	\$ 351,712	\$ -	\$ -	\$ -	\$ (351,712)	\$ -	\$ (351,712)
Public safety	1,646,703	-	162,480	-	(1,484,223)	-	(1,484,223)
Transportation	646,310	-	98,448	-	(547,862)	-	(547,862)
Environmental protection	258,938	290,886	-	-	31,948	-	31,948
Cultural and recreational	468,553	116,590	-	43,265	(308,698)	-	(308,698)
Interest on long-term debt	83,133	-	-	-	(83,133)	(181,482)	(264,616)
Total governmental activities	<u>3,455,350</u>	<u>407,476</u>	<u>260,928</u>	<u>43,265</u>	<u>(2,743,681)</u>	<u>(181,482)</u>	<u>(2,925,163)</u>
Business-type activities							
Light	6,466,229	6,956,588	-	-	-	490,359	490,359
Water	766,855	1,238,918	-	-	-	472,063	472,063
Sewer	1,335,394	1,160,013	-	-	-	(175,381)	267,761
Total business-type activities	<u>8,568,478</u>	<u>9,355,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>787,040</u>	<u>1,230,182</u>
Total primary government	<u>\$ 12,023,828</u>	<u>\$ 9,762,995</u>	<u>\$ 260,928</u>	<u>\$ 43,265</u>	<u>(2,743,681)</u>	<u>605,558</u>	<u>(1,694,981)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					1,492,069	-	1,492,069
Storm water fees					106,687	-	106,687
Grants and contributions not restricted to specific programs					1,031,275	-	1,031,275
Unrestricted investment earnings					24,722	2,007	26,729
(Loss) on disposal of assets					-	-	-
Other revenue					174,049	-	174,049
Insurance proceeds - theft					252,000	-	-
Transfers					-	-	-
Total general government revenues and transfers					<u>3,080,801</u>	<u>2,007</u>	<u>3,082,808</u>
Change in net position					337,120	607,565	944,686
Net position, beginning					<u>3,775,607</u>	<u>9,414,917</u>	<u>13,190,523</u>
Net position ending					<u>\$ 4,112,727</u>	<u>\$ 10,022,482</u>	<u>\$ 14,135,209</u>

The accompanying notes are an integral part of the financial statements

Town of Landis, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds		Non-major	
	General	Storm	Capital	Total
	Fund	Water	Projects	Governmental
ASSETS				
Cash - unrestricted	\$ 423,677	\$ 186,439	\$ -	\$ 610,116
Cash - restricted	790,558	-	23,506	814,064
Receivables (net)				
Property taxes receivable (net)	97,004	-	-	97,004
Accounts	42,004	15,198	-	57,202
Sales	7,734	-	-	7,734
Insurance proceeds receivable	252,000	-	-	252,000
Due from other government	280,151	-	-	280,151
	<u>\$ 1,893,129</u>	<u>\$ 201,637</u>	<u>\$ 23,506</u>	<u>\$ 2,118,272</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 64,864	\$ 1,688	\$ -	\$ 66,551
Due to other funds	57,166	-	-	57,166
	<u>122,030</u>	<u>1,688</u>	<u>-</u>	<u>123,717</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	97,004	-	-	97,004
Total deferred inflows of resources	<u>97,004</u>	<u>-</u>	<u>-</u>	<u>97,004</u>
Fund balances:				
Restricted:				
Stabilization by State Statute	581,892	15,198	-	597,090
Capital project	-	-	23,506	23,506
Streets	504,027	-	-	504,027
Park construction	210,981	-	-	210,981
USDA loan reserve	75,550	-	-	75,550
Assigned:				
Storm water	-	184,751	-	184,751
Unassigned	301,645	-	-	301,645
	<u>1,674,097</u>	<u>199,949</u>	<u>23,506</u>	<u>1,897,552</u>
Total liabilities and fund balances	<u>\$ 1,893,129</u>	<u>\$ 201,637</u>	<u>\$ 23,506</u>	<u>\$ 2,118,272</u>

The accompanying notes are an integral part of the financial statements

Town of Landis, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

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

Total fund balances governmental funds	\$ 1,897,552
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 6,953,477
Accumulated depreciation	(2,672,443)
	4,281,034
Deferred outflows of resources related to pensions are not reported in the funds	294,507
Liabilities for earned revenues considered deferred inflows of resources in fund statements	97,004
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Accrued absences	(29,417)
Bonds payable	(989,558)
Long-term debt	(1,051,660)
LEO separation allowance	(41,071)
Net pension liability	(335,390)
Deferred inflows of resources related to pensions are not reported in the funds	(10,272)
Net position of the governmental activities	\$ 4,112,727

Town of Landis, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major		Non-major	
	General	Storm	Capital	Total
	Fund	Water	Projects	Governmental
Revenues:				
Ad Valorem taxes	\$ 1,462,693	\$ -	\$ -	\$ 1,462,693
Storm water fees	-	106,687	-	106,687
Unrestricted intergovernmental revenues	1,031,275	-	-	1,031,275
Restricted intergovernmental revenues	260,928	-	43,265	304,193
Sales and services	407,476	-	-	407,476
Investment earnings	23,786	907	28	24,722
Miscellaneous	174,049	-	-	174,049
	<u>3,360,207</u>	<u>107,594</u>	<u>43,293</u>	<u>3,511,095</u>
Expenditures:				
Current				
General government	354,702	-	-	354,702
Public safety	1,556,210	-	-	1,556,210
Transportation	636,540	-	-	636,540
Environmental protection	157,202	152,581	-	309,783
Cultural and recreational	463,486	-	64	463,550
Debt service				
Principle	186,396	-	-	186,396
Interest	83,134	-	-	83,134
	<u>3,437,670</u>	<u>152,581</u>	<u>64</u>	<u>3,590,315</u>
Revenues over (under) expenditures	<u>(77,462)</u>	<u>(44,987)</u>	<u>43,229</u>	<u>(79,220)</u>
Other Financing Sources (Uses):				
Proceeds from borrowings	-	-	-	-
Insurance proceeds - theft	252,000	-	-	252,000
Transfer to (from) general fund	131,260	-	(131,260)	-
	<u>383,260</u>	<u>-</u>	<u>(131,260)</u>	<u>252,000</u>
Total other financing sources (uses)	<u>383,260</u>	<u>-</u>	<u>(131,260)</u>	<u>252,000</u>
Net change in fund balance	305,798	(44,987)	(88,031)	172,780
Beginning of year, July 1	<u>1,368,299</u>	<u>244,936</u>	<u>111,537</u>	<u>1,724,772</u>
End of year, June 30	<u>\$ 1,674,097</u>	<u>\$ 199,949</u>	<u>\$ 23,506</u>	<u>\$ 1,897,552</u>

The accompanying notes are an integral part of the financial statements

Town of Landis, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	172,780
<p>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 for the current period.</p>		
Capital outlay expenditures which were capitalized	\$	105,385
Depreciation expense for governmental assets	<u>(212,079)</u>	(106,694)
Loss on disposal of assets		-
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		29,376
<p>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 affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	-	
Principal payments on long-term debt	<u>186,396</u>	186,396
<p>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</p>		
Change in compensated absences		44,179
Change in LGRS pension expense:		
Changes in net pension assets	-	
Changes in deferred outflows	124,011	
Changes in net pension liability	(109,587)	
Changes in deferred inflows	<u>5,712</u>	20,136
Change in LEO separation allowance expense		
Change in deferred outflows	11,004	
(Increase) decrease in liability	(14,429)	
Change in deferred inflows	<u>(5,627)</u>	(9,052)
Total changes in net position of governmental activities	<u>\$</u>	<u>337,120</u>

Town of Landis, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad Valorem taxes	\$ 1,474,055	\$ 1,474,055	\$ 1,462,693	\$ (11,362)
Storm water fees	-	-	-	-
Unrestricted intergovernmental	1,022,600	1,022,600	1,031,275	8,675
Restricted intergovernmental	231,000	231,000	260,928	29,928
Sales and services	406,000	406,000	407,476	1,476
Investment earnings	8,000	8,000	23,786	15,786
Miscellaneous	91,031	91,031	174,049	83,018
	<u>3,232,686</u>	<u>3,232,686</u>	<u>3,360,207</u>	<u>127,521</u>
Expenditures:				
Current				
General government	354,855	381,855	354,702	27,153
Public safety	1,624,600	1,636,600	1,556,210	80,390
Transportation	697,076	793,076	636,540	156,536
Environmental protection	162,500	162,500	157,202	5,298
Cultural and recreational	435,355	450,355	463,486	(13,131)
Debt service				
Principle	190,300	190,300	186,396	3,904
Interest	58,000	58,000	83,134	(25,134)
	<u>3,522,686</u>	<u>3,672,686</u>	<u>3,437,670</u>	<u>235,016</u>
Revenues over (under) expenditures	(290,000)	(440,000)	(77,462)	362,538
Other financing sources (uses):				
Proceeds from borrowing/lease	-	-	-	-
Insurance proceeds - theft	-	-	252,000	252,000
Transfer (to)/from other funds	190,000	190,000	131,260	(58,740)
Total other financing sources (uses)	<u>190,000</u>	<u>190,000</u>	<u>383,260</u>	<u>193,260</u>
Fund Balance Appropriated	<u>100,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>305,798</u>	<u>\$ 305,798</u>
Beginning of year, July 1			<u>1,368,299</u>	
End of year, June 30			<u>\$ 1,674,097</u>	

The accompanying notes are an integral part of the financial statements

Town of Landis, North Carolina
Storm Water Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad Valorem taxes	\$ -	\$ -	\$ -	\$ -
Storm water fees	100,000	100,000	106,687	6,687
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	500	500	907	407
Miscellaneous	-	-	-	-
	<u>100,500</u>	<u>100,500</u>	<u>107,594</u>	<u>7,094</u>
Expenditures:				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Environmental protection	100,500	127,700	152,581	(24,881)
Cultural and recreational	-	-	-	-
Debt service				
Principle	-	-	-	-
Interest	-	-	-	-
	<u>100,500</u>	<u>127,700</u>	<u>152,581</u>	<u>(24,881)</u>
Revenues over (under) expenditures	-	(27,200)	(44,987)	(17,787)
Other financing sources (uses):				
Proceeds from borrowing/lease	-	-	-	-
Appropriated fund balance	-	27,200	-	(27,200)
Transfer from light fund	-	-	-	-
Total other financing sources (uses)	-	<u>27,200</u>	-	<u>(27,200)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(44,987)	<u>\$ (44,987)</u>
Beginning of year, July 1			<u>244,936</u>	
End of year, June 30			<u>\$ 199,949</u>	

The accompanying notes are an integral part of the financial statements

Town of Landis, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	Major Enterprise Funds			
	Light Fund	Water Fund	Sewer Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 373,389	\$ 285,813	\$ -	\$ 659,202
Accounts receivable (net)	885,959	146,805	163,933	1,196,697
Sales tax receivable	11,650	261	298	12,209
Due from (to) other funds	(72,820)	608,834	(478,848)	57,166
Cash and cash equivalents - restricted	117,255	145,103	26,833	289,191
Total current assets	1,315,433	1,186,815	(287,783)	2,214,464
Noncurrent assets:				
Capital assets:				
Land, CIP, and other non-depreciable assets	1	35,510	3,000	38,511
Capital assets, net of depreciation	2,448,793	7,152,225	4,290,671	13,891,690
Total capital assets	2,448,794	7,187,735	4,293,671	13,930,201
Total noncurrent assets	2,448,794	7,187,735	4,293,671	13,930,201
Total assets	3,764,227	8,374,550	4,005,888	16,144,665
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	213,134	9,075	26,706	248,915
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	394,445	34,604	82,637	511,686
General obligation bonds-current	-	50,000	22,000	72,000
Installment purchase-current	70,000	11,635	54,331	135,966
Liabilities payable from restricted assets:				
Customer deposits	117,255	19,178	-	136,433
Total current liabilities	581,700	115,416	158,969	856,085
Noncurrent liabilities:				
Net pension liability	261,075	11,116	32,713	304,905
Compensated absences-noncurrent	98,721	6,698	7,880	113,298
General obligation bonds	-	3,123,000	1,380,000	4,503,000
Installment purchase-noncurrent	149,003	170,154	270,431	589,588
Total noncurrent liabilities	508,799	3,310,968	1,691,024	5,510,791
Total liabilities	1,090,499	3,426,385	1,849,993	6,366,876
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	3,615	154	453	4,222
NET POSITION				
Net investment in capital assets	2,229,791	3,832,946	2,566,909	8,629,647
Restricted for:				
USDA loan reserve	-	125,925	36,033	161,958
Unrestricted	653,455	998,215	(420,794)	1,230,877
Total net position	\$ 2,883,247	\$ 4,957,086	\$ 2,182,148	\$ 10,022,482

The accompanying notes are an integral part of the financial statements

Town of Landis, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Funds			
	Light Fund	Water Fund	Sewer Fund	Total
Operating revenues				
Charges for services	\$ 6,798,874	\$ 1,074,155	\$ 1,160,013	\$ 9,033,041
Water and sewer taps	-	164,450	-	164,450
Fines and penalties	99,009	-	-	99,009
Other operating revenues	58,705	313	-	59,018
Total operating revenues	6,956,588	1,238,918	1,160,013	9,355,519
Operating expenses				
Electrical operations	2,458,729	-	-	2,458,729
Electric power purchased	3,840,591	-	-	3,840,591
Water distribution and waste collection	-	431,798	1,114,308	1,546,106
Depreciation	166,910	335,057	221,086	723,052
Total operating expenses	6,466,229	766,855	1,335,394	8,568,478
Operating income (loss)	490,359	472,063	(175,381)	787,040
Nonoperating revenues (expenses)				
Grant income	-	-	-	-
Grant - capital project	-	-	-	-
Investment earnings	1,818	156	33	2,007
Interest paid - debt	(12,908)	(111,848)	(56,727)	(181,482)
Total nonoperating revenues (expenses)	(11,090)	(111,691)	(56,694)	(179,475)
Income (loss) before contributions and transfers	479,269	360,371	(232,075)	607,565
Capital contributions	-	-	-	-
Transfer from (to) other funds	-	(265,000)	265,000	-
Change in net position	479,269	95,371	32,925	607,565
Total net position, beginning	2,403,978	4,861,715	2,149,223	9,414,917
Total net position, ending	\$ 2,883,247	\$ 4,957,086	\$ 2,182,148	\$ 10,022,482

The accompanying notes are an integral part of the financial statements

Town of Landis, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Funds			
	Light Fund	Water Fund	Sewer Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 6,922,320	\$ 1,206,038	\$ 1,119,549	\$ 9,247,907
Cash paid for goods and services	(5,117,763)	(370,182)	(1,053,129)	(6,541,074)
Cash paid to employees	(1,286,614)	(60,181)	(148,881)	(1,495,676)
Net Cash Provided (Used) By Operating Activities	517,943	775,675	(82,461)	1,211,157
Cash flows from noncapital financial activities:				
Transfers from (to) other funds	-	(265,000)	265,000	-
	-	(265,000)	265,000	-
Cash from capital and related financing activities:				
Acquisition and construction of capital assets	(56,200)	(73,315)	(54,466)	(183,981)
Principal paid on debt	(70,000)	(150,890)	(103,014)	(323,904)
Proceeds from borrowings	-	-	-	-
Proceeds from interfund (to) receivable	(2,689)	(31,634)	31,634	(2,689)
Grants received	-	-	-	-
Interest paid on installment purchase loan	(12,908)	(111,848)	(56,727)	(181,483)
Net Cash Used by Capital and Related Financing Activities	(141,797)	(367,687)	(182,573)	(692,057)
Cash flows from investing activities:				
Interest on investments	1,818	156	33	2,007
Net Cash Provided by Investment Activities	1,818	156	33	2,007
Net increase (decrease) in cash and cash equivalents	377,964	143,144	-	521,107
Cash and cash equivalents at beginning of year	112,680	287,770	26,833	427,283
Cash and cash equivalents at end of year	\$ 490,644	\$ 430,916	\$ 26,833	\$ 948,393
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 490,359	\$ 472,063	\$ (175,381)	\$ 787,041
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	166,910	335,057	221,086	723,053
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(38,843)	(33,905)	(40,464)	(113,212)
(Increase) decrease in net pension asset	-	-	-	-
(Increase) decrease in deferred outflows - pensions	(100,874)	(1,039)	(12,826)	(114,739)
Increase (decrease) in net pension liability	91,848	(997)	11,789	102,640
Increase (decrease) in deferred inflows - pensions	(4,146)	(402)	(507)	(5,055)
Increase (decrease) in accounts payable	(102,361)	3,873	(89,413)	(187,901)
Increase (decrease) in accrued vacation	10,476	-	3,255	13,731
Increase (decrease) in customer deposits	4,575	1,025	-	5,600
Total adjustments	27,585	303,612	92,920	424,117
Net cash provided (used in) operating activities	\$ 517,943	\$ 775,675	\$ (82,461)	\$ 1,211,157
Interest paid	\$ 12,908	\$ 111,848	\$ 56,727	\$ 181,483

The accompanying notes are an integral part of the financial statements

Town of Landis, North Carolina

NOTES TO FINANCIAL STATEMENTS As of or for the Year Ended June 30, 2019

Description of the Unit

The Town of Landis is located in Rowan County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 3,156. The Town provides electric, water and sewer services to its residents.

I. Summary of Significant Accounting Policies

The financial statements of the Town of Landis conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Town of Landis is a municipal corporation governed by an elected mayor and a four member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. For the year ended June 30, 2019 the Town had no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the government. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The 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 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and 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 the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Other non-operating revenues are ancillary activities such as investment earnings.

Notes to the Financial Statements (continued)

B. Basis of Presentation (continued)

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Storm Water Fund. This fund is used to account for the storm water income and expenses.

General Capital Projects Fund. This fund is used to account for the general capital projects.

The Town reports the following major enterprise funds:

Light Fund. This fund is used to account for the Town's electric fund operations.

Water Fund. This fund is used to account for the Town's water operations.

Sewer Fund. This fund is used to account for the Town's sewer operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified 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 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, includes property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town 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.

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 financial sources.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Special Revenue Funds and Capital Projects Funds. At June 30, 2019 the Town had no Special Revenue Funds and no Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Notes to the Financial Statements (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity:

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law (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 SuperNOW accounts, money market accounts, and certificates of deposit.

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). The Town's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended proceeds for park construction are classified as restricted assets for the general fund because their use is completely restricted to the purpose for which the proceeds were originally collected. USDA loan reserves are restricted to meet the requirements of the USDA loan. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

Town of Landis Restricted Cash

Governmental Activities		
General Fund	Streets	\$ 504,027
	Capital project	23,506
	Park construction	210,981
	USDA loan reserve	75,550
		<u>814,064</u>
Total governmental activities		
Business-type Activities		
Water and Sewer Fund	Customer deposits	136,433
	USDA loan reserve	161,958
Total Business-type Activities		<u>298,391</u>
Total Restricted Cash		<u>\$1,112,454</u>

Notes to the Financial Statements (continued)

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. 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, which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This account is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. 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 government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life of more than two years. Minimum capitalization costs are as follows: land, \$10,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Life</u>
Infrastructure	30 years
Buildings	50
Improvements	25
Vehicles	10-20
Furniture and equipment	5-10
Computer equipment	5

Notes to the Financial Statements (continued)

8. 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, contributions made to the pension plan and other pension deferrals in 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 one item that meet the criterion for this category - deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and 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 statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the related debt. In fund financial statements, the governmental fund type recognizes bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

10. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net position / Fund Balances

Net position

Net position in government-wide 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.

Notes to the Financial Statements (continued)

11. Net position / Fund Balances (continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Park Construction - Portion of fund balance that is restricted by revenue source for the construction of the Town Park. This amount represents the balance of the total unexpended funds.

Restricted for USDA Loan Reserve - Portion of fund balance that is restricted by revenue source for the annual USDA debt payment. This amount represents the balance of the monthly deposits of 10% of the annual payment.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Landis'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.

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

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

Notes to the Financial Statements (continued)

11. Net position / Fund Balances (continued)

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

12. Pensions

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

II. Stewardship, Compliance, and Accountability:

A. Material Violations of Finance-Related Legal and Contractual Provisions:

The Town exceeded budgeted disbursements in the Recreational department, Debt Service department, and the Storm Water Fund. This is in violation of General Statute Chapter 159, Article 3 – The Local Government Budget and Fiscal Control Act. This is also in violation of the pre-audit certification required by this act.

B. Deficit Fund Balance or Retained Earnings of Individual Funds None

C. Excess of Expenditures over Appropriation:

The Town exceeded budgeted disbursements in the Recreational department, Debt Service department, and the Storm Water Fund. This is in violation of General Statute Chapter 159, Article 3 – The Local Government Budget and Fiscal Control Act. This is also in violation of the pre-audit certification required by this act.

These violations incurred because the Town did not adjust their budget for year-end accounts payable and operating expenditures.

Notes to the Financial Statements (continued)

III. Detail Notes on All Funds and Account Groups

A. Assets:

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approval 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 amounts of collateral pledged for the Town under the Pooling Method, the potential exists to undercollateralization, 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 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 designation official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,726,010 and a bank balance of \$1,752,716. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. At June 30, 2019, the Town's petty cash fund totaled \$985.

2. Investments

At June 30, 2019, the Town had \$ 645,578 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Notes to the Financial Statements (continued)

3. Capital Assets

Primary Government: Capital asset activity for the Primary Government for the year ended June 30, 2019:

	Beginning Balances	Increases	(Decreases)	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,131,434	\$ -	\$ -	\$ 1,131,434
Construction in progress	905,295	64	-	905,359
Capital assets being depreciated:				
Buildings	1,701,899	-	-	1,701,899
Infrastructure	222,596	19,269	-	241,865
Equipment	1,017,779	86,051	-	1,103,830
Vehicles and motorized equipment	1,971,156	-	-	1,971,156
Total capital assets being depreciated:	4,913,430	105,320	-	5,018,750
Less, accumulated depreciation for:				
Buildings	684,989	45,755	-	730,744
Infrastructure	192,382	10,042	-	202,424
Equipment	633,198	39,657	-	672,855
Vehicles and motorized equipment	1,051,861	116,625	-	1,168,486
Total accumulated depreciation	2,562,430	\$ 212,079	\$ -	2,774,509
Total capital assets being depreciated, net	2,350,999			2,244,240
Governmental activity capital assets, net	<u>\$ 4,387,728</u>			<u>\$ 4,281,034</u>

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

General government	\$ 7,362
Public safety	131,075
Transportation	34,144
Environmental protection	4,442
Cultural and recreational	35,056
	<u>\$212,079</u>

Capital asset activity for the Business-type activities for the year ended June 30, 2019:

Notes to the Financial Statements (continued)

3. Capital Assets (continued):

	Beginning Balances	Increases	(Decreases)	Ending Balances
Business-type activities:				
Light Fund				
Capital assets not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Total not being depreciated	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Capital assets being depreciated:				
Buildings and other assets	599,310	-	-	599,310
Motor vehicles	369,293	-	-	369,293
Equipment	978,039	28,800	-	1,006,839
Electrical system	4,278,953	27,400	-	4,306,353
Total capital assets being depreciated:	<u>6,225,595</u>	<u>56,200</u>	<u>-</u>	<u>6,281,795</u>
Less, accumulated depreciation for:				
Buildings and other assets	570,072	5,172	-	575,244
Motor vehicles	363,947	5,334	-	369,281
Equipment	421,798	66,194	-	487,992
Electrical system	2,310,272	90,210	-	2,400,482
Total accumulated depreciation	<u>3,666,089</u>	<u>\$ 166,910</u>	<u>\$ -</u>	<u>3,832,999</u>
Total capital assets being depreciated, net	<u>2,559,503</u>			<u>2,448,793</u>
Light fund capital assets, net	<u><u>\$ 2,559,504</u></u>			<u><u>\$ 2,448,794</u></u>
Water Fund				
Capital assets not being depreciated				
Land	\$ 35,510	\$ -	\$ -	\$ 35,510
Construction in progress	-	-	-	-
Total not being depreciated	<u>35,510</u>	<u>-</u>	<u>-</u>	<u>35,510</u>
Capital assets being depreciated:				
Buildings	185,109	-	-	185,109
Motor vehicles	91,758	-	-	91,758
Equipment	991,978	-	-	991,978
Water system	11,682,085	73,315	-	11,755,400
Total capital assets being depreciated:	<u>12,950,930</u>	<u>73,315</u>	<u>-</u>	<u>13,024,245</u>
Less, accumulated depreciation for:				
Buildings	71,744	7,557	-	79,301
Motor vehicles	67,120	5,412	-	72,532
Equipment	321,990	93,699	-	415,689
Water system	5,076,104	228,388	-	5,304,492
Total accumulated depreciation	<u>5,536,958</u>	<u>335,056</u>	<u>-</u>	<u>5,872,014</u>
Total capital assets being depreciated, net	<u>7,413,968</u>			<u>7,152,227</u>
Water fund capital assets, net	<u><u>\$ 7,449,478</u></u>			<u><u>\$ 7,187,735</u></u>

Notes to the Financial Statements (continued)

3. Capital Assets (continued):

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities (continued):				
Sewer Fund				
Capital assets not being depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Construction in progress	-	-	-	-
Total not being depreciated	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Capital assets being depreciated:				
Buildings	33,963	-	-	33,963
Equipment	519,024	-	-	519,024
Sewer system	6,905,184	54,466	-	6,959,650
Total capital assets being depreciated:	<u>7,458,171</u>	<u>54,466</u>	<u>-</u>	<u>7,512,637</u>
Less, accumulated depreciation for:				
Buildings	33,961	-	-	33,961
Equipment	107,370	47,094	-	154,464
Sewer system	2,859,548	173,992	-	3,033,540
Total accumulated depreciation	<u>3,000,879</u>	<u>\$ 221,086</u>	<u>\$ -</u>	<u>3,221,965</u>
Total capital assets being depreciated, net	<u>4,457,292</u>			<u>4,290,672</u>
Sewer fund capital assets, net	<u>4,460,291</u>			<u>4,293,671</u>
Business-type activities capital assets, net	<u><u>\$ 14,469,272</u></u>			<u><u>\$ 13,930,201</u></u>

The Business-type activities paid \$181,483 of interest for the year. Of this amount, \$0 was capitalized.

4. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 9,761
Accounts receivable	<u>1,874</u>
Total	11,635
Enterprise Funds	<u>13,680</u>
Total	<u><u>\$ 25,315</u></u>

Notes to the Financial Statements (continued)

B. Liabilities:

1. Pension Plan Obligations:

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (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.

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 8.50% of compensation for law enforcement officers and 7.75% 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

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

employees during the year. Contributions to the pension plan from the Town were \$153,709 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 \$640,295 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, 2019(measurement date June 30, 2018), the Town's proportion was 0.02699%, which was a decrease of 0.00103% from its proportion measured as of June 30, 2018 (measurement date June 30, 2017).

For the year ended June 30, 2019, the Town recognized pension expense of \$189,389. 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
Differences between expected and actual experience	\$ 98,782	\$ 3,315
Changes of assumptions	169,910	-
Net difference between projected and actual earnings on pension plan investments	87,893	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,423	5,552
Town contributions subsequent to the measurement date	153,709	-
Total	\$ 522,717	\$ 8,867

\$153,709 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020.

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	177,428
2021		113,101
2022		18,517
2023		51,096
Thereafter		-
	\$	<u>360,142</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 adding expected inflation.

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 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 one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,538,044	\$ 640,295	\$ (109,878)

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.

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Allowance

1. Plan description.

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

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

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>10</u>
	11

A separate report was not issued for the plan.

2. Summary of significant accounting policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. 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	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015.

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$6,994 as benefits came due for the reporting period.

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 total pension liability of \$41,071. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$16,365.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,570	\$ -
Changes of assumptions	7,135	5,627
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 20,705</u>	<u>\$ 5,627</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	Deferred	Deferred	Amount recognized in
June 30:	Outflows of	Inflows of	Pension Expense as an
	Resources	Resources	increase or (decrease) to
			Pension Expense
2020	\$ 5,417	\$ 1,182	\$ 4,235
2021	5,417	1,182	4,235
2022	4,854	182	4,672
2023	2,851	1,182	1,669
2024	2,166	899	1,267
Thereafter	-	-	-

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 45,678	\$ 41,071	\$ 36,917

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

	2019
Beginning balance	\$ 26,642
Service Cost	8,274
Interest on the total pension liability	3,537
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	16,421
Changes of assumptions or other inputs	(6,809)
Benefit payments	(6,994)
Other changes	-
Ending balance of the total pension liability	<u>\$ 41,071</u>

The plan currently uses mortality tables that vary by age, 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 five year period ending December 31, 2014.

Notes to the Financial Statements (continued)

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 189,389	\$ 16,365	\$ 205,754
Pension Liability	640,295	41,071	681,366
Proportionate share of the net pension liability	0.02699%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	98,782	13,570	112,352
Changes of assumptions	169,910	7,135	177,045
Net difference between projected and actual earnings on plan investments	87,893	-	87,893
Changes in proportion and differences between contributions and proportionate share of contributions	12,423	-	12,423
Benefit payments and administrative costs paid subsequent to the measurement date	153,709	-	153,709
Deferred of Inflows of Resources			
Differences between expected and actual experience	3,315	-	3,315
Changes of assumptions	-	5,627	5,627
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,552	-	5,552

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

Plan description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and other employed by the Town. Article 5 of GS Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers 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 includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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 GS Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$24,179 for the reporting year. No amounts were forfeited.

Notes to the Financial Statements (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Others (continued)

The Town contributes each month an amount equal to five percent of other employees' salaries, and all amounts contributed are vested immediately. Also, the other employees may make voluntary contributions to the plan. The Town made contributions of \$71,039 for the reporting year. No amounts were forfeited.

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

Source	Amount
Differences between expected and actual experience	\$ 112,352
Changes of assumptions	177,045
Net difference between projected and actual earnings on pension plan investments	87,893
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,423
Employer contributions subsequent to the measurement date*	153,709
Total	<u>\$ 543,422</u>

Notes to the Financial Statements (continued)

2. Deferred Outflows and Inflows of Resources (continued)

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable, less penalties (General Fund)	-	97,004
Changes in assumptions	5,627	-
Differences between expected and actual experience	3,315	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,552	-
Total	<u>\$ 14,494</u>	<u>\$ 97,004</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through this pool, the Town obtains worker's compensation coverage up to the statutory limits. The pool is reinsured through commercial companies for single occurrence claims in excess of \$300,000 statutory limit.

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

The Town carries no flood insurance for the year because the Town of Landis is not considered to be in a flood area, therefore the cost of this type insurance would outweigh the benefit.

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 Town has a \$76,000 fidelity bond on the Finance Officer and a blanket bond of \$10,000 for all other employees.

4. Long-term Obligations

a. Operating Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as operating leases for accounting purposes.

- The first agreement was executed on May 6, 2015 to lease a line truck for the Light Fund and requires 84 monthly payments of \$2,224.
- The second agreement was executed on May 6, 2015 to lease a bucket truck for the Light Fund and requires 60 monthly payments of \$1,483.
- The third agreement was executed on July 1, 2015 to lease a tree truck for the Light Fund and requires 60 monthly payments of \$1,130.

Notes to the Financial Statements (continued)

a. Operating Leases (continued)

- The fourth agreement was executed on September 1, 2015 to lease a line truck for the Light Fund and requires 60 monthly payments of \$2,077.
- The fifth agreement was executed on March 1, 2016 to lease a line truck for the Light Fund and requires 84 monthly payments of \$2,573.

In all five agreements, the Town may terminate the lease agreements by giving at least 90 days prior written notice. If no such prior written notice is given at the end of the lease term, the terms of the leases will be automatically extended.

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

<u>Year Ending June 30,</u>	
2020	\$ 108,617
2021	61,717
2022	53,115
2024	20,584
2025	-
<u>Thereafter</u>	<u>-</u>
Total Future minimum rental payments	<u><u>\$ 244,033</u></u>

Total rental payments for the year totaled \$152,680.

b. Installment Purchases

General Fund

On October 2, 2006, the Town entered into an installment purchase contract with the United States Department of Agriculture-Rural Development to purchase a new fire truck. The financing contract was for \$350,000 with an interest rate of 4.375%. The first of twenty payments of \$26,618 was due on October 2, 2007 and \$26,618 is due each year thereafter. The final payment is due on October 2, 2026.

The future minimum payments of the installment purchase as of June 30, 2019, including \$36,467 of interest, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 18,698	\$ 7,920	\$ 26,618
2021	19,726	6,892	26,618
2022	20,589	6,029	26,618
2023	21,490	5,128	26,618
2024	22,430	4,188	26,618
2025-2027	73,291	6,310	79,601
	<u><u>\$ 176,224</u></u>	<u><u>\$ 36,467</u></u>	<u><u>\$ 212,691</u></u>

Notes to the Financial Statements (continued)

b. Installment Purchases – General Fund (continued)

In September 2006, the Town entered into a financing agreement with the Bank of the Carolinas, Landis, North Carolina to advance up to \$913,951 for the construction and renovation of their municipal building with the financing to be paid off by September 14, 2007. At June 30, 2007, the amount borrowed from the Bank of the Carolinas was \$816,181. At the same time, the Town entered into an agreement with the United States Department of Agriculture-Rural Development to furnish the long-term financing for the construction project. On July 19, 2007, the Town entered into two installment purchase contracts with the United States Department of Agriculture-Rural Development. One contract was for \$580,000 with an interest rate of 4.125%. The first of forty payments of \$29,853 was due on July 19, 2008 and \$29,853 is due each year thereafter. The final payment is due on July 19, 2047. The other contract was for 363,950 with an interest rate of 4.25%. The first of forty payments of \$19,078 was due on July 19, 2008 and \$19,078 is due each year thereafter.

The future minimum payments of the installment purchase as of June 30, 2019, including \$609,053 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 14,954	\$ 33,977	\$ 48,931
2021	15,578	33,353	48,931
2022	16,227	32,704	48,931
2023	16,905	32,026	48,931
2024	17,340	31,591	48,931
2025-2029	99,606	145,049	244,655
2030-2034	122,320	122,335	244,655
2035-2039	150,065	94,590	244,655
2040-2044	184,104	60,551	244,655
2045-2047	176,235	22,877	199,112
	<u>\$ 813,334</u>	<u>\$ 609,053</u>	<u>\$1,422,387</u>

On March 30, 2015, the Town entered into an installment purchase contract with the Bank of The Carolinas to purchase a new fire truck. The financing contract was for \$370,000. Fifty-nine monthly consecutive interest payments, beginning May 10, 2015, with interest calculated on the unpaid principal balances using an interest rate of 3.125% per annum based on a year of 360 days; 5 annual consecutive principal payments of \$24,667 each, beginning September 12, 2015, during which interest continues to accrue on the unpaid principal balances using an interest rate of 3.125%per annum based on a year of 360 days; and one principal and interest payment of \$269,596 on April 10, 2020.

The future minimum payments of the installment purchase as of June 30, 2019, including \$6,732 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 269,596	\$ 6,732	\$ 276,328
	<u>\$ 269,596</u>	<u>\$ 6,732</u>	<u>\$ 276,328</u>

Notes to the Financial Statements (continued)

b. Installment Purchases – General Fund (continued)

On September 24, 2015, the Town entered into an installment purchase contract with the Bank of the Ozarks to purchase a new garbage truck. The financing contract was for \$126,900. Eighty-four monthly consecutive interest payments, beginning October 25, 2016, with interest calculated on the unpaid principal balances using an interest rate of 3.625% per annum based on a year of 360 days; 6 annual consecutive principal payments of \$18,129 each, beginning September 25, 2016, during which interest continues to accrue on the unpaid principal balances using an interest rate of 3.625% per annum based on a year of 360 days; and one principal and interest payment of \$18,019 on September 25, 2022.

The future minimum payments as of June 30, 2019, including \$4,623 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 18,129	\$ 2,170	\$ 20,299
2021	18,129	1,502	19,631
2022	18,129	834	18,963
2023	17,930	117	18,047
	<u>\$ 72,317</u>	<u>\$ 4,623</u>	<u>\$ 76,940</u>

On June 15, 2016, the Town entered into an installment purchase contract with the Bank of the Ozarks to renovate the municipal pool. The financing contract was for \$300,000. Sixty monthly consecutive interest payments, beginning July 20, 2016, with interest calculated on the unpaid principal balances using a variable interest rate of 4.00% per annum based on a year of 360 days; 5 annual consecutive principal payments of \$39,991 each, beginning October 20, 2016, during which interest continues to accrue on the unpaid principal balances using a variable interest rate of 4.00% per annum based on a year of 360 days; and one principal and interest payment on June 20, 2021.

The future minimum payments of the installment purchase as of June 30, 2019, including \$10,365 of interest, are as follows:

June 30	Principal	Interest	Total
2020	\$ 39,991	\$ 6,022	\$ 46,013
2021	140,036	4,343	144,379
	<u>\$ 180,027</u>	<u>\$ 10,365</u>	<u>\$ 190,392</u>

In June 2015, the Town entered into a financing agreement with the Bank of the Ozarks, Landis, North Carolina for the construction improvements of their Lake Corriher Wilderness area. The financing contract was for \$399,984. Repayments terms include four annual principal payments of \$27,670 beginning September 5, 2016 amortized twenty years, with the outstanding principal and interest due in full on the fifth year. Interest will accrue on the outstanding principal balance at a fixed rate of 3.625% for five years.

Notes to the Financial Statements (continued)

b. Installment Purchases – General Fund (continued)

The future minimum payments of the installment purchase as of June 30, 2019, including \$15,213 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 27,670	\$ 11,712	\$ 39,382
2021	284,828	3,501	288,329
	<u>\$ 312,498</u>	<u>\$ 15,213</u>	<u>\$ 327,711</u>

On December 28, 2017, the Town entered into a financing agreement with F&M Bank, Salisbury, North Carolina to purchase police cars in the amount of \$254,522. Repayments terms include six annual principal payments of \$37,300 plus accrued interest beginning October 1, 2018 with the outstanding principal and interest due in full on October 1, 2024. Interest will accrue on the outstanding principal balance at a fixed rate of 3.25% for seven years.

The future minimum payments of the installment purchase as of June 30, 2019, including \$20,644 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 37,300	\$ 6,454	\$ 43,754
2021	37,300	5,241	42,541
2022	37,300	4,029	41,329
2023	37,300	2,817	40,117
2024	37,300	1,605	38,905
2025	30,721	498	31,219
	<u>\$ 217,221</u>	<u>\$ 20,644</u>	<u>\$ 237,865</u>

Notes to the Financial Statements (continued)

b. Installment Purchases – Proprietary Funds

Proprietary Funds

On May 1, 2016, the Town entered into an installment purchase contract with the North Carolina Department of Environmental Quality (DEQ) for the purchase of Advanced Metering Infrastructure (AMI) for the water fund. The financing contract was for \$212,693 and requires twenty annual consecutive principal payments of \$10,635 beginning May 1, 2017 at 0% interest.

The future minimum payments of the installment purchase as of June 30, 2019 are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 10,635	\$ -	\$ 10,635
2021	10,635	-	10,635
2022	10,635	-	10,635
2023	10,635	-	10,635
2024	10,635	-	10,635
2025-2029	53,175	-	53,175
2030-2034	53,175	-	53,175
2035-2036	21,263	-	21,263
	<u>\$ 180,788</u>	<u>\$ -</u>	<u>\$ 180,788</u>

In October 2017, the Town entered into an installment purchase contract with F&M Bank, Salisbury, North Carolina for the purchase of sewer equipment. The financing contract was for \$380,319 and includes seven annual principal payments of \$55,557 plus accrued interest beginning October 1, 2018 with the outstanding principal and interest due in full on October 1, 2024. Interest will accrue on the outstanding principal balance at a fixed rate of 3.25% for seven years.

The future minimum payments of the installment purchase as of June 30, 2019, including \$30,967 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 55,557	\$ 9,652	\$ 65,209
2021	55,557	7,846	63,403
2022	55,557	6,041	61,598
2023	55,557	4,235	59,792
2024	55,557	2,430	57,987
2025	46,977	763	47,740
	<u>\$ 324,762</u>	<u>\$ 30,967</u>	<u>\$ 355,729</u>

Notes to the Financial Statements (continued)

c. General Obligation Indebtedness

The Town's general obligation bonds serviced by the proprietary funds were issued for the acquisition of water system improvements. Those general obligation bonds issued to finance the improvements utilized in the operations of the water system and which are being retired by its resources are reported as long-term debt in the Water Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water Fund:

\$2,896,000, USDA – General Obligation Water Bond, Series 2013A bonds due in annual installments of interest only through June 1, 2016 and principal plus interest from June 1, 2016 through June 1, 2053; interest is at 3.5%.

\$2,736,000

\$470,000, USDA – General Obligation Water Bond, Series 2013B bonds due in annual installments of interest only through June 1, 2016 and principal plus interest from June 1, 2016 through June 1, 2053; interest is at 2.75%.

438,000
\$3,174,000

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 51,000	\$ 107,805	\$ 158,805
2021	53,000	106,080	159,080
2022	55,000	104,285	159,285
2023	57,000	102,428	159,428
2024	59,000	100,500	159,500
2025-2029	324,000	471,322	795,322
2030-2034	384,000	412,512	796,512
2035-2039	453,000	342,908	795,908
2040-2044	535,000	260,668	795,668
2045-2049	632,000	163,340	795,340
2050-2053	571,000	48,862	619,862
	<u>\$3,174,000</u>	<u>\$2,220,710</u>	<u>\$5,394,710</u>

Serviced by the Sewer Fund:

\$1,446,000 Sewer Notes issued on October 28, 2014 by Wells Fargo at .90% interest due July 22, 2016 for sewer system improvements. The notes were assumed by two USDA bond offerings on July 20, 2016. Both Bonds are due in annual installments of interest only through June 1, 2017 and principal plus interest from June 1, 2019 through June 1, 2055; Bond Series 2015A interest at 3.625 and Bond Series 2015B interest at 2.875 percent.

Notes to the Financial Statements (continued)

c. General Obligation Indebtedness (continued)

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 22,000	\$ 46,990	\$ 68,990
2021	22,000	46,260	68,260
2022	23,000	45,530	68,530
2023	23,000	44,764	67,764
2024	25,000	43,998	68,998
2025-2029	134,000	207,236	341,236
2030-2034	158,000	183,308	341,308
2035-2039	186,000	155,054	341,054
2040-2044	219,000	121,795	340,795
2045-2049	258,000	82,525	340,525
2050-2054	304,000	36,151	340,151
2055	28,000	947	28,947
	<u>\$1,402,000</u>	<u>\$1,014,558</u>	<u>\$2,416,558</u>

Serviced by the Electric Fund:

In July 2017, the Town entered into an installment purchase contract with Bank OZK, Landis, North Carolina for the purchase of electrical equipment. The financing contract was for \$359,003 and includes five annual principal payments of \$70,000 plus accrued interest beginning October 20, 2018 with the outstanding principal and interest due in full on October 20, 2022. Interest will accrue on the outstanding principal balance at a fixed rate of 4.175% for five years.

The future minimum payments of the installment purchase as of June 30, 2019, including \$19,038 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 70,000	\$ 9,143	\$ 79,143
2021	70,000	6,221	76,221
2022	70,000	3,298	73,298
2023	9,003	376	9,379
	<u>\$ 219,003</u>	<u>\$ 19,038</u>	<u>\$ 238,041</u>

Notes to the Financial Statements (continued)

d. Changes in Long-term Liabilities

	Balance			Balance	Current Portion
	June 30, 2018	Increases	Decreases	June 30, 2019	of Balance
Governmental activities:					
Compensated Absences	\$ 73,596	\$ -	\$ 44,179	\$ 29,417	\$ -
LEO separation allowance	26,642	14,429	-	41,071	-
Net pension liability (LGERS)	225,803	109,587	-	335,390	-
Installment purchases	2,227,614	-	186,396	2,041,217	426,338
Total Governmental activities	<u>\$ 2,553,655</u>	<u>\$ 124,016</u>	<u>\$ 230,575</u>	<u>\$ 2,447,097</u>	<u>\$ 426,338</u>
Business-type activities:					
Compensated Absences	\$ 99,567	\$ 13,731	\$ -	\$ 113,298	\$ -
Net pension liability (LGERS)	202,265	102,640	-	304,905	-
General obligation bonds	4,648,000	-	72,000	4,576,000	73,000
Installment purchases	976,457	-	251,903	724,554	134,966
Total Business activities	<u>\$ 5,926,289</u>	<u>\$ 116,371</u>	<u>\$ 323,903</u>	<u>\$ 5,718,757</u>	<u>\$ 207,966</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

At June 30, 2019, the Town of Landis had no authorized but unissued bonds and a legal debt margin of \$23,504,167.

5. Interfund Balances and Activity

Interfund balances at June 30, 2019 consisted of the following:

General Fund	Due to Light Fund	\$57,166
Light Fund	Due from General Fund	\$57,166
Light Fund	Due to Water Fund	\$129,986
Sewer Fund	Due to Water Fund	\$478,848
Water Fund	Due from Light/Sewer Funds	\$608,834

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Notes to the Financial Statements (continued)

5. Interfund Balances and Activity (continued)

Transfers to / from Other Funds:

Transfers to / from other funds at June 30, 2019, consist of the following:

Governmental activities:	
From Light Fund	\$ 0
From General Fund to General Capital Projects	(131,260)
To General Capital Projects from General Fund	131,260
Total Governmental Activities	<u>\$ 0</u>
Business-type activities:	
To General Fund	\$ 0
Total Business-type Activities	<u>\$ 0</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided by matching funds for various programs.

6. On-Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2019, the Town of Landis has recognized on-behalf of payments for pension contributions made by the State as a revenue and expenditure of \$10,907 for thirty volunteer firemen who perform firefighting duties for the Town's fire department. The volunteers elected to be members of the Firemen and Rescue Worker's Pension fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and State appropriation.

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 4,281,034	\$ 13,930,201
less: long-term debt	2,041,218	5,300,554
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 2,239,815</u>	<u>\$ 8,629,647</u>

Notes to the Financial Statements (continued)

D. Fund Balance

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

Total fund balance - General Fund	\$ 1,674,097
Less:	
Stabilization by State Statute	581,892
Streets - Powell Bill	504,027
Park Construction	210,981
USDA Loan Reserve	75,550
Appropriated Fund Balance in 2020 budget	-
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	\$ 301,645

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

Encumbrances	General Fund	Non-Major Funds
	\$0	

IV. Jointly Governed Organization

The Town, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain general and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric 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 were \$3,840,591.

V. Joint Ventures

The Town and the members of the Town's fire department each appoint Town members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Notes to the Financial Statements (continued)

VI. Related Party Transactions

During the year, the Town contracted with B&G Lawncare Inc. to provide grass cutting services for the Town. The prior Finance Officer was a major shareholder in this business which was paid \$14,000 for the year for equipment. At June 30, 2019 there was no amount due for services.

During the year, the Town contracted with United Health Care Insurance Company to provide employee healthcare for the fiscal year. The Town paid \$315,140 in premiums during the period that the agent providing the services was the husband of the prior Finance Officer. The Town was the only entity for which he was the agent. At June 30, 2019 there was no amount due for services.

VII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from 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 agreement. 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.

VIII. Other Significant Disclosures

The Town's long-time manager and Finance Officer resigned during the fiscal year. Currently, a criminal investigation is being conducted into irregularities and is ongoing at the date of issuance of this report. No charges have been filed at this time and any material impact on the Town's financial situation cannot be determined at this time.

IX. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through October 29, 2019, which is the date the financial statements were available to be issued. There were no subsequent events that came to our attention after the audit that would have a significant effect on the Town.

Town of Landis, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2019

Schedule of Changes in Total Pension Liability

	2019	2018	2017
Beginning balance	\$ 26,642	\$ 11,432	\$ 5,716
Service Cost Interest on total pension liability	8,274	6,203	16,079
Interest	3,537	3,734	15,031
Differences between expected and actual experience in the measurement of the total pension liability	16,421	-	-
Changes of assumptions or other inputs	(6,809)	12,267	(25,394)
Benefit payments	(6,994)	(6,994)	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 41,071</u>	<u>\$ 26,642</u>	<u>\$ 11,432</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2019	2018	2017
Total pension liability	\$ 41,071	\$ 26,642	\$ 11,432
Covered payroll	440,034	421,270	439,541
Total pension liability as a percentage of covered payroll	9.33%	6.32%	2.60%

Notes to the schedules:

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

Town of Landis North Carolina
Town of Landis' Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Landis' proportion of the net pension liability (asset) (%)	0.02699%	0.02802%	0.03002%	0.02699%	0.02546%	0.02610%
Landis' proportion of the net pension liability (asset) (\$)	\$ 640,295	\$ 428,068	\$ 637,125	\$ 121,130	\$ (150,149)	\$ 306,722
Landis' covered-employee payroll	\$1,856,613	\$1,795,308	\$1,822,279	\$1,710,393	\$1,509,543	\$1,421,446
Landis' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.49%	23.84%	34.96%	7.08%	(9.95%)	21.58%
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 fiscal year were determined as of the prior fiscal year ending June 30.

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

Town of Landis North Carolina
Town of Landis' Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 153,709	\$ 145,517	\$ 139,325	\$ 150,919	\$ 125,022	\$ 109,705
Contributions in relation to the contractually required contribution	153,709	145,517	139,325	150,919	125,022	109,705
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Landis' covered-employee payroll	\$ 1,896,331	\$ 1,856,613	\$ 1,795,308	\$ 1,822,279	\$ 1,710,393	\$ 1,509,543
Contributions as a percentage of covered-employee payroll	8.11%	7.84%	7.76%	8.28%	7.31%	7.27%

Town of Landis, North Carolina
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2018
Revenues:				
Ad valorem taxes (net of refunds):				
Taxes		\$ 1,382,687		\$ 1,240,117
Vehicle tag fee		70,650		-
Penalties and interest		9,356		8,618
	<u>\$ 1,474,055</u>	<u>1,462,693</u>	<u>\$ (11,362)</u>	<u>1,248,735</u>
 Unrestricted intergovernmental revenues:				
Local option sales tax		729,245		694,790
Telecommunications sales tax		16,467		17,694
Utility sales tax		264,278		260,149
Piped natural gas sales tax		10,972		11,194
Video franchise fee		10,312		10,782
	<u>1,022,600</u>	<u>1,031,275</u>	<u>8,675</u>	<u>994,609</u>
 Restricted intergovernmental revenues:				
Powell Bill allocation		98,448		99,686
School resource officer		125,459		110,603
On behalf payments - Fire		10,907		12,856
Other police income		26,114		8,565
Other grants		-		6,740
Fire Grant		-		-
	<u>231,000</u>	<u>260,928</u>	<u>29,928</u>	<u>238,449</u>
 Sales and services:				
Garbage collection fees		290,886		272,389
Recreation program user fees		116,591		96,482
	<u>406,000</u>	<u>407,476</u>	<u>1,476</u>	<u>368,870</u>
 Investment earnings		10,581		3,109
Investment earnings - Powell		13,206		7,426
	<u>8,000</u>	<u>23,786</u>	<u>15,786</u>	<u>10,535</u>
 Miscellaneous:				
ABC profit distribution		23,394		23,120
Insurance proceeds		33,788		25,434
Other		66,337		63,456
Golf tournament		-		37,554
Fire income		6,078		5,710
Donations		-		4,800
Sale of assets		44,451		5,500
	<u>91,031</u>	<u>174,049</u>	<u>83,018</u>	<u>165,574</u>
 Total revenues	<u>3,232,686</u>	<u>3,360,207</u>	<u>127,521</u>	<u>3,026,773</u>

Town of Landis, North Carolina
General Fund (continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Expenditures				
General government				
Governing body:				
Mayor and alderman fees		\$ -		\$ 6,900
Professional services		48,550		22,347
Board expenses		1,520		3,772
Membership dues		7,613		7,479
	<u>\$ 58,000</u>	<u>57,683</u>	<u>\$ 317</u>	<u>40,498</u>
Administrative and general:				
Salaries		144,775		134,677
Social security		7,542		7,728
Retirement		12,695		12,154
Unemployment		-		62
Insurance - employee		8,722		3,991
Insurance - other		17,916		17,936
Motor vehicle expense		8,275		1,846
Utilities		15,080		14,681
Telephone		3,911		4,380
Office expense and supplies		9,484		6,432
Miscellaneous		1,920		1,208
Election expense		-		2,080
Maintenance and repairs		34,897		22,279
Postage		232		216
Bank service charges		(605)		673
Travel and schools		4,012		70
Internet services		2,700		4,095
Tax collection fees		18,849		16,671
Debris removal		2,140		6,593
Computer tech support		4,476		149
Capital outlay		-		35,531
	<u>323,855</u>	<u>297,020</u>	<u>26,835</u>	<u>293,448</u>
 Total general government	 <u>381,855</u>	 <u>354,702</u>	 <u>27,153</u>	 <u>333,946</u>

Town of Landis, North Carolina
General Fund (continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

Expenditures (continued):	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2018
Public safety				
Police:				
Salaries		\$ 581,352		\$ 521,520
Social security		44,260		39,248
Retirement		60,484		51,271
Insurance - employee		105,301		86,798
Insurance - other		43,422		41,681
Motor vehicle expense		26,367		26,048
Supplies		3,837		6,601
Telephone		4,164		4,624
Maintenance and repairs		27,799		38,977
Uniforms		6,333		10,130
Miscellaneous		348		2,387
Schools		3,246		7,773
Dues and memberships		6,580		6,750
Legal and professional		3,868		1,733
Office expense		3,450		3,955
Utilities		7,565		6,616
Internet services		3,118		4,116
Computer tech support		22,112		22,184
Capital outlay - vehicles and equipment		-		292,594
	\$ 967,520	953,606	\$ 13,914	1,175,005
Fire department:				
Salaries		286,725		259,543
Social security		22,311		20,138
Firefighters expense		18,735		22,123
Retirement		29,958		37,675
Motor vehicle expense		44,554		44,387
Supplies		12,222		23,614
Insurance - employee		60,375		49,694
Insurance - other		49,617		46,392
Utilities and telephone		24,980		22,826
Maintenance and repairs		34,209		70,936
Firefighters' training		4,235		6,048
On-behalf payments		10,907		12,856
Internet services		2,700		2,800
Computer tech support		575		1,157
Public education materials		500		332
Capital outlay - vehicles and equipment		-		-
	669,080	602,603	66,477	620,520
Total public safety	1,636,600	1,556,210	80,390	1,795,525

Town of Landis, North Carolina
General Fund (continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Expenditures (continued):				
Transportation				
Street department:				
Salaries		\$ 125,335		\$ 88,223
Social security		9,506		6,684
Retirement		10,221		9,384
Insurance - employee		25,426		30,195
Insurance - other		3,835		3,143
Motor vehicle expense		16,224		17,300
Supplies		3,994		212
Utilities		53,094		54,297
Norfolk & Southern - crossings		2,117		2,117
Maintenance and repairs		8,516		7,225
Grounds maintenance		3,401		51,300
Capital outlay - equipment		23,841		-
Powell Bill:				
Repairs		351,030		24,996
Capital outlay		-		-
Total transportation	<u>\$ 793,076</u>	<u>636,540</u>	<u>\$ 156,536</u>	<u>295,077</u>
Environmental protection				
Sanitation and maintenance department:				
Sanitation contract		96,600		96,600
Recycling		50,400		50,400
Landfill		10,202		13,783
Total environmental protection	<u>162,500</u>	<u>157,202</u>	<u>5,298</u>	<u>160,783</u>

Town of Landis, North Carolina
General Fund (continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Expenditures (continued):				
Cultural and recreational				
Recreation department:				
Salaries		\$ 141,316		\$ 118,346
Social security		10,798		8,406
Retirement		3,637		5,975
Insurance - employee		15,601		15,749
Insurance - other		12,735		10,480
Motor vehicle expense		2,629		2,880
Equipment and supplies		17,821		103,937
Telephone		935		1,253
Utilities		34,031		28,725
Maintenance and repairs		38,535		88,380
Dues and memberships		-		678
Miscellaneous		74,051		9,447
Special events		37,157		40,749
Internet services		2,998		3,614
Ruffy Holmes Senior Center		-		200
Concessions		11,951		12,378
Pool contract		33,067		54,879
Capital outlay		26,223		40,068
Total cultural and recreational	<u>\$ 450,355</u>	<u>463,486</u>	<u>\$ (13,131)</u>	<u>546,142</u>
Debt service:				
Principal retirement		186,396		136,697
Interest		83,134		79,112
Total debt service	<u>248,300</u>	<u>269,529</u>	<u>(21,229)</u>	<u>215,809</u>
Total expenditures	<u>3,672,686</u>	<u>3,437,670</u>	<u>235,016</u>	<u>3,347,282</u>
Revenues over (under)				
expenditures - carried forward	<u>(440,000)</u>	<u>(77,462)</u>	<u>362,538</u>	<u>(320,509)</u>

Town of Landis, North Carolina
General Fund (continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Expenditures (continued):				
Revenues over (under)				
expenditures - brought forward	\$ (440,000)	\$ (77,462)	\$ 362,538	\$ (320,509)
Other financing sources (uses)				
Proceeds from borrowing / lease	-	-	-	254,522
Insurance proceeds - theft	-	252,000	252,000	-
Operating transfers - in (out)				
Transfer (to) from General Capital Projects	-	131,260	131,260	(103,733)
Transfer (to) from Light Fund	190,000	-	(190,000)	-
Total other financing sources (uses)	190,000	383,260	193,260	150,788
Fund Balance Appropriated	250,000	-	(250,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	305,798	<u>\$ 305,798</u>	(169,721)
Fund balances				
Fund balances, beginning		1,368,299		1,538,020
Fund balances, end of year		<u>\$ 1,674,097</u>		<u>\$ 1,368,299</u>

Town of Landis North Carolina
General Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From inception and for the fiscal year ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental:					
PARTF Grant	\$ 402,269	\$ 512,919	\$ 43,265	\$ 556,184	\$ 153,915
Investment earnings	-	47	28	75	75
Total revenues	<u>402,269</u>	<u>512,966</u>	<u>43,293</u>	<u>556,259</u>	<u>153,990</u>
Expenditures:					
Engineering fees	56,000	173,743	-	173,743	(117,743)
Improvements	713,538	725,879	-	725,879	(12,341)
Miscellaneous	<u>35,000</u>	<u>5,673</u>	<u>64</u>	<u>5,737</u>	<u>29,263</u>
Total expenditures	<u>804,538</u>	<u>905,296</u>	<u>64</u>	<u>905,360</u>	<u>(100,822)</u>
Revenues over expenditures	<u>(402,269)</u>	<u>(392,330)</u>	<u>43,229</u>	<u>(349,101)</u>	<u>53,168</u>
Other financing sources (uses):					
Proceeds from borrowings	402,269	399,984	-	399,984	(2,285)
Transfer from (to) operating fund	-	103,883	(131,260)	(27,377)	(27,377)
Total other financing sources	<u>402,269</u>	<u>503,867</u>	<u>(131,260)</u>	<u>372,607</u>	<u>(29,662)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 111,537</u>	<u>(88,031)</u>	<u>\$ 23,506</u>	<u>\$ 23,506</u>
Fund Balance, beginning			111,537		
Fund Balance, ending			<u>\$ 23,506</u>		

Town of Landis, North Carolina

Storm Water Fund

Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2019

(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Revenues:				
Storm water fees		\$ 106,687		\$ 101,398
	\$ 100,000	106,687	\$ 6,687	101,398
Investment earnings		907		515
	500	907	407	515
Total revenues	100,500	107,594	7,094	101,913
Expenditures:				
Salaries		67,616		63,202
Social security		5,115		4,435
Retirement		7,080		8,664
Insurance - employee		7,502		6,834
System maintenance		-		18,222
Safety		3,119		-
Radio maintenance		759		637
Permits		1,820		100
Miscellaneous		1,064		-
Professional fees/engineering		3,250		1,860
Capital Outlay		55,256		-
Total expenditures	127,700	152,581	(24,881)	103,955
Appropriated fund balance	27,200			
Revenues over (under) expenditures	\$ -	(44,987)	\$ (44,987)	(2,042)
Fund balances, beginning		244,936		246,978
Fund balances, ending		\$ 199,949		\$ 244,936

Town of Landis, North Carolina
Light Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Revenues:				
Charges for services				
Residential and commercial		\$ 6,798,874		\$ 6,434,040
Fines and penalties		99,009		105,391
Other operating revenues		58,705		69,110
Total operating revenues	<u>\$ 7,165,000</u>	<u>6,956,588</u>	<u>\$ (208,412)</u>	<u>6,608,540</u>
Nonoperating revenues				
Investment earnings	2,000	1,818		2,428
Total nonoperating revenues	<u>2,000</u>	<u>1,818</u>	<u>(182)</u>	<u>2,428</u>
Total revenues	<u>7,167,000</u>	<u>6,958,406</u>	<u>(208,594)</u>	<u>6,610,968</u>
Expenditures:				
Electrical operations				
Salaries		920,990		992,229
Social security		62,042		64,556
Retirement		97,724		101,259
Insurance - employee		203,162		223,613
Insurance - other		37,644		38,007
Motor vehicle expense		42,201		44,937
Uniforms		9,583		9,163
Office expense		24,338		22,207
Meters, poles, and transformers		40,860		12,445
Bank charges		73,003		58,445
Safety program		1,175		1,616
Telephone		5,191		6,166
Utilities		14,184		12,648
Radio maintenance		14,418		21,129
System maintenance and repairs		182,798		156,050
Maintenance and repairs		19,231		76,190
Building maintenance		8,412		7,594
Professional fees and dues		54,752		53,597
Postage		15,767		15,893
Training and education		3,343		6,276
Miscellaneous		239		861
Internet services		65,633		60,350
Bad debts		23,596		19,149
Utility sales tax		348,825		389,078

Town of Landis, North Carolina
Light Fund (continued)
Schedule of Revenue and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Expenditures (continued):				
Marketing		\$ 39,632		\$ 58,022
Lease payments		152,680		146,366
Total electrical operations	\$ 2,440,000	2,461,425	\$ (21,424)	2,597,846
Electrical power purchases	4,000,000	3,840,591	159,409	4,086,309
Debit service				
Interest	-	12,908	(12,908)	10,896
Principal retirement	-	70,000	(70,000)	70,000
Total debt service	-	82,908	(82,908)	80,896
Capital outlay				
Electrical system improvements		27,400		-
Equipment		28,800		541,024
Vehicles		-		-
Total capital outlay	577,000	56,200	520,800	541,024
Total expenditures	7,017,000	6,441,123	575,877	7,306,075
Revenues over (under) expenditures	150,000	517,283	367,283	(695,107)
Other financing sources (uses)				
Proceeds from borrowings	-	-	-	315,136
Transfer (to) General Fund	(150,000)	-	150,000	-
Total other financing sources (uses)	(150,000)	-	150,000	315,136
Fund Balance Appropriated	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 517,283	\$ 517,283	\$ (379,971)
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues over (under) expenditures		\$ 517,283		\$ (379,971)
Reconciling items:				
Capital outlay		56,200		541,024
Loan proceeds		-		(315,136)
Compensated absences		(10,476)		(26,745)
Principal retirement		70,000		70,000
Retirement expense		13,172		(32,990)
Depreciation		(166,910)		(172,837)
Total reconciling items		(38,014)		63,316
Change in net position		\$ 479,269		\$ (316,655)

Town of Landis, North Carolina
Sewer Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Revenues:				
Charges for services				
Sewer charges		\$ 1,013,513		\$ 841,809
Sewer taps		146,500		78,000
Other operating revenues		-		-
Total operating revenues	<u>\$ 1,088,915</u>	<u>1,160,013</u>	<u>\$ 71,098</u>	<u>919,809</u>
Nonoperating revenues				
Investment earnings		33		10
Total nonoperating revenues	<u>100</u>	<u>33</u>	<u>(67)</u>	<u>10</u>
Total revenues	<u>1,089,015</u>	<u>1,160,046</u>	<u>71,031</u>	<u>919,819</u>
Expenditures:				
Water collection and treatment				
Salaries		104,639		133,052
Social security		5,852		7,399
Retirement		12,077		13,213
Insurance - employee		19,277		21,061
Insurance - other		8,748		9,462
Motor vehicle expense		5,668		10,688
Utilities		26,700		19,835
System maintenance		61,529		18,621
Professional fees		4,870		12,205
Miscellaneous		105		290
Salisbury sewage treatment		863,132		721,824
Total waste collection and treatment	<u>1,139,115</u>	<u>1,112,596</u>	<u>26,519</u>	<u>967,649</u>
Debit service				
Interest	56,000	56,727		50,238
Principal retirement	<u>103,900</u>	<u>103,013</u>		<u>49,720</u>
Total debt service	<u>159,900</u>	<u>159,740</u>	<u>160</u>	<u>99,958</u>

Town of Landis, North Carolina
Sewer Fund (continued)
Schedule of Revenue and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Capital outlay				
Sewer improvements and equipment		\$ 54,466		\$ 549,197
Total capital outlay	\$ 55,000	54,466	\$ 534	549,197
Total expenditures	1,354,015	1,326,802	27,213	1,616,804
Revenues over (under) expenditures	(265,000)	(166,757)	98,243	(696,985)
Other financing sources (uses)				
Proceeds from borrowings	-	-	-	380,319
Transfers from water fund	265,000	265,000	-	-
Transfers to capital projects	-	-	-	-
Total other financing sources (uses)	265,000	265,000	-	380,319
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 98,243	\$ 98,243	\$ (316,666)
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues and other sources over (under) expenditures and other uses		\$ 98,243		\$ (316,666)
Reconciling items:				
Interest earned by capital project		(332)		-
Transfer to (from) capital project		-		-
Pension expense		1,543		(1,274)
Capital outlay		54,466		549,197
Principal retirement		103,013		49,720
Compensated absences		(3,255)		(78)
Loan proceeds		-		(380,319)
Depreciation		(221,086)		(221,422)
Total reconciling items		(65,650)		(4,176)
Change in net position		\$ 32,595		\$ (320,842)

Town of Landis, North Carolina
Water Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Revenues:				
Charges for services:				
Water sales		\$ 1,074,155		\$ 972,697
Water taps		164,450		84,050
Fines and penalties		-		-
Other operating revenues		313		2,000
Total operating revenues	\$ 1,082,600	1,238,918	\$ 156,318	1,058,747
Nonoperating revenues				
Investment earnings		156		76
Total nonoperating revenues	100	156	56	76
Total revenues	1,082,700	1,239,074	156,374	1,058,823
Expenditures:				
Water distribution				
Salaries		38,268		73,863
Social security		910		2,985
Retirement		4,131		7,145
Insurance - employee		7,502		6,426
Insurance - other		6,931		5,986
Motor vehicle expense		5,140		7,176
Chemicals		-		1,380
Lab fees		5,016		3,690
Telephone		61		-
Utilities		3,788		2,730
System maintenance		64,024		81,828
Dues and subscriptions		795		390
Professional fees		5,655		5,720
Permits		2,660		2,660
Postage		269		326
Water purchases		262,689		281,718
Training and education		700		2,251
Miscellaneous		257		108
Computer tech support		14,250		14,250
Water tank maintenance		11,190		10,082
Total water distribution	501,639	434,237	67,402	510,714
Debit service				
Interest		111,848		117,453
Principal retirement	317,495	150,890		156,915
Total debt service	317,495	262,737	54,758	274,368

Town of Landis, North Carolina
Water Fund (continued)
Schedule of Revenue and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2018
Capital outlay				
Water expansion and improvements		\$ 73,315		\$ -
Total capital outlay	\$ 85,566	73,315	\$ 12,251	-
Total expenditures	904,700	770,289	134,411	785,082
Revenues over (under) expenditures	178,000	468,785	290,785	273,741
Other financing sources (uses)				
Proceeds from borrowings	-	-	-	-
Transfer (to) Sewer Fund	(265,000)	(265,000)	-	-
Total other financing sources (uses)	(265,000)	(265,000)	-	-
Fund Balance Appropriated	87,000	-	(87,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 203,785	\$ 203,785	\$ 273,741
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues over (under) expenditures		\$ 203,785		\$ 273,741
Reconciling items:				
Pension expense		2,438		(1,484)
Capital outlay		73,315		-
Debt payment - principal		150,890		156,915
Depreciation		(335,057)		(339,095)
Total reconciling items		(108,414)		(183,664)
Change in net position		\$ 95,371		\$ 90,076

Town of Landis, North Carolina
Schedule of Ad Valorem Taxes Receivable
General Fund
June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019		\$ 1,410,250	\$ 1,352,998	\$ 57,252
2017-2018	\$ 36,256	-	17,582	18,674
2016-2017	15,310	-	4,507	10,803
2015-2016	9,397	-	1,900	7,497
2014-2015	4,867	-	1,584	3,283
2013-2014	3,653	-	1,091	2,562
2012-2013	2,542	-	605	1,937
2011-2012	2,061	-	522	1,539
2010-2011	946	-	6	940
2009-2010	1,019	-	6	1,013
2008-2009	585	-	29	556
2007-2008	753	-	44	709
	<u>\$ 77,389</u>	<u>\$ 1,410,250</u>	<u>\$ 1,380,874</u>	<u>\$ 106,765</u>
Less allowance for uncollectible accounts:				
General Fund				<u>9,761</u>
Ad valorem taxes receivable - net				<u>\$ 97,004</u>
Reconciliation with revenues:				
Advalorem taxes - General Fund				\$ 1,382,687
Reconciling items				
Other adjustments				(1,813)
Abatements & Discounts				<u>-</u>
Total collections and credits				<u>\$ 1,380,874</u>

Town of Landis, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2019

	Town - Wide			Tax Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 293,802,083	\$ 0.48	\$ 1,410,250	\$ 1,261,074	\$ 149,176
Property taxed at prior year's rate	-	0.48	-	-	-
Penalties	-	0.48	-	-	-
Total	293,802,083		1,410,250	1,261,074	149,176
Discoveries					
Current year taxes	-	0.48	-	-	-
Prior year taxes	-	0.48	-	-	-
Penalties	-	0.48	-	-	-
Total	-		-	-	-
Abatements	-	0.48	-	-	-
Total property valuation	<u>\$ 293,802,083</u>				
Net levy			1,410,250	1,261,074	149,176
Uncollected taxes at June 30, 2019			(57,252)	(57,252)	-
Current year's taxes collected			<u>\$ 1,352,998</u>	<u>\$ 1,203,822</u>	<u>\$ 149,176</u>
Current levy collection percentage			<u>95.94%</u>	<u>95.46%</u>	<u>100.00%</u>

EDDIE CARRICK, CPA, PC

Certified Public Accountant

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*

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Landis, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Landis, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprises the Town of Landis's basic financial statements, and have issued our report thereon dated October 29, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs 2019-1, 2019-2 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Landis's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-1, 2019-2.

Town of Landis's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Eddie Carrick, CPA, PC". The signature is stylized and cursive.

Eddie Carrick, CPA, PC
Lexington, North Carolina
October 29, 2019

Town of Landis North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

II Financial Statement Findings

Material weakness

2019-1 Violation of State Statutes

Criteria: State Statutes require pre-audit certification for all expenditures

Condition: The Town over expended its Recreational and Debt Service Departments
as well as its Storm Water Fund

Effect: Material violation of State Statutes - The Town's current accounting system does not allow management to timely monitor budget verses actual expenditures. This condition may allow incorrect reporting, fraudulent transactions to occur which may not be identified on a timely basis, miscoding of expenditures which may not be corrected on a timely basis and erroneous reporting of financial information.

Cause: Per-audit certification not considered in the budget monitoring process

Recommendation: Pre-audit certification should be done for all expenditures

Management response: See Corrective Action Plan page 79

2019-2 Violation of State Statutes

Criteria: State Statutes require that actual expenditures not to exceed budgeted amounts

Condition: The Town over expended its Recreational and Debt Service Departments
as well as its Storm Water Fund

Effect: Material violation of State Statutes - The Town's current accounting system does not allow management to timely monitor budget verses actual expenditures. This condition may allow incorrect reporting, fraudulent transactions to occur which may not be identified on a timely basis, miscoding of expenditures which may not be corrected on a timely basis and erroneous reporting of financial information.

Cause: Budget to actual expenditures was not considered in the budget monitoring process

Recommendation: The budget versus actual should be monitored monthly.

Management response: See Corrective Action Plan page 79

III Federal Award Findings and Questioned Costs

None reported

IV State Award Findings and Questioned Costs

None reported

Town of Landis

Established in 1901

Mike Mahaley, Mayor

Tommy Garver, Mayor Pro Tem
Seth Moore, Alderman
Bobby Brown, Alderman
Tony Corriher, Alderman

Town of Landis North Carolina

Corrective Action Plan

For the Year Ended June 30, 2019

I Financial Statement Findings

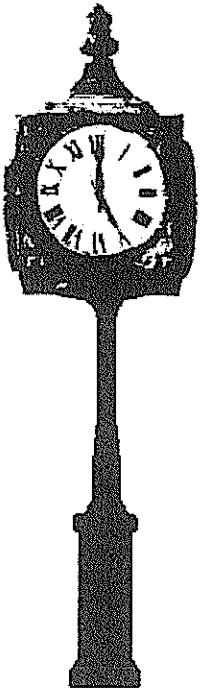
Material weakness

2019-1,2 Violation of State Statutes

Name of contact person: Roger Hosey, Interim Finance Officer

Corrective Action: The Town is currently working with outside CPA/Bookkeeper to provide budget verses actual reports in a more timely manner. Line item budgeted amounts will be monitored timely and budget adjustments made prior to expenditures exceeding any budgeted amounts. The Town is considering implementing an encumbrance system to more effectively monitor expenditures. The Town is also considering all bookkeeping duties to be done in house.

Proposed Completion Date: The Council and management will implement the above procedures as quickly as possible



312 South Main Street
P. O. Box 8165
Landis, North Carolina 28088
Phone: 704.857.2411
Fax: 704.855.3350