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Darrell L. Keller, CPA, PA

**TOWN OF LAWDALE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

(704) 739-0771

Town of Lawndale, North Carolina
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June 30, 2019

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Council
Town of Lawndale
Lawndale, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Lawndale, 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, and each major fund of Town of Lawndale, North Carolina, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–11, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 38 and 39 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 my 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.

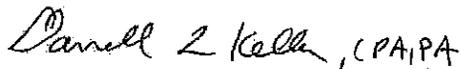
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lawndale, North Carolina's basic financial statements. The individual fund financial statements, 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 financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the individual fund financial 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 March 30, 2020, on our consideration of the Town of Lawndale, 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 Lawndale, North Carolina's internal control over financial reporting and compliance.



Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
March 30, 2020

Town of Lawndale, North Carolina
Management's Discussion and Analysis
June 30, 2019

As management of the Town of Lawndale, we offer readers of the Town of Lawndale's financial statements this narrative overview and analysis of the financial activities of the Town of Lawndale for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

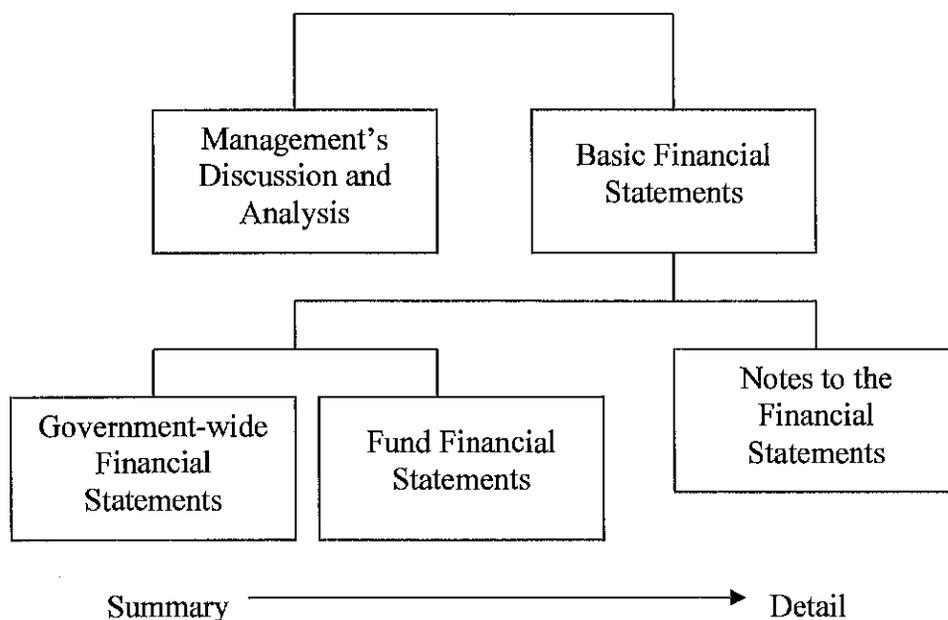
- The assets of the Town of Lawndale exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,750,195 (*net position*). Of this amount, \$591,423 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$45,216.
- As of the close of the current fiscal year, the Town of Lawndale's governmental funds reported combined ending fund balances of \$260,463, a decrease of \$36,671 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$220,211, or 60.04% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

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 (Exhibits 3 through 9) 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.

Town of Lawndale, North Carolina
Management's Discussion and Analysis
June 30, 2019

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Town of Lawndale, North Carolina
Management's Discussion and Analysis
June 30, 2019

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

Proprietary Fund – The Town of Lawndale has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Lawndale uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Town of Lawndale's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 38 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, 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 State laws and State appropriations.

Town of Lawndale, North Carolina
Management's Discussion and Analysis
June 30, 2019

Government-Wide Financial Analysis

The Town of Lawndale Net Position

Figure 2

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 267,655	\$ 332,308	\$ 396,468	\$ 389,179	\$ 664,123	\$ 721,487
Net Pension Assets	-	-	-	-	-	-
Capital assets	607,944	476,840	1,510,576	1,563,316	2,118,520	2,040,156
Deferred outflows of resources	-	-	15,851	10,431	15,851	10,431
Total assets and deferred outflows of resources	875,599	809,148	1,922,895	1,962,926	2,798,494	2,772,074
Long-term liabilities outstanding	-	-	21,826	14,972	21,826	14,972
Other liabilities	4,376	12,464	19,676	17,740	24,052	30,204
Deferred inflows of resources	-	19,518	2,421	2,401	2,421	21,919
Total liabilities and deferred inflows of resources	4,376	31,982	43,923	35,113	48,299	67,095
Net position:						
Net investment in capital assets	607,944	476,840	1,510,576	1,563,316	2,118,520	2,040,156
Restricted	40,252	76,924	-	-	40,252	76,924
Unrestricted	223,027	223,402	368,396	364,497	591,423	587,899
Total net position	\$ 871,223	\$ 777,166	\$1,878,972	\$1,927,813	\$ 2,750,195	\$2,704,979

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Lawndale exceeded liabilities by \$2,750,195 and \$2,704,979 as of June 30, 2019 and 2018 respectively. The Town's net position increased by \$45,216 for the fiscal year ended June 30, 2019. However, the largest portion (77.03%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Lawndale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lawndale's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Lawndale' net position (1.46%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$591,423 is unrestricted.

Town of Lawndale, North Carolina
Management's Discussion and Analysis
June 30, 2019

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

- Revitalization Grant and Fire Department Grants were received.

The Town of Lawndale Changes in Net Position

Figure 3

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 107,500	\$ 112,304	\$107,500	\$ 112,304
Operating grants and contributions	91,980	119,675	-	-	91,980	119,675
Capital grants and contributions	100,000	-	-	-	100,000	-
General revenues:						
Property taxes	53,943	52,329	-	-	53,943	52,329
Other taxes	70,073	72,374	-	-	70,073	72,374
Other	11,325	9,162	5,104	15,450	16,429	24,612
Total revenues	<u>327,321</u>	<u>253,540</u>	<u>112,604</u>	<u>127,754</u>	<u>439,925</u>	<u>381,294</u>
Expenses:						
General government	72,388	70,281	-	-	72,388	70,281
Public safety	61,454	72,077	-	-	61,454	72,077
Streets	77,594	13,401	-	-	77,594	13,401
Culture and recreation	21,828	28,557	-	-	21,828	28,557
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	161,445	156,126	161,445	156,126
Total expenses	<u>233,264</u>	<u>184,316</u>	<u>161,445</u>	<u>156,126</u>	<u>394,709</u>	<u>340,442</u>
Increase (Decrease) in net position	<u>\$ 94,057</u>	<u>\$ 69,224</u>	<u>\$ (48,841)</u>	<u>\$ (28,372)</u>	<u>\$ 45,216</u>	<u>\$ 40,852</u>

Governmental activities: Governmental activities increased the Town's net position by \$94,057. Key elements of this increase are as follows:

- Decrease in Town repairs and maintenance expenses.
- Increase in state grants received for the fire department and revitalization.

Business-type activities: Business-type activities decreased the Town of Lawndale's net position by \$48,841. Key elements of this increase are as follows:

- Depreciation expenses.

Town of Lawndale, North Carolina
Management's Discussion and Analysis
June 30, 2019

Financial Analysis of the Town's Funds

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

Governmental Funds: The focus of the Town of Lawndale' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Lawndale' financing requirements.

The general fund is the chief operating fund of the Town of Lawndale. At the end of the current fiscal year, Town of Lawndale's fund balance available in the General Fund was \$220,211, while total fund balance reached \$260,463. The Governing Body of Town of Lawndale has determined that the Town should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 60.43% of general fund expenditures, while total fund balance represents 71.48% of the same amount.

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.

Proprietary Fund: The Town of Lawndale' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position at the fiscal year-end in the Water and Sewer Fund was \$368,396. Factors concerning the finances of this fund have already been addressed in the discussion of the Town of Lawndale's business-type activities.

Town of Lawndale, North Carolina
 Management's Discussion and Analysis
 June 30, 2019

Capital Asset and Debt Administration

Capital assets: The Town of Lawndale' investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$2,118,520 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

There were no major capital asset transactions during the year including additions there were no significant demolitions or disposals.

The Town of Lawndale Capital Assets

Figure 4

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 72,828	\$ 72,828	\$ 63,549	\$ 63,549	\$ 136,377	\$ 136,377
Buildings and system	131,277	136,340	1,447,027	1,499,767	1,578,304	1,636,107
Machinery and equipment	262,694	256,688	-	-	262,694	256,688
Construction In Progress	-	-	-	-	-	-
Vehicles and motorized equipment	141,145	10,984	-	-	141,145	10,984
Total capital assets (net of depreciation)	\$ 607,944	\$ 476,840	\$ 1,510,576	\$ 1,563,316	\$ 2,118,520	\$ 2,040,156

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

Long-term Debt: As of June 30, 2019, the Town of Lawndale did not have any long-term debt.

North Carolina general statues limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Lawndale is \$1,826,817.

Town of Lawndale, North Carolina
Management's Discussion and Analysis
June 30, 2019

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Lawndale' reputation as a family-oriented, quiet town has made the Town a highly desired place to live in the last several years. This has resulted in higher property tax valuations and increased revenues for services provided.

Budget Highlights for Fiscal Year Ending June 30, 2020

Governmental Activities: The governmental fund's primary revenue resource is property taxes. The property tax rate is \$.23 per \$100. Property tax revenue in the future is expected to remain stable.

The Town is applying for a sewer grant through USDA.

Business-type Activities: The Town provides water services to its citizens. This is the major income source of the business-type activities in town. Water charges are billed monthly based on the number of gallons consumed.

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 Finance Officer, Town of Lawndale, P.O. Box 256, Lawndale, NC 28090.

Basic Financial Statements

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 225,247	\$ 362,234	\$ 587,481
Accrued interest receivable	-	135	135
Taxes receivables (net)	2,816	-	2,816
Accounts receivable (net)	-	17,989	17,989
Due from other governments	15,767	-	-
Internal balances	(1,765)	1,765	-
Prepaid expenses	-	-	-
Restricted cash	25,590	14,345	39,935
Total current assets	<u>267,655</u>	<u>396,468</u>	<u>608,421</u>
Non-current assets:			
Net pension asset	-	-	-
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	72,828	63,549	136,377
Construction In Progress	-	-	-
Other capital assets, net of depreciation	535,116	1,447,027	1,982,143
Total capital assets	<u>607,944</u>	<u>1,510,576</u>	<u>2,118,520</u>
Total assets	<u>\$ 875,599</u>	<u>\$ 1,907,044</u>	<u>\$ 2,782,643</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferrals	-	15,851	15,851
Total deferred outflows of resources	<u>-</u>	<u>15,851</u>	<u>15,851</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,476	\$ 5,331	\$ 8,807
Customer deposits	900	14,345	15,245
Long-term liabilities:			
Net Pension Liability	-	21,826	21,826
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	<u>4,376</u>	<u>41,502</u>	<u>45,878</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned grant revenue	-	-	-
Pension Related Deferrals	-	2,421	2,421
Total deferred inflows of resources	<u>-</u>	<u>2,421</u>	<u>2,421</u>
NET POSITION			
Net investment in capital assets	607,944	1,510,576	2,118,520
Restricted for:			
Stabilization by State Statute	14,002	-	14,002
Streets	25,590	-	25,590
Capital Outlay	660	-	660
Unrestricted	223,027	368,396	591,423
Total net position	<u>\$ 871,223</u>	<u>\$ 1,878,972</u>	<u>\$ 2,750,195</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 72,388	\$ -	\$ -	\$ -	\$ (72,388)	\$ -	\$ (72,388)
Public safety	61,454	-	46,897	100,000	85,443	-	85,443
Streets	77,594	-	18,237	-	(59,357)	-	(59,357)
Cultural and recreation	21,828	-	26,846	-	5,018	-	5,018
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities (See Note 1)	233,264	-	91,980	100,000	(41,284)	-	(41,284)
Business-type activities:							
Water and sewer	161,445	107,500	-	-	-	\$ (53,945)	(53,945)
Total business-type activities	161,445	107,500	-	-	-	(53,945)	(53,945)
Total primary government	\$ 394,709	\$ 107,500	\$ 91,980	\$ 100,000	(41,284)	(53,945)	(95,229)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					53,943	-	53,943
Other taxes					70,073	-	70,073
Unrestricted investment earnings					2,846	5,104	7,950
Miscellaneous					8,479	-	8,479
Total general revenues and transfers					135,341	5,104	140,445
Change in net position					94,057	(48,841)	45,216
Net position, beginning					777,166	1,927,813	2,704,979
Net position, ending					\$ 871,223	\$ 1,878,972	\$ 2,750,195

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

**Town of Lawndale
Balance Sheet
Governmental Fund
June 30, 2019**

	<u>General Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 225,247	\$ 225,247
Receivables, net:		
Accrued interest	-	-
Taxes	2,816	2,816
Due from Other Funds	-	-
Due from other governments	15,767	15,767
Prepaid expenses	-	-
Restricted Cash	25,590	25,590
Total assets	<u>\$ 269,420</u>	<u>\$ 269,420</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 4,376	\$ 4,376
Due to Other Funds	1,765	\$ 1,765
Total liabilities	<u>6,141</u>	<u>6,141</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	2,816	2,816
Unearned grant revenue	-	-
	<u>2,816</u>	<u>2,816</u>
Fund balances:		
Restricted:		
Prepaid expenses	-	-
Stabilization by State statute	14,002	14,002
Capital Outlay	660	660
Streets	25,590	25,590
Unassigned	220,211	220,211
Total fund balances	<u>260,463</u>	<u>260,463</u>
Total liabilities and fund balances	<u>\$ 269,420</u>	<u>\$ 269,420</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

607,944

Liabilities for earned revenues considered deferred inflows of resources in fund statements.

2,816

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).

-

Net position of governmental activities

\$ 871,223

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

Exhibit 4

Town of Lawndale
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

	General Fund	Total Government
REVENUES		
Ad valorem taxes	\$ 54,319	\$ 54,319
Other taxes and licenses	114	114
Unrestricted intergovernmental	70,073	70,073
Restricted intergovernmental	191,980	191,980
Permits and fees	8,365	8,365
Investment earnings	2,846	2,846
Total revenues	327,697	327,697
EXPENDITURES		
Current:		
General government	59,848	59,848
Public safety	197,442	197,442
Transportation	76,838	76,838
Culture and recreation	30,240	30,240
Total expenditures	364,368	364,368
Excess (deficiency) of revenues over expenditures	(36,671)	(36,671)
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	-	-
Transfers to other funds	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	(36,671)	(36,671)
Fund balances, beginning	297,134	297,134
Fund balances, ending	\$ 260,463	\$ 260,463

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

**Town of Lawndale
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	\$ (36,671)
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 depreciation exceeded capital outlay in the current period	131,104
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(376)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Transfer to capital reserve	-
Rounding	-
Total changes in net position of governmental activities	\$ 94,057

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

<u>General Fund</u>				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	51,400	51,400	54,319	2,919
Other taxes and licenses	300	300	114	(186)
Unrestricted intergovernmental	73,500	73,500	70,073	(3,427)
Restricted intergovernmental	182,194	201,712	191,980	(9,732)
Permits and fees	5,760	5,760	8,365	2,605
Investment earnings	1,260	1,260	2,846	1,586
Total revenues	314,414	333,932	327,697	(6,235)
Expenditures:				
Current:				
General government	57,851	66,468	59,848	6,620
Public safety	163,266	205,554	197,442	8,112
Streets	33,570	78,883	76,838	2,045
Cultural and recreation	13,028	32,546	30,240	2,306
Total expenditures	267,715	383,451	364,368	19,083
Revenues over (under) expenditures	46,699	(49,519)	(36,671)	12,848
Other financing sources (uses):				
Fund Balance Appropriated/Reserved	36,000	45,334	-	(45,334)
Contingency	10,699	4,185	-	(4,185)
Transfer to capital reserve	-	-	-	-
Capital lease obligations issued	-	-	-	-
Total other financing sources (uses)	46,699	49,519	-	(49,519)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	(36,671)	\$ (36,671)
Fund balances, beginning			297,134	
Fund balances, ending			<u>\$ 260,463</u>	

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

**Town of Lawndale
Statement of Net Position
Proprietary Fund
June 30, 2019**

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 376,579
Accounts receivable (net)	17,989
Due from Other Funds	1,765
Accrued interest	135
Total current assets	396,468
Noncurrent assets:	
Net Pension Asset	-
Capital assets:	
Land and other non-depreciable assets	63,549
Construction In Progress	-
Other capital assets, net of depreciation	1,447,027
Capital assets (net)	1,510,576
Total noncurrent assets	1,510,576
Total assets	\$ 1,907,044
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferrals	15,851
Total Deferred outflows of resources	15,851
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	5,331
Customer deposits	14,345
Due to Other Funds	-
Unearned income	-
Installment purchase-current portion	-
Total current liabilities	19,676
Noncurrent liabilities:	
Net Pension Liability	21,826
Installment purchases	-
Total liabilities	41,502
 DEFERRED INFLOWS OF RESOURCES	
Pension related deferrals	2,421
Total Deferred inflows of resources	2,421
 NET POSITION	
Net investment in capital assets	1,510,576
Unrestricted	368,396
Total net position	\$ 1,878,972

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

TOWN OF LAWNSDALE, NORTH CAROLINA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN NET POSITION
 WATER AND SEWER FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
Water and Sewer Charges	\$ 107,500
Total Operating Income	<u>107,500</u>
OPERATING EXPENSES	
Salaries	46,794
Utilities	9,665
Repairs and Maintenance	16,309
Materials and Supplies	14,581
Social Security	3,580
Provision For Bad Debt	-
Other	9,482
Contracted and Professional Service	1,320
Office Expense	6,974
Depreciation	52,740
Total Operating Expenses	<u>161,445</u>
Operating Income (Loss)	<u>(53,945)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Expenses	-
Miscellaneous Revenues	-
Investment Earnings	5,104
Total Non-Operating Revenues (Expenses)	<u>5,104</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(48,841)
OPERATING TRANSFERS IN (OUT)	-
CAPITAL GRANTS	-
CHANGE IN NET POSITION	<u>(48,841)</u>
TOTAL NET POSITION, BEGINNING	<u>1,927,813</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,878,972</u>

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

TOWN OF LAWNSDALE, NORTH CAROLINA
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT 9

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 104,522
Cash Paid for Goods and Services	(59,751)
Cash Paid to Employees	(46,794)
Customer Deposits - Net	1,230
Net Cash Provided by Operating Activities	(793)

CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:

Cash from Miscellaneous Revenues	-
Change In Internal Balances	18,135
Net Cash Provided By Noncapital Financing	18,135

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital Grants	-
Acquisition of Capital Assets	-
Interest Expense	-
Installment Principle Payments	-
Net Cash Used for Capital and Related Financing Activities	-

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	5,104
Net Cash Used for Capital and Related Financing Activities	5,104

Net Increase (Decrease) in Cash and Cash Equivalents	22,446
Cash and Cash Equivalents at Beginning of Year	354,133
Cash and Cash Equivalents at End of Year	\$ 376,579

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (53,945)
-------------------------	-------------

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation	52,740
Pension Expense	-
Change in Assets and Liabilities:	-
(Increase) Decrease in Accounts Receivable and Accrued Interest	(2,978)
Decrease in net pension asset	-
(Increase) decrease in deferred outflows of resources - pensions	(5,420)
Increase (decrease) in net pension liability	6,854
Increase (Decrease) in deferred inflows of resources - pensions	20
Increase (Decrease) in Accounts Payable	706
Increase (Decrease) in Customer Deposits	1,230

Total Adjustments	412
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (793)

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Lawndale 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 Lawndale is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

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

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

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

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

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and 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 accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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. General revenues include all taxes.

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

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

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem 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 during in periods prior to September 1, 2013 and for limited registration are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial 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.

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 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 disbursement 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

Powell Bill funds are classified as restricted assets because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Lawndale Restricted Cash

Governmental Activities:	Streets	\$25,590
Business-Type Activities:	Customer Deposits	<u>14,345</u>
Total Restricted Cash		<u>\$39,935</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Prepaid Expenses

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 expenses 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 in excess of three years. The minimum capitalization costs are \$ 5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	40
Buildings	39
Improvements	39
Vehicles	5
Furniture and equipment	10
Computer equipment	3

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 two items that meet this criterion, contributions made to the pension plan in the 2019 fiscal year and pension related deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category-property taxes receivable, deferrals of pension expense that result from the implementation of GASB Statement 68, and Unearned Grant Revenue.

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 statement of net position.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to eight hours per month. Any unused time at the end of the calendar year is paid to the employee. 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 or paid out in the next fiscal year is \$1,008. The Town only has one full time employee and they have accumulated 48 hours of vacation time at June 30, 2019.

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.

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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:

Non-spendable 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.

Prepaid Expenses-Payments to vendors that reflect costs applicable to future accounting periods and expensed as the items are used.

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

Restricted for Capital Projects-portion of fund balance that is available for appropriation but is legally segregated for future capital expenditures.

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.

Committed Fund Balance-portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Lawndale'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

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 Town of Lawndale intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the finance officer to modify the appropriations by resource or appropriation within funds up to \$2,500.

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

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

The Town of Lawndale has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Lawndale's employer contributions are recognized when due and the Town of Lawndale 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. Violations of Finance-Related Legal and Contractual Provisions

Expenditures in the Proprietary Fund exceeded budgetary appropriations. The Council will monitor the budget expenditures in the coming year and make amendments as necessary.

III. Detail Notes on All Funds

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 the units' name. 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 their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$627,110 and a bank balance of \$628,319. Of the bank balance, \$250,000 was covered by federal depository insurance, \$164,183 was covered by sweep account, and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$100.

2. Investments

At June 30, 2019, the Town of Lawndale had \$206 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.

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the following allowances for doubtful accounts

Fund	6/30/2019
General Fund:	
Taxes receivable	\$ 2,349
Accounts receivable	-
Total	2,349
Enterprise Funds	7,500
Total	\$ 9,849

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 72,828	\$ -	\$ -	\$ 72,828
Construction in progress	-	-	-	-
Total capital assets not being depreciated	72,828	-	-	72,828
Capital assets being depreciated:				
Buildings	531,822	-	-	531,822
Equipment	156,925	9,488	-	166,413
Vehicles and motorized equipment	361,487	139,113	-	500,600
Infrastructure	299,075	-	-	299,075
Total capital assets being depreciated	1,349,309	148,601	-	1,497,910
Less accumulated depreciation for:				
Buildings	395,482	5,063	-	400,545
Equipment	132,427	3,073	-	135,500
Vehicles and motorized equipment	350,503	8,953	-	359,456
Infrastructure	59,816	7,477	-	67,293
Total accumulated depreciation	938,228	\$ 24,566	-	962,794
Total capital assets being depreciated, net	411,081			535,116
Governmental activity capital assets, net	\$ 483,909			\$ 607,944

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

General Government	\$ 12,539
Public safety	10,194
Transportation	757
Cultural and recreational	1,076
Total depreciation expense	\$ 24,566

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 63,549	\$ -	\$ -	\$ 63,549
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>63,549</u>	<u>-</u>	<u>-</u>	<u>63,549</u>
Capital assets being depreciated:				
Water Lines & Equipment	2,131,288	-	-	2,131,288
Clean Water Facility	73,000	-	-	73,000
Equipment	98,964	-	-	98,964
Vehicles	28,681	-	-	28,681
Total capital assets being depreciated	<u>2,331,933</u>	<u>-</u>	<u>-</u>	<u>2,331,933</u>
Less accumulated depreciation for:				
Water Lines & Equipment	631,522	52,740		684,262
Clean Water Facility	73,000	-		73,000
Equipment	98,964	-		98,964
Vehicles	28,680	-	-	28,680
Total accumulated depreciated	<u>832,166</u>	<u>\$ 52,740</u>	<u>\$ -</u>	<u>884,906</u>
Total capital assets being depreciated, net	<u>1,499,767</u>			<u>1,447,027</u>
Water fund capital assets, net	<u>1,563,316</u>			<u>1,510,576</u>
Business-type activities capital assets, net	<u>\$ 1,563,316</u>			<u>\$ 1,510,576</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Lawndale 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

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 of Lawndale employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Lawndale'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 employees during the year. Contributions to the pension plan from the Town of Lawndale were \$3,399 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 \$21,826 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00092%, which was an increase of 0.00006% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$4,853. 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	\$ 3,367	\$ 113
Changes of assumptions	5,792	-
Net difference between projected and actual earnings on pension plan investments	2,996	-
Changes in proportion and differences between City contributions and proportionate share of contributions	297	2,308
City contributions subsequent to the measurement date	3,399	-
Total	\$ 15,851	\$ 2,421

\$3,399 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.

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

Year ended June 30:

2020	\$	4,696
2021		3,555
2022		394
2023		1,386
2024		-
Thereafter		-

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 52,427	\$ 21,826	\$ (3,745)

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

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Deferred Outflows and Inflows of resources

The balance in deferred inflows of resources not related to pensions at year-end is comprised of the following:

	Unavailable Revenue
Prepaid taxes (General Fund)	\$ -
Taxes receivable (General Fund)	2,816
Total	\$ 2,816

Deferred inflows and outflows related to pensions are disclosed in note III. B. 1. a.

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance to cover property, general liability and auto liability. Limits are \$ 1 million per occurrence, workmen's compensation of \$ 100,000 per accident and employee health coverage up to a \$ 1 million lifetime limit. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The Town does not have flood insurance. In accordance with G.S. 159-29 the Finance Director does have a \$50,000 bond coverage in place. The Town has a \$50,000 blanket bond for all others that have access to assets in excess of \$100.

4. Long-Term Obligations

The Town of Lawndale did not have any Long-Term Debt at June 30, 2019.

Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Business type activities:					
Net Pension Liability	14,972	6,854	-	\$ 21,826	-
Governmental activity long-term liabilities	\$ 14,972	\$ 6,854	\$ -	\$ 21,826	\$ -

C. Interfund Balances and Activity

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

Due to the Proprietary Fund from the General Fund: \$1,765

The interfund balances resulted from the proprietary fund loaning an excess of cash to the general fund to cover fire department expenses.

During fiscal year 2019 the general fund repaid the proprietary fund \$18,202.

Town of Lawndale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

D. Fund Balance

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

<u>Total fund balance-General Fund</u>	<u>\$260,463</u>
Less;	
Stabilization by State Statute	14,002
Streets - Powell Bill	25,590
Capital Outlay	660
Prepaid Expenses	-
Working Capital / Fund Balance Policy	30,676
<u>Remaining Fund Balance</u>	<u>189,535</u>

The Town of Lawndale has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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.

V. Subsequent Event

Subsequent to fiscal year end, the nation was struck with the COVID-19 coronavirus and which has caused economic uncertainties throughout the United States. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. COVID-19 has caused business disruption through mandated and voluntary closings of multiple businesses. The Governor issued an Executive Order preventing the turning off of any utilities due to nonpayment for the duration of this pandemic. The potential impact of this on the financial statements or on future operations cannot be reasonably estimated at this time. Due to the uncertainty no adjustment has been made to the accompanying financial statement.

Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Asset - Local Government Employees' Retirement System
- Schedule of Contributions - Local Government Employees' Retirement System

Town of Lawndale, North Carolina
Town of Lawndale's 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>
Lawndale's proportion of the net pension liability (asset) (%)	0.00092%	0.00098%	0.00079%	0.00064%	0.00115%	0.00100%
Lawndale's proportion of the net pension liability (asset) (\$)	\$ 21,826	\$ 14,972	\$ 16,766	\$ 2,872	\$ (6,783)	\$ 12,054
Lawndale's covered-employee payroll	\$ 43,628	\$ 43,910	\$ 37,100	\$ 34,960	\$ 55,074	\$ 54,406
Lawndale's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.03%	34.10%	45.19%	8.21%	(12.32%)	22.16%
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 Lawndale, North Carolina
Town of Lawndale's Contributions
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>
Contractually required contribution	\$ 3,399	\$ 3,272	\$ 3,183	\$ 2,475	\$ 2,473	\$ 3,894
Contributions in relation to the contractually required contribution	\$ 3,399	\$ 3,272	\$ 3,183	\$ 2,576	\$ 1,895	\$ 3,241
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101)</u>	<u>\$ 578</u>	<u>\$ 653</u>
Lawndale's covered-employee payroll	\$ 43,859	\$ 43,628	\$ 43,910	\$ 37,100	\$ 34,980	\$ 55,074
Contributions as a percentage of covered-employee payroll	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

Supplementary Statements

This section contains additional statements required by the Local Government Commission in North Carolina.

TOWN OF LAWNSDALE, NORTH CAROLINA
GENERAL FUND

SCHEDULE 1

STATEMENT OF REVENUES, 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)

	June 30, 2019		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2018 ACTUAL
	BUDGET	ACTUAL		
REVENUES				
Advalorem Taxes:				
Current Year	\$ 50,400	\$ 50,560	\$ 160	\$ 49,429
Prior Years	1,000	2,708	1,708	1,924
Discounts & Interest-Net	-	1,051	1,051	863
Total	<u>51,400</u>	<u>54,319</u>	<u>2,919</u>	<u>52,216</u>
Other Taxes & Licenses:				
Sales Tax Refund	300	114	(186)	426
Total	<u>300</u>	<u>114</u>	<u>(186)</u>	<u>426</u>
Unrestricted Intergovernmental Revenue:				
Local Option Sales Tax	22,800	21,761	(1,039)	21,419
Beer and Wine Tax	2,700	2,610	(90)	2,612
Franchise Tax	48,000	45,702	(2,298)	47,917
Total	<u>73,500</u>	<u>70,073</u>	<u>(3,427)</u>	<u>71,948</u>
Restricted Intergovernmental Revenue:				
Grants	140,484	131,415	(9,069)	58,870
Fire Department County Revenue	35,000	35,000	-	35,000
Recreation	7,328	7,328	-	7,328
"State Street Aid" Allocation	18,900	18,237	(663)	18,477
Total	<u>201,712</u>	<u>191,980</u>	<u>(9,732)</u>	<u>119,675</u>
Permits, fees, other receipts:				
Rent	5,700	6,765	1,065	5,850
Permits	60	60	-	60
Other	-	1,540	1,540	1,920
Total	<u>5,760</u>	<u>8,365</u>	<u>2,605</u>	<u>7,830</u>
Investment Earnings:				
Interest-General Fund	780	2,572	1,792	1,092
Interest-Powell Bill	480	274	(206)	240
Total	<u>1,260</u>	<u>2,846</u>	<u>1,586</u>	<u>1,332</u>
TOTAL REVENUES	<u>\$ 333,932</u>	<u>\$ 327,697</u>	<u>\$ (6,235)</u>	<u>\$ 253,427</u>

TOWN OF LAWNSDALE, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, 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)

SCHEDULE 1

	June 30, 2019		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2018 ACTUAL
	BUDGET	ACTUAL		
EXPENDITURES:				
General Government:				
Operating Expenses	\$ 600	\$ 1,842	\$ (1,242)	\$ 3,666
Dues	1,785	1,768	17	1,749
Professional Services	9,444	9,684	(240)	12,170
Total	<u>11,829</u>	<u>13,294</u>	<u>(1,465)</u>	<u>17,585</u>
Administration:				
Salaries	24,476	22,236	2,240	19,458
Operating Expenses	2,768	3,004	(236)	790
Election	-	-	-	1,015
Social Security	1,850	1,701	149	1,489
Retirement	-	-	-	-
Capital Outlay	-	-	-	-
General Insurance	14,600	9,221	5,379	11,342
Total	<u>43,694</u>	<u>36,162</u>	<u>7,532</u>	<u>34,094</u>
Public Buildings:				
Operating Expenses	8,305	7,591	714	3,066
Utilities	2,640	2,801	(161)	2,995
Total	<u>10,945</u>	<u>10,392</u>	<u>553</u>	<u>6,061</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 66,468</u>	<u>\$ 59,848</u>	<u>\$ 6,620</u>	<u>\$ 57,740</u>
Public Safety:				
Fire:				
Capital Outlay	147,000	146,182	818	-
Operating Expenses	58,554	51,260	7,294	68,603
Total	<u>205,554</u>	<u>197,442</u>	<u>8,112</u>	<u>68,603</u>
Streets:				
Operating Expenses	14,670	12,576	2,094	12,399
Capital Outlay - Powell Bill	-	-	-	-
Street Repair-Powell Bill	64,213	64,262	(49)	246
Total	<u>78,883</u>	<u>76,838</u>	<u>2,045</u>	<u>12,645</u>
Cultural & Recreation:				
Recreation	23,058	20,752	2,306	28,177
Capital Outlay	9,488	9,488	-	11,400
	<u>32,546</u>	<u>30,240</u>	<u>2,306</u>	<u>39,577</u>
TOTAL EXPENDITURES	<u>383,451</u>	<u>364,368</u>	<u>19,083</u>	<u>178,565</u>
REVENUES OVER (UNDER) EXPENDITURES	(49,519)	(36,671)	12,848	74,862
OTHER FINANCING SOURCES (USES)				
Fund Balance Appropriated/Reserved	45,334	-	-	-
Contingency	4,185	-	-	-
Transfer to Water & Sewer Fund	-	-	-	-
Transfer to Capital Reserve	-	-	-	-

TOWN OF LAWNSDALE, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, 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)

SCHEDULE 1

	June 30, 2019		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2018 ACTUAL
	<u>BUDGET</u>	<u>ACTUAL</u>		
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>(36,671)</u>	<u>\$ (36,671)</u>	74,862
 FUND BALANCE				
Beginning of Year, July 1		<u>297,134</u>		<u>222,272</u>
End of Year, June 30		<u>\$ 260,463</u>		<u>\$ 297,134</u>

TOWN OF LAWDALE, NORTH CAROLINA
WATER AND SEWER FUND

Schedule 2

STATEMENT OF REVENUES 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)

	June 30, 2019		Variable	06/30/18
	Budget	Actual	Favorable (Unfavorable)	Actual
OPERATING REVENUES				
Water & Sewer Charges	\$ 99,756	\$ 107,500	\$ 7,744	\$ 112,304
Total Operating Revenue	<u>99,756</u>	<u>107,500</u>	<u>7,744</u>	<u>112,304</u>
NON OPERATING REVENUES				
Fund Balance Appropriated	954	-	(954)	-
Interest Income	828	5,104	4,276	1,303
Miscellaneous	-	-	-	14,147
TOTAL REVENUES	<u>\$ 101,538</u>	<u>\$ 112,604</u>	<u>\$ 11,066</u>	<u>\$ 127,754</u>
OPERATING EXPENDITURES				
Salaries	\$ 44,700	\$ 46,794	\$ (2,094)	\$ 47,298
Social Security	3,575	3,580	(5)	3,562
Utilities	9,850	9,665	185	12,889
Repairs & Maintenance	14,598	16,309	(1,711)	1,887
Materials & Supplies	13,440	14,581	(1,141)	16,103
Office Expense	6,180	6,974	(794)	7,801
Contracted Services	1,220	1,320	(100)	1,380
Other	7,975	8,028	(53)	8,430
Total Operating Expenditures	<u>101,538</u>	<u>107,251</u>	<u>(5,713)</u>	<u>99,350</u>
OTHER FINANCING SOURCES (USES)				
Installment Agreement Issued	-	-	-	-
Debt Service				
Interest Expense	-	-	(480)	(249)
Principal Payments	-	-	-	(5,948)
	<u>-</u>	<u>-</u>	<u>(480)</u>	<u>(6,197)</u>
Capital Outlay	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(480)</u>	<u>(6,197)</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ 101,538</u>	<u>\$ 107,251</u>	<u>\$ 16,679</u>	<u>\$ 105,547</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ 5,353</u>	<u>\$ 27,745</u>	<u>\$ 22,207</u>

Note: Prepared on the budgetary basis which is modified accrual.

TOWN OF LAWNSDALE, NORTH CAROLINA
WATER AND SEWER FUND

Schedule 2

STATEMENT OF REVENUES 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)

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS

Total Revenues from page 1 of 2	\$ 112,604
Total Expenditures from page 1 of 2	<u>107,251</u>
Excess Revenues over (under) Expenditures	5,353
Depreciation	(52,740)
Provision for Bad Debt	-
Debt Principal	-
Decrease in net pension asset	-
Increase in deferred outflows of resources - pensions	5,420
Increase in net pension liability	(6,854)
Decrease in deferred inflows of resources - pensions	(20)
	<u> </u>
Net Income (Loss) at Exhibit 8	<u>\$ (48,841)</u>

Other Schedules

This section contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

TOWN OF LAWDALE, NORTH CAROLINA
 SCHEDULE OF TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2019

SCHEDULE 3

	Balance 7/1/2018	2018 Levy	Collections	Discoveries Adjustments	Balance 6/30/2019
2008 Levy	\$ 200		\$ 16	\$ (184)	\$ -
2009 Levy	266		108	-	158
2010 Levy	393		116	-	277
2011 Levy	374		124	-	250
2012 Levy	430		124	1	307
2013 Levy	449		129	(1)	319
2014 Levy	431		124	1	308
2015 Levy	725		370	-	355
2016 Levy	880		542	-	338
2017 Levy	2,050		1,056	-	994
2018 Levy	-	52,521	50,662	-	1,859
Totals	\$ 6,198	\$ 52,521	\$ 53,371	\$ (183)	\$ 5,165
					2,349
					\$ 2,816

Less: Allowance for uncollectible accounts
 Ad Valorem taxes receivable - net

Adjustments are to write off old taxes and adjust remaining balances to actual per reconciliations.

Reconcilement with revenues:	
Ad valorem taxes - general fund	\$ 54,319
Reconciling items:	
Interest collected	(1,051)
Adjustments	1
Discounts	102
Total Collections	\$ 53,371

TOWN OF LAWNSDALE, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 TOWN WIDE LEVY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SCHEDULE 4

	Town Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 22,835,217	\$0.23	\$ 52,521	\$ 43,592	\$ 8,929
Discoveries:					
Current year taxes	-	0.23	-	-	-
Prior year taxes	-	-	-	-	-
Total	<u>22,835,217</u>	0.23	<u>52,521</u>	<u>43,592</u>	<u>8,929</u>
Abatements	-		-	-	-
Total property valuation	<u><u>\$ 22,835,217</u></u>				
Net Levy			52,521	43,592	8,929
Uncollected taxes at June 30, 2019			<u>1,859</u>	<u>1,859</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 50,662</u></u>	<u><u>\$ 41,733</u></u>	<u><u>\$ 8,929</u></u>
Current levy collection percentage			<u><u>96.46%</u></u>	<u><u>95.74%</u></u>	<u><u>100.00%</u></u>

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

To the Mayor and
Members of the Town Council
Town of Lawndale, 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, and each major fund of Town of Lawndale, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Lawndale, North Carolina's basic financial statements and have issued our report thereon dated March 30, 2020.

Internal Control Over Financial Reporting

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

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

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

2019-001:

Criteria: The Town should have the technical ability to prepare their financial statements in accordance with generally accepted accounting principles.

Condition: The Town does not have the technical ability to prepare their financial statements. This could allow fraud or misstatements to go undetected.

Cause: The Town does not have any staff with the technical ability to prepare the financial statements.

Recommendation: The Town should designate a staff member to take courses to become technically proficient.

2019-002:

Criteria: The Town should properly segregate accounting duties.

Condition: The Town does not have sufficient staff to properly segregate duties.

Cause: The Town does not have sufficient staff to properly segregate duties.

Recommendation: The Town should further involve council members in the accounting processes or possibly hire a separate clerk and accountant.

Views of responsible officials and corrective action plan: Management agrees with the finding however the Town cannot afford to hire additional personnel due to the size of the Town. We will consider asking council members to take responsibility for additional accounting functions to achieve as much segregation as feasibly possible.

Compliance and Other Matters

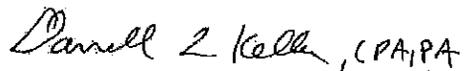
As part of obtaining reasonable assurance about whether Town of Lawndale, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Lawndale, North Carolina's Response to Findings

Town of Lawndale, North Carolina's response to the findings identified in our audit is described previously. Town of Lawndale, North Carolina'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
March 30, 2020