

**Town of Leggett**  
**Leggett, North Carolina**  
**Financial Statements**  
**For The Year Ended June 30, 2019**

**Town of Leggett**

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**June 30, 2019**

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**BOARD OF COMMISSIONERS**

Samuel Barnes

Aubry E. Edmonds

**MAYOR**

Teresa Summerlin

**TOWN CLERK**

Tommy Anderson

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Leggett, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statement presentation of the financial statements.

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

## Opinion

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 and each major fund of the Town of Leggett as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

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

*Flowers & Stanley, LLP*

Tarboro, North Carolina  
October 18, 2019

# Town of Leggett Management's Discussion and Analysis

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

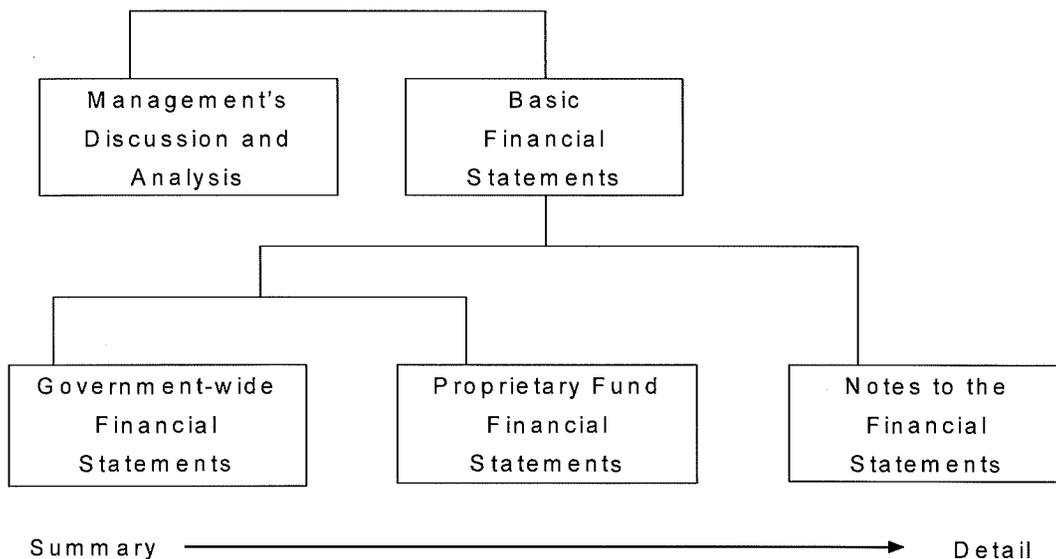
## Financial Highlights

- The assets and deferred outflows of resources of the Town of Leggett exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$136,778 (net position).
- The government's total net position increased by \$3,259.
- As of the close of the current fiscal year, the Town of Leggett's governmental fund reported an ending fund balance of \$113,794, an increase of \$4,935 in comparison with the prior year. \$110,588 is available for spending at the Government's discretion.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Leggett'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 Leggett.

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

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

## Government-wide Financial Statements

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

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

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

## Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Leggett, 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.

## **Governmental Funds**

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's services are accounted for in the governmental fund. This fund focuses 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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Leggett 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

## **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.

**Government-Wide Financial Analysis**

**The Town of Leggett's Net Position  
Figure 2**

|   | Governmental Activities |            |
|---|-------------------------|------------|
|   | 2019                    | 2018       |
| <b>Assets</b>                                       |                         |            |
| Current assets                                      | \$ 116,153              | \$ 116,200 |
| Capital assets                                      | 22,102                  | 23,039     |
| Deferred outflows of resources                      | -                       | -          |
| Total Assets and Deferred Outflows of Resources     | \$ 138,255              | \$ 139,239 |
| <b>Liabilities</b>                                  |                         |            |
| Current liabilities                                 | \$ 1,477                | \$ 5,720   |
| Deferred inflows of resources                       | -                       | -          |
| Total Liabilities and Deferred Inflows of Resources | \$ 1,477                | \$ 5,720   |
| <b>Net Position</b>                                 |                         |            |
| Net investment in capital assets                    | \$ 22,102               | \$ 23,039  |
| Restricted  | 3,206                   | 2,831      |
| Unrestricted  | 111,470                 | 107,649    |
| Total Net Position                                  | \$ 136,778              | \$ 133,519 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Leggett exceeded liabilities and deferred inflows by \$136,778 of June 30, 2019. The Town's net position *increased* by \$3,259 for the fiscal year ended June 30, 2019. However, a large portion of net position (16.15%) reflects the Town's net investment in capital assets (e.g. land and buildings). The Town of Leggett uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net position, \$3,206, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$111,470 is unrestricted.

**Town of Leggett Changes in Net Position**  
**Figure 3**

|                                     | Governmental Activities |                   |
|-------------------------------------|-------------------------|-------------------|
|                                     | 2019                    | 2018              |
| <b>Revenues:</b>                    |                         |                   |
| Program Revenues:                   |                         |                   |
| Charges for services                | \$ 600                  | \$ -              |
| General Revenues:                   |                         |                   |
| Property taxes                      | 9,644                   | 9,692             |
| Unrestricted intergovernmental      | 16,291                  | 15,381            |
| Other                               | 899                     | 5                 |
| Total Revenues                      | <u>\$ 27,434</u>        | <u>\$ 25,078</u>  |
| <b>Expenses:</b>                    |                         |                   |
| General Government                  | \$ 19,615               | \$ 18,523         |
| Solid Waste                         | 4,560                   | 4,440             |
| Total Expenses                      | <u>\$ 24,175</u>        | <u>\$ 22,963</u>  |
|                                     |                         |                   |
| Increase (Decrease) in Net Position | \$ 3,259                | \$ 2,115          |
|                                     |                         |                   |
| Net Position, July 1                | 133,519                 | 131,404           |
|                                     |                         |                   |
| Net Position, June 30               | <u>\$ 136,778</u>       | <u>\$ 133,519</u> |

**Financial Analysis of the Town of Leggett’s Funds**

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

**Governmental Funds**

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

The general fund is the only operating fund of the Town of Leggett. At the end of the current fiscal year, Town of Leggett’s fund balance available in the General Fund was \$110,588 while total fund balance reached \$113,794 an increase of 4.5%.

**General Fund Budgetary Highlights**

During the fiscal year, the Town made no budget amendments. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

**Capital Asset and Debt Administration**

**Capital Assets**

The Town of Leggett’s investment in capital assets as of June 30, 2019, totals \$22,102 (net of accumulated depreciation). These assets include the administrative building and land.

**Town of Leggett’s Capital Assets**  
**Figure 4**  
 (net of depreciation)

|                      | Governmental Activities |                  |
|----------------------|-------------------------|------------------|
|                      | 2019                    | 2018             |
| Land                 | \$ 1,500                | \$ 1,500         |
| Buildings            | 20,602                  | 21,539           |
| Total Capital Assets | <u>\$ 22,102</u>        | <u>\$ 23,039</u> |

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

**Long-term Debt**

As of June 30, 2019, the Town of Leggett had no long-term debt outstanding.

**Budget Highlight for the Fiscal Year Ending June 30, 2019**

There are no material changes in the operations of the Town anticipated for the coming year.

**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 Lawson Anderson, Town of Leggett, 522 NC Highway 97 East, Tarboro, N.C. 27886

**Town of Leggett, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

**Exhibit 1**

**Assets:**

Current Assets:

|                                      |            |
|--------------------------------------|------------|
| Cash and cash equivalents            | \$ 112,065 |
| Taxes receivable                     | 781        |
| Accrued interest receivable on taxes | . 101      |
| Due from other governments           | 3,206      |
| Total Current Assets                 | \$ 116,153 |

Noncurrent Assets:

Capital Assets:

|  |           |
|--|-----------|
| Land, non-depreciable                          | \$ 1,500  |
| Building - Administrative, net of depreciation | 20,602    |
| Total Capital Assets                           | \$ 22,102 |

|              |            |
|--------------|------------|
| Total Assets | \$ 138,255 |
|--------------|------------|

**Deferred Outflows of Resources**

|  |      |
|--|------|
|  | \$ - |
|--|------|

**Liabilities:**

Current Liabilities:

|                          |          |
|--------------------------|----------|
| Accounts payable         | \$ 1,477 |
| Due to other governments | \$ -     |
| Total Liabilities        | \$ 1,477 |

**Deferred Inflows of Resources**

|               |      |
|---------------|------|
| Prepaid taxes | \$ - |
|---------------|------|

**Net Position:**

|   |           |
|---|-----------|
| Net investment in capital assets              | \$ 22,102 |
| Restricted for Stabilization by State Statute | 3,206     |
| Unrestricted                                  | 111,470   |

|                    |            |
|--------------------|------------|
| Total Net Position | \$ 136,778 |
|--------------------|------------|

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



**Town of Leggett, North Carolina  
Balance Sheet  
Governmental Fund  
June 30, 2019**

**Exhibit 3**

|   |               | <u>Major Fund</u><br><u>General Fund</u> |
|---|---------------|--|
| <b>Assets</b>   |               |  |
| Cash and cash equivalents   | \$            | 112,065                                  |
| Receivables (net):  |               |  |
| Taxes   |               | 781                                      |
| Due from other governments  |               | 3,206                                    |
| Total Assets  | <u>\$</u>     | <u>116,052</u>                           |
| <b>Liabilities</b>  |               |  |
| Accounts payable  | \$            | 1,477                                    |
| Due to other governments  |               | -  |
| Total Liabilities   | <u>\$</u>     | <u>1,477</u>                             |
| <b>Deferred Inflows of Resources</b>  |               |  |
| Property taxes receivable   | \$            | 781                                      |
| Prepaid taxes   |               | -  |
| Total Deferred Inflows of Resources   | <u>\$</u>     | <u>781</u>                               |
| <b>Fund Balance</b>   |               |  |
| Restricted for Stabilization by State Statute   | \$            | 3,206                                    |
| Unassigned  |               | 110,588                                  |
| Total Fund Balance  | <u>\$</u>     | <u>113,794</u>                           |
| <br>  |               |  |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance  | <u>\$</u>     | <u>116,052</u>                           |
| <br>  |               |  |
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:          |               |  |
| Total Fund Balance, Governmental Funds (above)  | \$            | 113,794                                  |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |               |  |
| Gross Capital Assets at historical costs  | 38,958        |  |
| Accumulated Depreciation  | <u>16,856</u> | 22,102                                   |
| <br>  |               |  |
| Accrued interest receivable from taxes is not available to pay for current period expenditures and therefore is deferred. |               | 101                                      |
| <br>  |               |  |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements.                              |               | 781                                      |
| <br>  |               |  |
| Net Position of Governmental Activities   | <u>\$</u>     | <u>136,778</u>                           |

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

**Town of Leggett, North Carolina**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**General Fund**  
**For the Year Ended June 30, 2019**

|  | <b>Exhibit 4</b>    |
|--|---------------------|
|  | <b>Major Fund</b>   |
|  | <b>General Fund</b> |
| <b>Revenues:</b>   |                     |
| Ad valorem taxes   | \$ 10,384           |
| Unrestricted intergovernmental   | 16,291              |
| Permits & fees   | 600                 |
| Investment earnings  | 899                 |
| Total Revenues   | \$ 28,174           |
| <b>Expenditures:</b>   |                     |
| General Government   | \$ 18,679           |
| Solid Waste  | 4,560               |
| Total Expenditures   | \$ 23,239           |
| Net Change in Fund Balance   | \$ 4,935            |
| <b>Fund Balance:</b>   |                     |
| Beginning of year  | 108,859             |
| End of year  | \$ 113,794          |
| <br>   |                     |
| Amounts reported for governmental activities in the Statement of Activities are different because: |                     |
| Net changes in fund balance  | \$ 4,935            |
| Depreciation exceeded capital outlay for the period  | (936)               |
| Change in unavailable revenue for tax revenues   | (384)               |
| Increase in accrued interest on taxes  | (356)               |
| Total Changes in Net Position  | \$ 3,259            |

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

**Town of Leggett, North Carolina**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Annual Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**

Exhibit 5

|                                | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|--------------------------------|----------------------------|-------------------------|---------------|---|
| <b>Revenues:</b>               |                            |                         |               |   |
| Ad valorem taxes               | \$ 10,500                  | \$ 10,500               | \$ 10,384     | \$ (116)  |
| Unrestricted intergovernmental | 15,250                     | 15,250                  | 16,291        | 1,041   |
| Permits & Fees                 | -                          | -                       | 600           | 600   |
| Investment earnings            | 5                          | 5                       | 899           | 894   |
| Total Revenues                 | \$ 25,755                  | \$ 25,755               | \$ 28,174     | \$ 2,419  |
| <b>Expenditures:</b>           |                            |                         |               |   |
| General Government             | \$ 21,195                  | \$ 21,195               | \$ 18,679     | \$ 2,516  |
| Solid Waste                    | 4,560                      | 4,560                   | 4,560         | -   |
| Total Expenditures             | \$ 25,755                  | \$ 25,755               | \$ 23,239     | \$ 2,516  |
| Revenues Over (Under)          |                            |                         |               |   |
| Expenditures                   | \$ -                       | \$ -                    | \$ 4,935      | \$ 4,935  |
| <b>Fund Balance:</b>           |                            |                         |               |   |
| Beginning of year              |                            |                         | 108,859       |   |
| End of year                    |                            |                         | \$ 113,794    |   |

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

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

**1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Leggett conform to the 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 Leggett is a municipal corporation located in the northeastern area of North Carolina. The Town is governed by an elected mayor and a three-member council.

**B. Basis of Presentation**

**Government-wide Statements**

The Statement of Net Position and the Statement of Activities display information about the Town. These statements include the financial activities of the government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 general fund.

The Town has a single general fund to report all activities.

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. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, street maintenance and sanitation services.

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

**C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, the Town's general fund is maintained during the year using the modified accrual basis of accounting.

**Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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, revenues from property taxes are 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.

**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 any principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, if any, which are unearned at year-end, are recorded as unearned revenues.

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

**D. Budgetary Data**

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

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

**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).

**Cash and Cash Equivalents**

All cash and investments of the Town are essentially demand deposits and are considered cash equivalents.

**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 and are due on September 1 (lien date); however, interest and penalties do not accrue until the following January 6. The current year's taxes are based on the assessed values as of January 1, 2018.

**Allowance for Doubtful Accounts**

Based on materiality and historical collection rates, no allowance for uncollectible taxes receivable have been established.

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

**Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. 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.

Building – 40 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows or 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 does not have any items that meet this criterion. 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 only one item that meets the criterion for this category – property taxes receivable.

**Net Position/Fund Balances**

**Net Position**

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

**Fund Balances**

In the governmental fund financial statements, fund balance is comprised of two classification designed to disclose the hierarchy of constraints placed on how the fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each

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

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.

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

The Town has no established spending policy for programs with multiple revenue sources. The Finance Officer is directed to expend fund balance with restricted classification first and unassigned fund balance lastly if such is in the best interest of the Town.

The Town has not adopted any minimum fund balance policy for the General Fund but monitors the percentage of fund balance to budgeted expenditures closely. The current unassigned fund balance equals 476% of General Fund expenditures.

**2. Stewardship, Compliance, and Accountability**

There were no significant violations of finance related and contractual provisions. Compliance with North Carolina General Statutes.

**3. Detail Notes on all Funds**

**A. Assets**

**Deposits**

All of the Town's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, a collateral pool, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization and this risk may increase in periods of high cash

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

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 \$112,065 and a bank balance of \$112,065. All of the Town's bank balances were covered by federal depository insurance.

**Capital Assets**

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

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| <b>Governmental</b>                            |                               |                  |                  |                            |
| <b>Activities:</b>                             |                               |                  |                  |                            |
| Capital Assets Not<br>Being Depreciated:       |                               |                  |                  |                            |
| Land   | \$ 1,500                      | \$ -             | \$ -             | \$ 1,500                   |
| Capital Assets<br>Being Depreciated:           |                               |                  |                  |                            |
| Buildings - Administrative                     | \$ 37,458                     | \$ -             | \$ -             | \$ 37,458                  |
| Less accumulated<br>depreciation               | <u>15,919</u>                 | <u>937</u>       | <u>-</u>         | <u>16,856</u>              |
| Total Capital Assets Being<br>Depreciated, Net | <u>\$ 21,539</u>              | <u>\$ 937</u>    | <u>\$ -</u>      | <u>\$ 20,602</u>           |
| Governmental Activities<br>Capital Assets, Net | <u>\$ 23,039</u>              |                  |                  | <u>\$ 22,102</u>           |

Depreciation expense was charged to General Government activities.

**B. Liabilities**

**Pension**

The Town has no employees to be covered by an employee retirement/pension plan.

**Deferred Outflows and Inflows of Resources**

There are no deferred outflow resources.

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

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

|                                  | Amount |
|----------------------------------|--------|
| Prepaid taxes                    | \$ -   |
| Taxes receivable, less penalties | 781    |
| Totals                           | \$ 781 |

**C. Fund Balance**

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

|                                      |            |
|--------------------------------------|------------|
| Total Fund Balance - General Fund    | \$ 113,794 |
| Less: Stabilization by State Statute | 3,206      |
| Remaining Fund Balance               | \$ 110,588 |

**4. 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 for all risks of loss, except for losses from floods for which the Town has elected to assume that risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Finance Officer is covered under a blanket Public Officials Bond of \$50,000.

**5. Significant Effects of Subsequent Events**

Management has evaluated events through October 18, 2019, the date the Financial Statements were available to be issued.

**Town of Leggett, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2019**

Exhibit A-1

|                                      | 2019      |            | Variance<br>Favorable<br>(Unfavorable) |
|--------------------------------------|-----------|------------|--|
|                                      | Budget    | Actual     |  |
| <b>Revenues:</b>                     |           |            |  |
| Ad Valorem Taxes:                    |           |            |  |
| Current year                         |           | \$ 10,061  |  |
| Prior years                          |           | 264        |  |
| Penalties and interest               |           | 59         |  |
| Total Ad Valorem Taxes               | \$ 10,500 | \$ 10,384  | \$ (116)                               |
| Unrestricted Intergovernmental:      |           |            |  |
| Local option sales tax               |           | \$ 12,307  |  |
| Beer and wine tax                    |           | 247        |  |
| Franchise tax                        |           | 3,737      |  |
| Total Unrestricted Intergovernmental | \$ 15,250 | \$ 16,291  | \$ 1,041                               |
| Permits & fees                       | \$ -      | \$ 600     | \$ 600                                 |
| Investment Earnings                  | \$ 5      | \$ 899     | \$ 894                                 |
| Total Revenues                       | \$ 25,755 | \$ 28,174  | \$ 2,419                               |
| <b>Expenditures:</b>                 |           |            |  |
| General Government:                  |           |            |  |
| Professional services                | \$ -      | \$ 6,300   |  |
| Other operating expenditures         | -         | 12,379     |  |
| Capital outlay                       | -         | -          |  |
| Total General Government             | \$ 21,195 | \$ 18,679  | \$ 2,516                               |
| Environmental Protection:            |           |            |  |
| Solid Waste:                         |           |            |  |
| Contract labor                       | \$ 4,560  | \$ 4,560   | \$ -                                   |
| Total Expenditures                   | \$ 25,755 | \$ 23,239  | \$ 2,516                               |
| Revenues Over (Under) Expenditures   | \$ -      | \$ 4,935   | \$ 4,935                               |
| <b>Fund Balance:</b>                 |           |            |  |
| Beginning of year                    |           | 108,859    |  |
| End of year                          |           | \$ 113,794 |  |

**Town of Leggett, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**

**Exhibit B-1**

| <b>Fiscal Year</b> | <b>Uncollected<br/>Balance<br/>July 1, 2018</b> | <b>Additions</b> | <b>Collections<br/>And Credits</b> | <b>Uncollected<br/>Balance<br/>June 30, 2019</b> |
|--------------------|---|------------------|------------------------------------|--|
| 2018-2019          | \$ -  | \$ 10,381        | \$ 10,061                          | \$ 320   |
| 2017-2018          | 483   | -                | 264                                | 219  |
| 2016-2017          | 19  | -                | -                                  | 19   |
| 2015-2016          | 19  | -                | -                                  | 19   |
| 2014-2015          | 25  | -                | -                                  | 25   |
| 2013-2014          | 18  | -                | -                                  | 18   |
| 2012-2013          | 102   | -                | -                                  | 102  |
| 2011-2012          | 59  | -                | -                                  | 59   |
| 2010-2011          | -   | -                | -                                  | -  |
| 2009-2010          | -   | -                | -                                  | -  |
| 2008-2009          | 439   | -                | 439                                | -  |
| <b>Total</b>       | <b>\$ 1,164</b>                                 | <b>\$ 10,381</b> | <b>\$ 10,764</b>                   | <b>\$ 781</b>                                    |

Reconciliation with Revenues:

|   |                  |
|---|------------------|
| Taxes - Ad Valorem (including penalties and interest) | \$ 10,384        |
| Amounts written off                                   | 439              |
| <b>Subtotal</b>                                       | <b>\$ 10,823</b> |
| Less penalties and interest                           | 59               |
| <b>Total Collections and Credits</b>                  | <b>\$ 10,764</b> |

**Town of Leggett, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2019**

**Exhibit B-2**

|   | <u>City-Wide</u>              |             |                  | <u>Property<br/>excluding<br/>Registered<br/>Vehicles</u> | <u>Registered<br/>Vehicles</u> |
|---|-------------------------------|-------------|------------------|---|--------------------------------|
|   | <u>Property<br/>Valuation</u> | <u>Rate</u> | <u>Total</u>     |   |                                |
| <b>Original Levy:</b>                   |                               |             |                  |   |                                |
| Real property &<br>personal property    | \$ 3,542,400                  | 0.25        | \$ 8,856         | \$ 8,856  | \$ -                           |
| Motor vehicles                          | 610,000                       | 0.25        | 1,525            | -   | 1,525                          |
| Total Property Valuation                | <u>\$ 4,152,400</u>           |             |                  |   |                                |
| <b>Net Levy</b>                         |                               |             | \$ 10,381        | \$ 8,856  | \$ 1,525                       |
| Less uncollected taxes at June 30, 2019 |                               |             | 320              | 320   | -                              |
| Current Year's Taxes Collected          |                               |             | <u>\$ 10,061</u> | <u>\$ 8,536</u>   | <u>\$ 1,525</u>                |
| Current Levy Collection Percentage      |                               |             | <u>96.92%</u>    | <u>96.39%</u>   | <u>100.00%</u>                 |