

**TOWN OF LIBERTY,
NORTH CAROLINA**

FINANCIAL STATEMENTS

June 30, 2019

Prepared by:

Finance Department

Kathy Bond
Finance Officer

TOWN OF LIBERTY, NORTH CAROLINA

COUNCIL MEMBERS

Filmore York, Mayor

J.R. Beard

Gary Davis

Larry Coble

Tyson Nixon

Chris Compton

OFFICIALS

Will Doerfer

Town Manager

Kathy Bond

Finance Officer

William H. Flowe, Jr.

Attorney

TOWN OF LIBERTY, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

The Mayor and the Town Council
Town of Liberty
Liberty, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Liberty, 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 of Liberty's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town of Liberty, North Carolina's 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

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Town of Liberty ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to me, and my opinion on the financial statements, insofar as it relates to the amounts included for the Town of Liberty ABC Board, is based on the report of the other auditor. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Liberty ABC Board were not audited in accordance with *Government Auditing Standards*. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Liberty, 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 conformity with accounting principles generally accepted in the United States of America..

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions 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. I and the other auditor 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Liberty, North Carolina. The combining and individual nonmajor 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 combining and individual nonmajor 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 financial statements. The information has been subjected to the auditing procedures applied in the

The Mayor and the Town Council
Town of Liberty
Liberty, North Carolina
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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 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 me and the other auditor. In my opinion, based on my audit, the procedures performed as described above, and the report of the other auditor, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated January 17, 2020, on my consideration of the Town of Liberty's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Liberty's internal control over financial reporting and compliance.

January 17, 2020

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

Management's Discussion and Analysis

As management of the Town of Liberty, we offer readers of the Town of Liberty's financial statements this narrative overview and analysis of the financial activities of the Town of Liberty 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

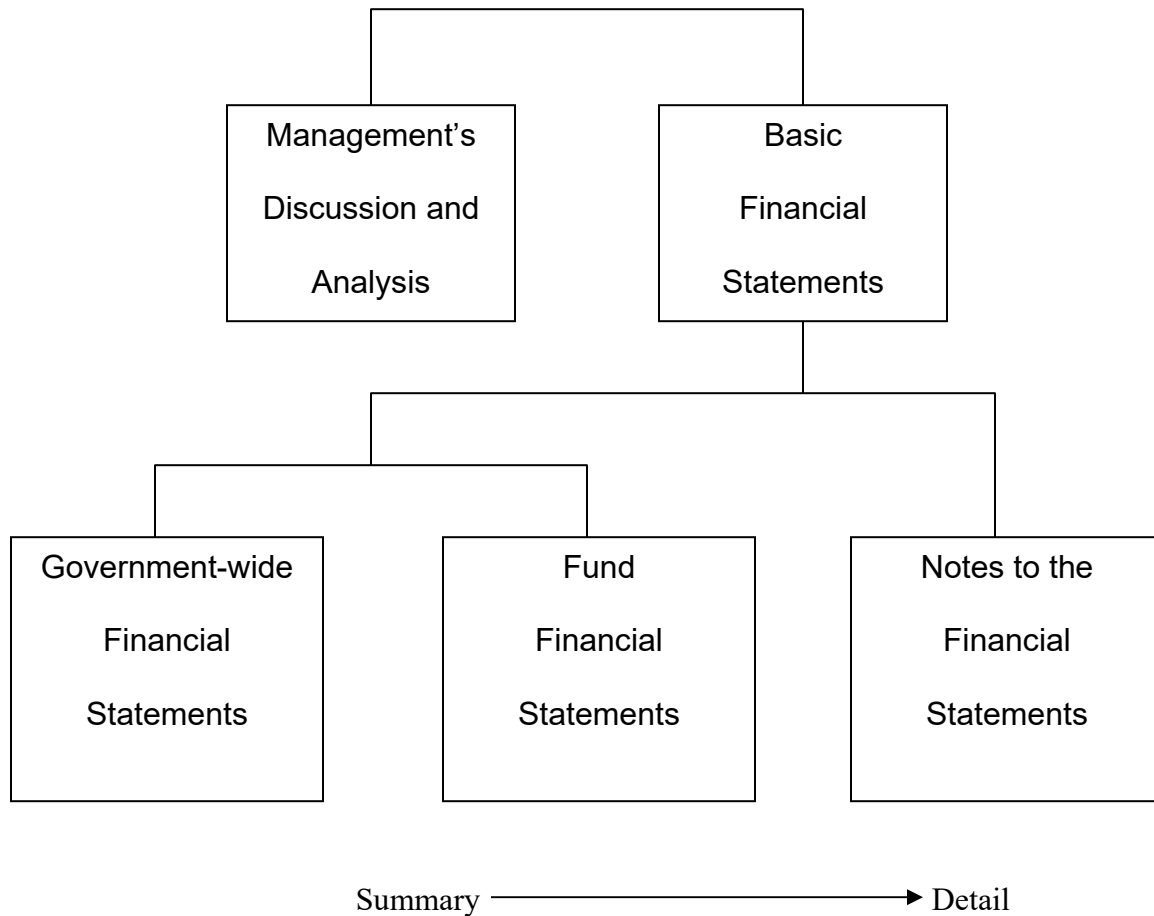
- The assets and deferred outflows of resources of the Town of Liberty *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,642,189 (*net position*).
- The government's total net position decreased by \$3,346 primarily due to increased expenditures in the business-type activities.
- As of the close of the current fiscal year, the Town of Liberty's governmental funds reported combined ending fund balances of \$3,340,221 an increase of \$216,800 in comparison with the prior year. Approximately 69.3 percent of this total amount, or \$2,316,408 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,344,240 or 90 percent of total general fund expenditures for the fiscal year.
- The Town of Liberty's Water and Sewer capital reserve fund balance was \$216,612 and is available for spending at the government's discretion.
- The Town of Liberty did not take on any additional debt during the current fiscal year and total debt decreased \$41,398 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Liberty'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 Liberty.

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 funds 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 North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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 Liberty. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town, because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 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 Liberty, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Liberty can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him 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 Liberty 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 Funds – Town of Liberty has one proprietary fund. This *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Liberty uses the 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 are on pages 23 through 56 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Liberty's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 57 of this report.

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

The Town of Liberty's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,502,871	\$ 3,226,007	\$ 1,480,745	\$ 1,388,041	\$ 4,983,616	\$ 4,614,048
Capital assets	1,457,342	1,527,848	4,286,917	4,498,772	5,744,259	6,026,620
Deferred outflows of resources	323,501	205,745	71,746	47,027	395,247	252,772
Total assets and deferred outflows of resources	5,283,714	4,959,600	5,839,408	5,933,840	11,123,122	10,893,440
Long-term liabilities outstanding	1,039,766	928,218	179,237	148,059	1,219,003	1,076,277
Other liabilities	142,634	82,888	108,179	74,040	250,813	156,928
Deferred inflows of resources	3,772	6,955	7,345	7,745	11,117	14,700
Total liabilities and deferred inflows of resources	1,186,172	1,018,061	294,761	229,844	1,480,933	1,247,905
Net position:						
Net investment in capital assets	1,086,814	1,121,983	4,226,274	4,432,065	5,313,088	5,554,048
Restricted	1,019,421	896,718	-	-	1,019,421	896,718
Unrestricted	1,991,307	1,922,838	1,318,373	1,271,931	3,309,680	3,194,769
Total net position	\$ 4,097,542	\$ 3,941,539	\$ 5,544,647	\$ 5,703,996	\$ 9,642,189	\$ 9,645,535

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 Liberty exceeded liabilities and deferred inflows by \$9,642,189 as of June 30, 2019. The Town's net position decreased by \$3,346 for the fiscal year ended June 30, 2019. However, the largest portion, \$5,313,088 (55.10%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Liberty uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Liberty's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Liberty's net position, \$1,019,421 (10.58%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,309,680 (34.32%) is unrestricted.

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

- Continued monitoring of expenditures and maximizing efficiency through outsourcing, centralization, decentralization and standardization, as required.
- Continued to maintain an acceptable staff level while meeting expected services. All departments were required to operate within the means of projected expenditures where possible and seek innovative ways to reduce non-essential programs to a minimum and implement cost saving programs.

Town of Liberty Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 267,372	\$ 268,448	\$ 912,856	\$ 928,470	\$ 1,180,228	\$ 1,196,918
Operating grants and contributions	273,909	155,594	69,000	-	342,909	155,594
Capital grants and contributions	4,909	-	-	-	4,909	-
General revenues:					-	-
Property taxes	1,223,463	1,176,286	-	-	1,223,463	1,176,286
Other taxes	872,316	826,294	-	-	872,316	826,294
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	270,238	352,062	7,804	3,699	278,042	355,761
Total revenues	2,912,207	2,778,684	989,660	932,169	3,901,867	3,710,853
Expenses:						
General government	509,275	425,210	-	-	509,275	425,210
Public safety	1,268,475	1,181,930	-	-	1,268,475	1,181,930
Transportation	289,622	305,734	-	-	289,622	305,734
Environmental protection	223,048	212,577	-	-	223,048	212,577
Economic and physical development	66,633	-	-	-	66,633	-
Culture and recreation	392,478	363,262	-	-	392,478	363,262
Interest on long-term debt	11,258	10,636	-	-	11,258	10,636
Water and sewer	-	-	1,144,424	1,004,553	1,144,424	1,004,553
Total expenses	2,760,789	2,499,349	1,144,424	1,004,553	3,905,213	3,503,902
Increase in net position before transfers	151,418	279,335	(154,764)	(72,384)	(3,346)	206,951
Transfers	4,585	-	(4,585)	-	-	-
Increase (decrease) in net position	156,003	279,335	(159,349)	(72,384)	(3,346)	206,951
Net position, beginning	3,941,539	3,662,204	5,703,996	5,776,380	9,645,535	9,438,584
Net position, June 30	\$ 4,097,542	\$ 3,941,539	\$ 5,544,647	\$ 5,703,996	\$ 9,642,189	\$ 9,645,535

Governmental Activities. Governmental activities increased the Town's net position by \$156,003. Key elements of this increase are as follows:

- Continued diligence in the collection of property taxes has sustained a 98.66% collection rate
- Vehicle tax collection rate was at 99.83%.
- Increase collections in Local Option Sales Tax, which results from the improvement of the overall economy of Randolph County and increased spending in Liberty
- Property Tax Rate remained .64 per 100
- Valuation of Liberty's taxable property, or tax base, increased from \$182,228,028 in Fiscal Year 2017-2018 to \$187,096,237 in 2018-2019
- All departments continued to closely monitor expenditures and stayed within the budgeted dollar amounts.

Business-Type Activities: Business-type activities decreased the Town of Liberty's net position by \$159,349. Key elements of this decrease are as follows:

- Modified accrual revenues exceeded expenditures by \$62,673
- The Town continues to fund equipment and vehicle replacements, improvements to our aging water and sewer facilities, and increase compensation of our water and sewer staff
- The decrease in net position is the result of depreciation of \$256,265 – which is lower than FY2017-2018, and an increase of the net pension liability of \$33,362. While depreciation is not an expense that must be paid, it represents the amount of the obligation of the ratepayers of the Liberty water/sewer system to replace and maintain the capital assets currently on-hand. In other words, the cost to replace a piece of equipment over time.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Liberty'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 Liberty's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Liberty. At the end of the current fiscal year, The Town of Liberty's unassigned fund balance available in the General Fund was \$2,344,240 while total fund balance reached \$2,890,568. The Town currently has an available fund balance of 90% of general fund expenditures, while total fund balance represents 111% of the same amount.

At June 30, 2019, the governmental funds of Town of Liberty reported a combined fund balance of \$3,340,221 with a net increase in fund balance of \$216,800.

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.

Revenues did meet the budgeted amounts primarily due to increases in the Ad Valorem revenue, Local Option Sales Tax, Utilities Franchise Tax and ABC Distribution with an increase total of \$135,977.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,318,373.

The total change in net position for the proprietary fund was a decrease of \$159,349. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Liberty's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$5,744,259 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

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

- ABC Store Heating and Air Conditioner replaced
- Town Hall HVAC for Council Chambers
- Police Vehicle
- Police Equipment
- Public Works Flatbed Truck
- Public Works HVAC Unit
- Parks and Recreation – Removal of Tennis Courts
- Library Books and Material
- Water Department – Generator Well 10
- Sewer Department – Lift Station Pump

Town of Liberty's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 192,520	\$ 192,520	\$ 39,677	\$ 39,677	\$ 232,197	\$ 232,197
Buildings and systems	713,772	742,370	4,035,230	4,239,665	4,749,002	4,982,035
Improvements other than buildings	75,183	93,881	8,602	10,440	83,785	104,321
Machinery and equipment	176,508	217,063	159,408	151,957	335,916	369,020
Infrastructure	-	-	-	-	-	-
Vehicles and motorized equipment	271,527	282,014	44,000	57,033	315,527	339,047
Construction in progress	27,832	-	-	-	27,832	-
Total	\$ 1,457,342	\$ 1,527,848	\$ 4,286,917	\$ 4,498,772	\$ 5,744,259	\$ 6,026,620

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

Long-Term Debt As of June 30, 2018, the Town of Liberty had no bonded debt outstanding.

Town of Liberty's Outstanding Debt

The Town of Liberty's total debt decreased \$41,398 during FY 2019.

Additional information regarding the Town of Liberty's long-term debt can be found in Note 3.B.7, Changes in Long-Term Liabilities.

**Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct Borrowing						
Installment Purchases	\$ 370,531	\$ 405,865	\$ -	\$ -	\$ 370,531	\$ 405,865
Direct Placement:						
Note Payable	-	-	60,643	66,707	60,643	66,707
Compensated Absences	90,123	101,668	26,562	22,683	116,685	124,351
Net Pension Liability						
LGRS	404,027	254,667	92,082	58,669	496,089	313,336
Total Pension Liability						
LFO	175,085	166,018	-	-	175,085	166,018
Total	\$ 1,039,766	\$ 928,218	\$ 179,237	\$ 148,059	\$ 1,219,003	\$ 1,076,277

Economic Factors and Next Year's Budgets and Rates

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

- Continued lower area unemployment rate of 3.8% in 2019 as compared with the State at 3.1% and National at 3.6%.
- Local industry sees growth opportunities and continues expansion and investment, inclusive of real and personal property.
- Increase in Sales Tax Revenues of 5% over fiscal year 2018.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental (General Fund) Activities:

The tax rate for FY2019 is .64 per \$100 assessed value. The budgeted Ad Valorem revenue based on the current tax base is \$1,117,349. Budgeted Vehicle tax revenue is \$105,000. Management does anticipate some slight growth in personal and property tax base.

The projected expenditures for the General Fund will increase \$132,681 or 4.7% over the current FY2019 budget. Health Insurance will increase by less than 1%. Employee contribution remained at \$35 per month. The budget does not contain a cost of living increase, but does implement the findings of a pay study commissioned through the Piedmont Triad Regional Council (PTRC).

Business-Type (Proprietary Fund) Activities:

The flat rate for Water and Sewer rates did not increase for FY2020, projecting Water and Sewer revenues to increase \$35,822 or 3.9% over the previous year. The addition of water and sewer taps has remained constant over the last few years with no additional impact to the system.

Projected expenditures for Water and Sewer will increase \$35,822 or 3.9% over the current FY2020 budget. The Town will continue setting aside Capital Reserve in the amount of \$33,152 for major repairs and replacement of lines.

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 Director of Finance, Town of Liberty, P O Box 1006, Liberty, NC 27298 or visit our website at www.liberty-nc.com.

TOWN OF LIBERTY, NORTH CAROLINA**STATEMENT OF NET POSITION**

June 30, 2019

	Primary Government			Town of Liberty ABC Board
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 2,451,039	\$ 1,146,099	\$ 3,597,138	\$ 72,214
Receivables:				
Taxes Receivable (net)	28,019	-	28,019	-
Accounts Receivable (net)	69,964	225,560	295,524	-
Accounts receivable - Other	-	62,854	62,854	-
Due From Other Governments	217,272	-	217,272	-
Due From Component Unit	15,465	-	15,465	-
Inventories	1,237	-	1,237	99,639
Prepaid Items	3,155	1,072	4,227	4,037
Total Current Assets	2,786,151	1,435,585	4,221,736	175,890
Restricted Assets:				
Cash and Cash Equivalents	716,720	45,160	761,880	-
Noncurrent Assets:				
Capital Assets:				
Land and Other Non-depreciable Assets	220,352	39,677	260,029	-
Other Capital Assets, Net of Depreciation	1,236,990	4,247,240	5,484,230	14,247
Total Capital Assets	1,457,342	4,286,917	5,744,259	14,247
Total Assets	4,960,213	5,767,662	10,727,875	190,137
Deferred Outflows of Resources:	323,501	71,746	395,247	9,818
Liabilities:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	125,093	61,019	186,112	74,858
Unearned Revenue	9,538	2,000	11,538	-
Customer Deposits	-	45,160	45,160	-
Accrued Interest Payable	8,003	-	8,003	-
Due to Primary Government	-	-	-	15,465
Payable From Restricted Assets	-	-	-	-
Long-Term Liabilities:				
Net Pension Liability	404,027	92,032	496,059	8,778
Total Pension Liability	175,085	-	175,085	-
Due Within One Year	82,483	19,553	102,036	-
Due in More Than One Year	378,171	67,652	445,823	-
Total Liabilities	1,182,400	287,416	1,469,816	99,101
Deferred Inflows of Resources:				
Pension Deferrals	3,772	7,345	11,117	65
Total Deferred Inflows of Resources	3,772	7,345	11,117	65
Net Position:				
Net Investment in Capital Assets	1,086,814	4,226,274	5,313,088	14,247
Restricted for:				
Cultural and Recreational	292,478	-	292,478	-
Transportation	81,772	-	81,772	-
Stabilization by State Statute	302,701	-	302,701	-
Capital Projects	267,734	-	267,734	-
Economic and Physical Development	73,367	-	73,367	-
Public Safety	1,369	-	1,369	-
Working Capital	-	-	-	27,070
Unrestricted	1,991,307	1,318,373	3,309,680	59,472
Total Net Position	\$ 4,097,542	\$ 5,544,647	\$ 9,642,189	\$ 100,789

The notes to the financial statements are an integral part of these statements

TOWN OF LIBERTY, NORTH CAROLINASTATEMENT 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	Governmental Activities	Business-Type Activities	Total	Town of Liberty ABC Board
Primary Government:								
Governmental Activities:								
General Government	\$ 509,275	\$ 27,239	\$ -	\$ -	\$ (482,036)	\$ -	\$ (482,036)	\$ -
Public Safety	1,268,475	3,883	33,633	1,350	(1,229,609)	-	(1,229,609)	-
Transportation	289,622	-	88,276	-	(201,346)	-	(201,346)	-
Environmental Protection	223,048	205,917	-	-	(17,131)	-	(17,131)	-
Cultural and Recreational	392,478	30,333	12,000	3,559	(346,586)	-	(346,586)	-
Economic and Physical Development	66,633	-	140,000	-	73,367	-	73,367	-
Interest on Long-term Debt	11,258	-	-	-	(11,258)	-	(11,258)	-
Total Governmental Activities	<u>2,760,789</u>	<u>267,372</u>	<u>273,909</u>	<u>4,909</u>	<u>(2,214,599)</u>	<u>-</u>	<u>(2,214,599)</u>	<u>-</u>
Business-Type Activities:								
Water and Sewer	1,144,424	912,856	69,000	-	-	(162,568)	(162,568)	-
Total Business-Type Activities	<u>1,144,424</u>	<u>912,856</u>	<u>69,000</u>	<u>-</u>	<u>-</u>	<u>(162,568)</u>	<u>(162,568)</u>	<u>-</u>
Total Primary Government	<u>\$ 3,905,213</u>	<u>\$ 1,180,228</u>	<u>\$ 342,909</u>	<u>\$ 4,909</u>	<u>(2,214,599)</u>	<u>(162,568)</u>	<u>(2,377,167)</u>	<u>-</u>
Component Unit:								
ABC Board	\$ 697,649	703,801	-	-	-	-	-	6,152
Total Component Unit	<u>\$ 697,649</u>	<u>\$ 703,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,152</u>
General Revenues:								
Taxes:								
Property taxes, levied for general purpose					1,223,463	-	1,223,463	-
Other taxes					872,316	-	872,316	-
Unrestricted investment earnings					48,523	649	49,172	91
Gain on Disposal of Assets					236	7,155	7,391	-
Miscellaneous					221,479	-	221,479	-
Total General Revenues Not Including Transfers					<u>2,366,017</u>	<u>7,804</u>	<u>2,373,821</u>	<u>91</u>
Transfers					<u>4,585</u>	<u>(4,585)</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>2,370,602</u>	<u>3,219</u>	<u>2,373,821</u>	<u>91</u>
Change in Net Position					<u>156,003</u>	<u>(159,349)</u>	<u>(3,346)</u>	<u>6,243</u>
Net Position Beginning of Year, Previously Reported					<u>3,941,539</u>	<u>5,703,996</u>	<u>9,645,535</u>	<u>94,546</u>
Net Position, Ending					<u>\$ 4,097,542</u>	<u>\$ 5,544,647</u>	<u>\$ 9,642,189</u>	<u>\$ 100,789</u>

The notes to the financial statements are an integral part of these statements

TOWN OF LIBERTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>Major Funds</u>		<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Police Department</u>	<u>Non-Major</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Building Project</u>	<u>Fund</u>	<u>Funds</u>
		<u>Fund</u>		
Assets:				
Cash and Cash Equivalents	\$ 2,451,039	\$ -	\$ -	\$ 2,451,039
Receivables:				
Taxes Receivable (Net)	28,019	-	-	28,019
Accounts Receivable	69,964	-	-	69,964
Due From Other Governments	217,272	-	-	217,272
Due From Component Unit	15,465	-	-	15,465
Inventories	1,237	-	-	1,237
Prepaid Items	3,155	-	-	3,155
Restricted Assets:				
Cash and Cash Equivalents	239,235	-	477,485	716,720
Total Assets	\$ 3,025,386	\$ -	\$ 477,485	\$ 3,502,871
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 97,261	\$ 27,832	\$ -	\$ 125,093
Payable From Restricted Assets	-	-	-	-
Unearned Revenue	9,538	-	-	9,538
Total Liabilities	106,799	27,832	-	134,631
Deferred Inflows of Resources:				
Property Taxes Receivable	28,019	-	-	28,019
Total Deferred Inflows of Resources	28,019	-	-	28,019
Fund Balances:				
Nonspendable:				
Inventories	1,237	-	-	1,237
Prepaid Assets	3,155	-	-	3,155
Cultural and Recreational	-	-	136,384	136,384
Restricted:				
Stabilization by State Statute	302,701	-	-	302,701
Cultural and Recreational	156,094	-	-	156,094
Economic and Physical Development	-	-	73,367	73,367
Streets	81,772	-	-	81,772
Public Safety	1,369	-	-	1,369
Committed:				
Capital Projects	-	-	267,734	267,734
Unassigned	2,344,240	(27,832)	-	2,316,408
Total Fund Balances	2,890,568	(27,832)	477,485	3,340,221
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,025,386	\$ -	\$ 477,485	

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.

Gross capital assets at historical cost

Accumulated depreciation

4,072,851
(2,615,509)

1,457,342

Deferred outflows of resources related to pensions.

323,501

Net pension liability.

(404,027)

Total pension liability

(175,085)

Deferred inflows of resources related to pensions.

(3,772)

Liabilities for earned revenues considered deferred inflows in fund statements.

28,019

Some liabilities, including bonds payable, accrued interest, and compensated absences

are not due and payable in the current period and therefore are not reported in the funds.

(468,657)

Net Position of Governmental Activities

\$ 4,097,542

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

TOWN OF LIBERTY, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Police Department Building Project Fund</u>	<u>Total Non-Major Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Ad Valorem Taxes	\$ 1,222,040	\$ -	\$ -	\$ 1,222,040
Other Taxes and Licenses	1,595	-	-	1,595
Intergovernmental Revenues:				
Unrestricted	1,074,504	-	-	1,074,504
Restricted	140,780	-	140,000	280,780
Permits and Fees	1,855	-	-	1,855
Sales and Services	261,634	-	-	261,634
Investment Earnings	45,394	-	3,129	48,523
Miscellaneous Revenue	19,617	-	-	19,617
Total Revenues	<u>2,767,419</u>	<u>-</u>	<u>143,129</u>	<u>2,910,548</u>
Expenditures:				
Current:				
General Government	488,419	-	-	488,419
Public Safety	1,144,909	-	-	1,144,909
Transportation	320,779	-	-	320,779
Environmental Protection	223,048	-	-	223,048
Cultural and Recreational	379,337	-	-	379,337
Economic and Physical Development	-	-	66,633	66,633
Debt Service	47,612	-	-	47,612
Capital Outlay	-	27,832	-	27,832
Total Expenditures	<u>2,604,104</u>	<u>27,832</u>	<u>66,633</u>	<u>2,698,569</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>163,315</u>	<u>(27,832)</u>	<u>76,496</u>	<u>211,979</u>
Other Financing Sources (Uses):				
Transfer From Other Funds	55,585	-	-	55,585
Transfer to Other Funds	-	-	(51,000)	(51,000)
Sale of Capital Assets	236	-	-	236
Total Other Financing Sources (Uses)	<u>55,821</u>	<u>-</u>	<u>(51,000)</u>	<u>4,821</u>
Net Change in Fund Balances	<u>219,136</u>	<u>(27,832)</u>	<u>25,496</u>	<u>216,800</u>
Fund Balances, Beginning	<u>2,671,432</u>	<u>-</u>	<u>451,989</u>	<u>3,123,421</u>
Fund Balances, Ending	<u>\$ 2,890,568</u>	<u>\$ (27,832)</u>	<u>\$ 477,485</u>	<u>\$ 3,340,221</u>

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

TOWN OF LIBERTY, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	216,800
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$	130,007
Depreciation expense for governmental assets		<u>(200,513)</u>
		(70,506)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenues for taxes		1,423
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		81,582
<p>Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities</p>		
		5,234
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		35,338
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest payable		1,016
Pension expense		(126,425)
Compensated absences		<u>11,541</u>
Total changes in net position of governmental activities	\$	<u>156,003</u>

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

TOWN OF LIBERTY, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Positive (Negative)
Revenues:				
Ad Valorem Taxes	\$ 1,205,350	\$ 1,205,350	\$ 1,222,040	\$ 16,690
Other Taxes and Licenses	-	1,650	1,595	(55)
Intergovernmental Revenues:				
Unrestricted	924,500	996,000	1,074,504	78,504
Restricted	124,000	113,631	140,780	27,149
Permits and Fees	15,000	1,350	1,855	505
Sales and Services	217,520	277,520	261,634	(15,886)
Investment Earnings	15,000	15,000	45,394	30,394
Miscellaneous Revenue	202,411	1,580	19,617	18,037
Total Revenues	2,703,781	2,612,081	2,767,419	155,338
Expenditures:				
Current:				
General Government	533,048	533,048	488,419	44,629
Public Safety	1,240,118	1,192,505	1,144,909	47,596
Transportation	392,406	392,406	320,779	71,627
Environmental Protection	240,775	240,775	223,048	17,727
Cultural and Recreational	404,743	436,043	379,337	56,706
Debt Service	-	47,613	47,612	1
Total Expenditures	2,811,090	2,842,390	2,604,104	238,286
Revenues Over (Under) Expenditures	(107,309)	(230,309)	163,315	393,624
Other Financing Sources (Uses):				
Transfers From Other Funds	107,309	107,309	55,585	(51,724)
Sale of Capital Assets	-	2,000	236	(1,764)
Total Other Financing Sources (Uses)	107,309	109,309	55,821	(53,488)
Appropriated Fund Balance	-	121,000	-	(121,000)
Net Change in Fund Balance	\$ -	\$ -	219,136	\$ 219,136
Fund Balance, Beginning			2,671,432	
Fund Balance, Ending			\$ 2,890,568	

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

TOWN OF LIBERTY, NORTH CAROLINA**STATEMENT OF NET POSITION**
PROPRIETARY FUND

June 30, 2019

	<u>Water and Sewer Fund</u>
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,146,099
Accounts Receivable (Net)	225,560
Accounts Receivable - Other	62,854
Prepaid Expenses	1,072
Restricted Cash and Cash Equivalents	<u>45,160</u>
Total Current Assets	<u>1,480,745</u>
Noncurrent Assets:	
Capital Assets:	
Land and Other Non-depreciable Assets	39,677
Other Capital Assets, Net of Depreciation	<u>4,247,240</u>
Total Capital Assets (Net)	<u>4,286,917</u>
Total Noncurrent Assets	<u>4,286,917</u>
Total Assets	\$ <u>5,767,662</u>
Deferred Outflows of Resources:	\$ <u>71,746</u>
Liabilities:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	61,019
Customer Deposits	45,160
Unearned Revenues	2,000
Compensated Absences - Current	13,489
Notes Payable - Current	<u>6,064</u>
Total Current Liabilities	<u>127,732</u>
Noncurrent Liabilities:	
Compensated Absences	13,073
Net Pension Liability	92,032
Notes Payable - Noncurrent	<u>54,579</u>
Total Noncurrent Liabilities	<u>159,684</u>
Total Liabilities	<u>287,416</u>
Deferred Inflows of Resources:	
Pension Deferrals	<u>7,345</u>
Net Position:	
Net Investment in Capital Assets	4,226,274
Unrestricted	<u>1,318,373</u>
Total Net Position	\$ <u>5,544,647</u>

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

TOWN OF LIBERTY, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND**

For the Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for Services	\$ 870,554
Water and Sewer Taps	41,906
Other Operating Revenues	396
	<hr/>
Total Operating Revenues	912,856
	<hr/>
Operating Expenses:	
Water and Sewer Administration	239,258
Water	318,266
Sewer	330,635
Depreciation	256,265
	<hr/>
Total Operating Expenses	1,144,424
	<hr/>
Operating Loss	(231,568)
	<hr/>
Nonoperating Revenues:	
Investment Earnings	649
Grants	69,000
Gain on Disposal of Fixed Assets	7,155
	<hr/>
Total Nonoperating Revenues	76,804
	<hr/>
Loss Before Transfers	(154,764)
	<hr/>
Transfers to Other Funds:	
General Fund	(4,585)
	<hr/>
Change in Net Position	(159,349)
	<hr/>
Total Net Position Beginning of Year, Previously Reported	5,703,996
	<hr/>
Total Net Position - End of Year	\$ 5,544,647
	<hr/> <hr/>

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

TOWN OF LIBERTY, NORTH CAROLINA**STATEMENT OF CASH FLOWS****PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 841,561
Cash Paid for Goods and Services	(474,100)
Cash Paid to Employees for Services	(367,067)
Customer Deposits Received	2,890
Other Operating Revenues	7,551
	<u>10,835</u>
Net Cash Provided by Operating Activities	<u>10,835</u>
Cash Flows From Noncapital Financing Activities:	
Transfers to Other Funds	(4,585)
Contributions - Grants (Other)	69,000
	<u>64,415</u>
Net Cash Flows From Noncapital Financing Activities	<u>64,415</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Notes Payable	(6,064)
Acquisition of Capital Assets	(44,410)
	<u>(50,474)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(50,474)</u>
Cash Flows From Investing Activities:	
Investment Earnings	649
	<u>25,425</u>
Net Increase in Cash and Cash Equivalents	<u>25,425</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,165,834</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,191,259</u>
Reconciliation of Operating (Loss) to Net Cash Provided By Operating Activities:	
Operating (Loss)	\$ (231,568)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	256,265
Other Operating Revenues	7,155
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(70,899)
Decrease in Prepaid Expenses	3,619
(Increase) in Deferred Outflows of Resources - Pension	(24,719)
Increase in Net Pension Liability	33,362
(Decrease) in Deferred Inflows of Resources - Pension	(398)
Increase in Accounts Payable and Accrued Liabilities	31,249
Increase in Compensated Absences	3,879
Increase in Customer Deposits	2,890
	<u>242,403</u>
Total Adjustments	<u>242,403</u>
Net Cash Provided by Operating Activities	<u>\$ 10,835</u>

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

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Liberty and its discretely presented component unit 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 Liberty is a municipal corporation which is governed by an elected mayor and a five-member council and has a population of approximately 2,779. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

The Town provides services which include general government, public safety, streets, sanitation, zoning, and recreation. The Town maintains a water and sewer system which services the Town and surrounding areas on a user-charge basis.

Town of Liberty ABC Board.

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Liberty ABC Board, Post Office Box 1186, Liberty, North Carolina 27298.

B. Basis of Presentation.

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. 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.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued).

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 nonoperating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

Police Department Building Capital Project Fund. This fund is used to account for the construction of a new police department facility.

The Town reports the following non-major governmental funds:

Capital Project Capital Reserve Fund. This fund is used to account for future purchase of governmental assets funded by commitments by the Town council.

Downtown Revitalization Special Revenue Fund. This fund is used to account for grant funds restricted for a particular purpose.

Library Permanent Fund. This fund is used to account for contributions restricted for the funding of programs and materials for visual and hearing impaired residents.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Concluded).

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Concluded).

Governmental Fund Financial Statements (Concluded). 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 and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Liberty because the tax is levied by Randolph 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 are 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, Capital Project Capital Reserve Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Capital Project Funds, Special Revenue Funds, and the Enterprise Fund Capital Projects Funds. The enterprise fund projects are consolidated with the operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Data (Concluded).

Expenditures may not legally exceed appropriations at the departmental 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 \$1,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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 and ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principle office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30 (c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. 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 a 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.

The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Cash is also restricted for the future purchase of governmental assets funded by commitments by the Town council. Cash is also restricted by an agreement with the U.S. Department of Justice to be used for the purchase of qualified equipment by the Town's police department. Cash is also restricted by donors for use by the Town of Liberty library. Cash is also restricted by grantor for downtown revitalization. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

<u>Town of Liberty - Restricted Cash</u>	
Governmental Activities:	
General Fund:	
Transportation – Streets	\$ 81,772
Public Safety	1,369
Cultural and Recreational	156,094
Other Governmental	
Cultural and Recreational	136,384
Economic and Physical Development	73,367
Capital Outlay	267,734
Total Governmental Activities	<u>\$ 716,720</u>
Business-type Activities:	
Water and Sewer Fund:	
Customer Deposits	45,160
Total Restricted Cash	<u>\$ 761,880</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 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.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

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. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as inventory when purchased and expended when consumed.

The inventory of the ABC Board consists of materials and supplies held for subsequent use. The cost of the inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, lines, and other plant and distribution systems, infrastructure, furniture and equipment, and vehicles, \$3,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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. 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.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

7. Capital Assets (Concluded)

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Improvements	20
Vehicles	5 - 15
Furniture and Equipment	5 - 10
Computer Equipment	3 - 5

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Furniture and Equipment	5 – 7
Leasehold Improvements	10

8. Deferred Outflows/Inflows of Resources

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

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.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

10. Compensated Absences

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

The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no 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 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.

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

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

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

Prepaid Assets - portion of fund balance not available for appropriation because it represents a deferred charge which is not an expendable, available resource.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

11. Net Position/Fund Balances (Continued)

Cultural and Recreational - portion of fund balance restricted by contributor for library improvements for the hearing and visually impaired.

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

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

Restricted for Cultural and Recreational - portion of fund balance restricted by the donor to be used for library expenditures.

Restricted for Public Safety – portion of fund balance that is restricted for expenditures for the police department.

Restricted for Economic and Physical Development – portion of fund balance restricted for economic and physical development.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

- E. Assets, Liabilities, Deferred Outflows/Inflows
of Resources and Fund Equity (Concluded).

11. Net Position/Fund Balances (Concluded)

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Liberty’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body by formal resolution.

Committed for Capital Projects – portion of fund balance assigned by the Town Council for capital project expenditures.

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

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 Liberty’s employer contributions are recognized when due and the Town of Liberty 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.

Note 2 – Stewardship, Compliance and Accountability

Deficit In Fund Balance Of Individual Funds.

For the fiscal year ended June 30, 2019, the Police Department Building Capital Project Fund had a deficit fund balance of \$27,832. The fund is funded primarily from loan proceeds which are expected to be received in the subsequent year.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds

A. Assets.

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer.

Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and ABC Board's agents in their names. 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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$2,586,001 and a bank balance of \$2,611,415. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town's petty cash fund totaled \$350. The carrying amount of deposits for the ABC Board was \$70,714 and the bank balance was \$67,928. All of the bank balance was covered by federal depository insurance. The ABC Board's petty cash fund totaled \$1,500.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Continued).

2. Investments

At June 30, 2019 the Town of Liberty had \$1,043,617 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's, and the North Carolina Capital Management Trust's Term Portfolio, which is not rated. The Town has no policy regarding credit risk or interest rate risk.

Investment Type	Valuation Measurement Method	Book Value at 6/30/19	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value – Level 1	\$ 1,043,617	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	729,049	.11 years	Unrated
Total		<u>\$ 1,772,666</u>		

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

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk.

Credit Risk. The City has no formal policy regarding credit risk. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Continued).

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the balance sheet and the statement of net position does not include amounts for penalties.

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

<u>Fund</u>	<u>6/30/2019</u>
General:	
Taxes Receivable	\$ 3,000
Enterprise:	
Customer Accounts Receivable	<u>28,000</u>
Total	<u>\$ 31,000</u>

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Continued).

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	\$ 192,520	\$ -	\$ -	\$ 192,520
Construction in Progress	-	27,832	-	27,832
Total Capital Assets Not Being Depreciated	192,520	27,832	-	220,352
Capital Assets Being Depreciated:				
Buildings	1,249,574	6,800	-	1,256,374
Equipment	930,609	-	32,134	898,475
Computer Equipment	112,745	-	-	112,745
Other Improvements	382,493	-	-	382,493
Vehicles and Motorized Equipment	1,130,062	95,375	23,027	1,202,410
Total Capital Assets Being Depreciated	3,805,483	102,175	55,161	3,852,497
Less Accumulated Depreciation For:				
Buildings	507,204	35,398	-	542,602
Equipment	717,255	39,224	32,134	724,345
Computer Equipment	109,036	1,331	-	110,367
Other Improvements	288,612	18,698	-	307,310
Vehicles and Motorized Equipment	848,048	105,862	23,027	930,883
Total Accumulated Depreciation	2,470,155	\$ 200,513	\$ 55,161	2,615,507
Total Capital Assets Being Depreciated, Net	1,335,328			1,236,990
Governmental Activity Capital Assets, Net	<u>\$ 1,527,848</u>			<u>\$ 1,457,342</u>

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

General Government	\$ 16,119
Public Safety	148,529
Transportation	23,671
Cultural and Recreational	12,194
	<u>\$ 200,513</u>

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Concluded).

4. Capital Assets (Concluded)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 39,677	\$ -	\$ -	\$ 39,677
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	39,677	-	-	39,677
Capital Assets Being Depreciated:				
Buildings	430,644	8,220	-	438,864
Plant and Distribution Systems	9,650,211	-	-	9,650,211
Other Improvements	56,277	-	-	56,277
Equipment	427,100	36,190	-	463,290
Computer Equipment	50,997	-	-	50,997
Vehicles	173,196	-	-	173,196
Total Capital Assets Being Depreciated	10,788,425	44,410	-	10,832,835
Less Accumulated Depreciation For:				
Buildings	308,313	11,919	-	320,232
Plant and Distribution Systems	5,532,877	200,736	-	5,733,613
Other Improvements	45,837	1,838	-	47,675
Equipment	300,109	22,371	-	322,480
Computer Equipment	26,031	6,368	-	32,399
Vehicles	116,163	13,033	-	129,196
Total Accumulated Depreciation	6,329,330	\$ 256,265	\$ -	6,585,595
Total Capital Assets Being Depreciated, Net	4,459,095			4,247,240
Business-type Activities Capital Assets, Net	\$ 4,498,772			\$ 4,286,917

Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 1,931	\$ -	\$ -	\$ 1,931
Furniture and Equipment	67,303	-	-	67,303
Total Capital Assets Being Depreciated	69,234	-	-	69,234
Less Accumulated Depreciation For:				
Leasehold Improvements	1,931	-	-	1,931
Furniture and Equipment	49,494	3,562	-	53,056
Total Accumulated Depreciation	51,425	\$ 3,562	\$ -	54,987
ABC Capital Assets, Net	\$ 17,809			\$ 14,247

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities.

1. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 72,307	\$ 52,786	\$ - -	\$ 125,093
Business-type Activities:				
Water and Sewer	\$ 52,641	\$ 8,378	\$ - -	\$ 61,019

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Liberty is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a multiple-employer, cost-sharing, 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 government 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 thirteen members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or 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

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued).

Benefits Provided (Concluded). 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 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 Liberty 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 Liberty's contractually required contribution rate for the year ended June 30, 2019 was 8.36% 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. The Town of Liberty's contributions to the pension plan for the year ended June 30, 2019 was \$99,702.

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.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued).

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 \$496,059 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 and June 30, 2018, the Town's proportion was .02% and .02%, respectively.

For the year ended June 30, 2019, the Town recognized pension expense of \$141,131. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 76,530	\$ 2,568
Changes of assumptions	131,634	- 0 -
Net difference between projected and actual earnings on pension plan investments	68,094	- 0 -
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,847	7,878
Town contributions subsequent to measurement date	99,702	- 0 -
Total	<u>\$ 379,807</u>	<u>\$ 10,446</u>

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).

The \$99,702 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:

<u>Year Ending June 30</u>	
2020	\$ 132,669
2021	85,199
2022	13,529
2023	38,262
2024	--
Thereafter	--
	<u>\$ 269,659</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The 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.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).

Actuarial Assumptions(Continued). The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the forgoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Concluded).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).

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 liability calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
System's proportionate share of net pension liability (asset)	\$ 1,191,571	\$ 496,059	(\$ 85,126)

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 LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

(1) Plan Description

The Town of Liberty administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

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

(2) Summary of Significant Accounting Policies

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

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

(2) Summary of Significant Accounting Policies(Concluded)

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

(3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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

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

(4) Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid \$10,503 as benefits came due for the reporting period.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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

At June 30, 2019, the Town reported a total pension liability of \$175,085. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$17,267.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,206	\$ - 0 -
Changes of assumptions and other inputs	6,821	7,492
Benefit payments and administrative expenses subsequent to measurement date	5,234	- 0 -
Total	<u>\$ 22,261</u>	<u>\$ 7,492</u>

The \$5,234 paid as benefits came due and \$ 0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2020	\$ 1,965
2021	1,965
2022	1,965
2023	2,233
2024	1,248
Thereafter	159
	<u>\$ 9,535</u>

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance. (Concluded)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.64%) or 1 percentage point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 189,257	\$ 175,085	\$ 161,807

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

Beginning Balance	\$ 166,018
Service Costs	9,883
Interest on Pension Liability	5,080
Changes of Benefit Terms	- 0 -
Differences Between Expected and Actual Experience in the Measurement of Total Pension Liability	11,390
Changes of Assumptions and Other Inputs	(6,783)
Benefit Payments	(10,503)
Other Changes	- 0 -
Ending Balance Total Pension Liability	<u>\$ 175,085</u>

The plan currently uses mortality tables that vary by age and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

c. Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources related to Pensions

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 141,131	\$ 17,267	\$ 158,398
Pension Liability	\$ 496,059	\$ 175,085	\$ 671,144
Proportionate Share of Net Pension Liability	.02%	N/A	

Deferred Outflows of Resources:

Differences Between Expected & Actual

Experience	\$ 76,530	\$ 10,206	\$ 86,736
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Changes of Assumptions	\$ 131,634	\$ 6,821	\$ 138,455
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Net Difference Between Projected & Actual

Earnings on Plan Investments	\$ 68,094	\$ - 0 -	\$ 68,094
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Changes in Proportion & Differences Between

Contributions & Prportionate Share of Contributions	\$ 3,847	\$ - 0 -	\$ 3,847
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Benefit Payments & Administrative Costs Paid

Subsequent to the Measurement Date	\$ 99,702	\$ 5,234	\$ 104,936
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Deferred Inflows of Resources:

Differences Between Expected & Actual

Experience	\$ 2,568	\$ - 0 -	\$ 2,568
------------	----------	----------	----------

Changes of Assumptions	\$ - 0 -	\$ 7,492	\$ 7,492
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Net Difference Between Projected & Actual

Earnings on Plan Investments	\$ - 0 -	\$ - 0 -	\$ - 0 -
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Changes in Proportion & Differences Between

Contributions & Proportionate Share of Contributions	\$ 7,878	\$ - 0 -	\$ 7,878
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d. Supplemental Retirement Income Plan

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all regular, current, full-time employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Concluded)

d. Supplemental Retirement Income Plan (Concluded)

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute an amount equal to five percent of each officer's salary and three percent of each general employee's monthly base salary; all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$48,063 which consisted of \$36,506 from the Town and \$11,557 from employees.

3. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. For the fiscal year ended June 30, 2019, the Town made contributions to the State for death benefits of \$1,106. The Town's required contributions for employees not engaged in law

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

3. Other Employment Benefits (Concluded)

enforcement and for law enforcement officers represented 0.06% and 0.14% of covered payroll, respectively.

4. Deferred Outflows/Inflows of Resources

Deferred outflows of resources at June 30, 2019 is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 99,702
Benefit payments made and administrative expenses for LEOSSA	5,234
Differences between expected and actual experience	86,736
Changes of assumptions	138,455
Net difference between expected and actual earnings on pension plan investments	68,094
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,847
Total	<u>\$ 402,068</u>

Deferred inflows of resources at June 30, 2019 is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, Net (General)	\$ - -	\$ 28,019
Differences between expected and actual experience	2,568	- -
Changes of assumptions	7,492	- -
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,878	- -
Total	<u>\$ 17,938</u>	<u>\$ 28,019</u>

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

5. Risk Management (Concluded)

and auto liability coverage of \$1 million per occurrence; property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial companies for claims in excess of retentions as selected by the Board of Trustees each year.

Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N.C. League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town is not located in a flood plain, therefore, they do not carry any flood insurance.

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

6. Claims, Judgments, and Contingent Liabilities

At June 30, 2019, there was no material pending or threatened litigation, claims or assessments involving the Town of Liberty.

7. Long-Term Obligations

a. Installment Loans

The Town entered into a direct borrowing financing agreement on May 22, 2015 with the Branch Banking and Trust Company (BB&T) for \$389,491 to refinance the new fire station. The financing agreement requires annual payments of \$35,912 including interest with a rate of 3.03% per annum for a 12-year term. The fire department building is pledged as collateral for the debt while the debt is outstanding.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

7. Long-Term Obligations Continued)

a. Installment Loans (Concluded).

The Town entered into a direct borrowing financing agreement on February 2, 2018 with the Capital Bank for \$100,000 to finance new fire equipment. The financing agreement requires annual payments of \$11,700 including interest with a rate of 2.9% per annum for a 10-year term. The fire department equipment is pledged as collateral for the debt while the debt is outstanding.

Annual debt service requirements to maturity for the installment loans at June 30, 2019 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 36,504	\$ 11,108
2021	37,598	10,014
2022	38,725	8,887
2023	39,886	7,726
2024	41,082	6,530
2025 – 2029	176,736	13,430
Totals	<u>\$ 370,531</u>	<u>\$ 57,695</u>

b. Notes Payable.

The note payable shown in the Water and Sewer Fund consist of the balance due on a \$121,285 direct placement revolving loan from the State Water Pollution Control Revolving Loan Program for improvements to the Town's wastewater collection system. This agreement requires payments over twenty years at a rate of 0%.

Annual debt service requirements to maturity for the notes payable are as follows:

Year Ending June 30	Business-type Activities	
	Principal	
2020	\$	6,064
2021		6,064
2022		6,064
2023		6,064
2024		6,064
2025 – 2029		<u>30,323</u>
Totals	<u>\$</u>	<u>60,643</u>

At June 30, 2019, the Town's legal debt margin is \$14,597,168.

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Concluded).

7. Long-Term Obligations Concluded)

c. Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental Activities:					
Direct Borrowing:					
Installment Purchases	\$ 405,865	\$ - -	\$ 35,334	\$ 370,531	\$ 36,504
Compensated Absences	101,668	34,434	45,979	90,123	45,979
Net Pension Liability (LGERS)	254,667	149,360	- -	404,027	- -
Total Pension Liability (LEO)	166,018	9,067	- -	175,085	- -
Governmental Activity Long-term Liabilities	<u>\$ 928,218</u>	<u>\$ 192,861</u>	<u>\$ 81,313</u>	<u>\$ 1,039,766</u>	<u>\$ 82,483</u>
Business-type Activities:					
Direct Placement:					
Note Payable	\$ 66,707	\$ - -	\$ 6,064	\$ 60,643	\$ 6,064
Compensated Absences	22,683	17,368	13,489	26,562	13,489
Net Pension Liability (LGERS)	58,669	33,363	- -	92,032	- -
Business-type Activity Long-term Liabilities	<u>\$ 148,059</u>	<u>\$ 50,731</u>	<u>\$ 19,553</u>	<u>\$ 179,237</u>	<u>\$ 19,553</u>

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

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Concluded)

C. Interfund Balances and Activity.

1. Transfers To / From Other Funds

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

From Capital Project Capital Reserve Fund to the General Fund – to fund Capital outlay.	\$ 51,000
From the Business-type Capital Reserve Fund to the General Fund – To fund capital outlay.	<u>4,585</u>
Total	<u>\$ 55,585</u>

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

D. FUND BALANCE.

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

Total Fund Balance – General Fund	<u>\$ 2,890,568</u>
Less:	
Inventories	1,237
Prepaid Assets	3,155
Streets – Powell Bill	81,772
Stabilization by State Statute	302,701
Public Safety	1,369
Cultural and Recreational	<u>156,094</u>
Remaining Fund balance	<u>\$ 2,344,240</u>

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

Encumbrances	
General Fund	Non-major Funds
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

TOWN OF LIBERTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Note 4 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 5 - Joint Venture

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the Town reported no payments through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no entity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

TOWN OF LIBERTY

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION (LIABILITY) ASSET
Local Government Employees' Retirement System
Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset)	0.020%	0.020%	0.020%	0.017%	0.016%	0.016%
Town's proportionate share of the net pension liability (asset)	\$ 496,059	\$ 313,336	\$ 426,378	\$ 77,373	\$ (96,011)	\$ 190,451
Town's covered payroll	\$ 1,197,681	\$ 1,153,150	\$ 1,028,859	\$ 967,178	\$ 993,893	\$ 947,180
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.42%	27.17%	41.44%	8.00%	(9.93%)	20.11%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

TOWN OF LIBERTY

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

Local Government Employees' Retirement System

Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 99,702	\$ 92,459	\$ 85,538	\$ 71,515	\$ 68,691	\$ 71,159
Contributions in relation to the contractually required contribution	99,702	92,459	85,538	71,515	68,691	71,159
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,251,508	\$ 1,197,681	\$ 1,153,150	\$ 1,028,859	\$ 967,178	\$ 993,893
Contributions as a percentage of covered payroll	7.97%	7.72%	7.42%	6.95%	7.10%	7.16%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

TOWN OF LIBERTY

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 166,018	\$ 151,526	\$ 151,515
Service Costs	9,883	8,397	8,650
Interest on Total Pension Liability	5,080	5,646	5,222
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience in the Measurement of Total Pension Liability	11,390	951	-
Changes of Assumptions or Other Inputs	(6,783)	10,001	(3,358)
Benefit Payments	(10,503)	(10,503)	(10,503)
Other Changes	-	-	-
Ending Balance Total Pension Liability	<u>\$ 175,085</u>	<u>\$ 166,018</u>	<u>\$ 151,526</u>

Notes to the schedule:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

TOWN OF LIBERTY

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 175,085	\$ 166,018	\$ 151,526
Covered Payroll	\$ 444,563	\$ 407,930	\$ 402,336
Total Pension Liability as a Percentage of Covered Payroll	39.38%	40.70%	37.66%

Notes to the schedule:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

TOWN OF LIBERTY, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Current Year Taxes	\$	\$ 1,201,059	\$
Penalties and Interest		7,635	
Prior Years Taxes		13,346	
Total	<u>1,205,350</u>	<u>1,222,040</u>	<u>16,690</u>
Other Taxes and Licenses:			
Animal Tax		1,388	
Gross Receipts Tax on Short-Term Rental Property		207	
Total	<u>1,650</u>	<u>1,595</u>	<u>(55)</u>
Intergovernmental Revenues			
Unrestricted Intergovernmental			
Sales Tax Refund		27,522	
Local Option Sales Tax		647,325	
Utilities Franchise Tax		182,505	
ABC Distribution		26,522	
County Fire Tax		175,340	
Arrest Fees		3,883	
Beer and Wine Tax		11,407	
Total	<u>996,000</u>	<u>1,074,504</u>	<u>78,504</u>
Restricted Intergovernmental			
Powell Bill		88,276	
Library Supplement		12,000	
Solid Waste Disposal Tax		1,962	
FEMA Grant		27,919	
U.S. Treasury/Justice Allocations		1,350	
Other		3,559	
ABC Revenue for Law Enforcement		5,000	
ABC Revenue for Medical Building		714	
Total	<u>113,631</u>	<u>140,780</u>	<u>27,149</u>
Permits and Fees:			
Zoning Fees		1,800	
Fines and Permits		55	
Total	<u>1,350</u>	<u>1,855</u>	<u>505</u>
Investment Earnings	\$ <u>15,000</u>	\$ <u>45,394</u>	\$ <u>30,394</u>

TOWN OF LIBERTY, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues (Concluded):			
Sales and Services:			
Recreational Fees	\$	\$ 24,522	\$
Rents		25,384	
Cemetery Revenues		14,750	
Solid Waste Fees		191,167	
Library Revenues		5,811	
Total	<u>277,520</u>	<u>261,634</u>	<u>(15,886)</u>
Miscellaneous:			
Other Revenues	<u>1,580</u>	<u>19,617</u>	<u>18,037</u>
Total Revenues	<u>2,612,081</u>	<u>2,767,419</u>	<u>155,338</u>
Expenditures:			
General Government:			
Governing Body			
Salaries and Employee Benefits		19,700	
Other Operating Expenditures		13,852	
Total	<u>40,550</u>	<u>33,552</u>	<u>6,998</u>
Administration:			
Salaries and Employee Benefits		221,085	
Utilities		12,028	
Telephone and Postage		4,133	
Professional Services		28,095	
Insurance		59,215	
Maintenance and Supplies		14,937	
Contracted Services		42,464	
Dues and Subscriptions		9,261	
Other Operating Expenditures		32,830	
Total	<u>461,775</u>	<u>424,048</u>	<u>37,727</u>
Election:			
Professional Services	<u>500</u>	<u>-</u>	<u>500</u>
Planning and Zoning			
Salaries and Employee Benefits		1,066	
Contracted Services		12,719	
Other Operating Expenditures		17,034	
Total	<u>30,223</u>	<u>30,819</u>	<u>(596)</u>
Total General Government	<u>\$ 533,048</u>	<u>\$ 488,419</u>	<u>\$ 44,629</u>

TOWN OF LIBERTY, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued)			
Public Safety:			
Police Department:			
Salaries and Employee Benefit:	\$	\$ 679,872	\$
Utilities		5,525	
Maintenance and Repairs		35,260	
Telephone and Postage		7,143	
Contracted Services		35,337	
Supplies		9,810	
Fuel		15,739	
Capital Outlay		35,435	
Other Operating Expenditures		16,065	
Total	<u>870,394</u>	<u>840,186</u>	<u>30,208</u>
Fire Department:			
Salaries and Employee Benefit:		250,001	
Utilities		10,658	
Maintenance and Repairs		21,955	
Telephone and Postage		2,307	
Contracted Services		2,539	
Supplies		2,792	
Fuel		7,654	
Other Operating Expenditures		6,817	
Total	<u>322,111</u>	<u>304,723</u>	<u>17,388</u>
Total Public Safety	<u>1,192,505</u>	<u>1,144,909</u>	<u>47,596</u>
Transportation:			
Streets:			
Salaries and Employee Benefit:		148,383	
Utilities		45,971	
Maintenance and Repairs		8,891	
Telephone and Postage		1,811	
Contracted Services		46,620	
Supplies		1,098	
Fuel		4,665	
Capital Outlay		59,940	
Other Operating Expenditures		3,400	
Total Transportation	\$ <u>392,406</u>	\$ <u>320,779</u>	\$ <u>71,627</u>

TOWN OF LIBERTY, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Concluded):			
Environmental Protection:			
Sanitation:			
Maintenance and Repairs	\$	\$ 1,814	\$
Contracted Services		190,578	
Supplies		219	
Fuel		3,922	
Other Operating Expenditures		5,122	
Total	<u>212,575</u>	<u>201,655</u>	<u>10,920</u>
Cemetery :			
Other Operating Expenditures	<u>28,200</u>	<u>21,393</u>	<u>6,807</u>
Total Environmental Protection	<u>240,775</u>	<u>223,048</u>	<u>17,727</u>
Cultural and Recreational:			
Recreation:			
Salaries and Employee Benefits		104,720	
Utilities		14,352	
Maintenance and Repairs		76,816	
Contracted Services		3,215	
Telephone and Postage		4,343	
Supplies		1,568	
Fuel		2,444	
Capital Outlay		6,800	
Athletic Programs		23,962	
Other Operating Expenditures		19,703	
Total	<u>272,645</u>	<u>257,923</u>	<u>14,722</u>
Library:			
Salaries and Employee Benefits		95,188	
Utilities		1,177	
Maintenance and Repairs		2,547	
Contract Services		4,000	
Telephone and Postage		929	
Supplies		1,731	
Other Operating Expenditures		15,842	
Total	<u>163,398</u>	<u>121,414</u>	<u>41,984</u>
Total Cultural and Recreational	<u>436,043</u>	<u>379,337</u>	<u>56,706</u>
Debt Service:			
Principal		35,338	
Interest		12,274	
Total Debt Service	<u>47,613</u>	<u>47,612</u>	<u>1</u>
Total Expenditures	<u>2,842,390</u>	<u>2,604,104</u>	<u>238,286</u>
Revenues Over (Under) Expenditures	\$ <u>(230,309)</u>	\$ <u>163,315</u>	\$ <u>393,624</u>

TOWN OF LIBERTY, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources:			
Transfers From Other Funds:			
General Fund Capital Reserve	\$ 107,309	\$ 51,000	\$ (56,309)
Water and Sewer Fund Capital Reserve	-	4,585	4,585
Sale of Capital Assets	<u>2,000</u>	<u>236</u>	<u>(1,764)</u>
Total Other Financing Sources	<u>109,309</u>	<u>55,821</u>	<u>(53,488)</u>
Appropriated Fund Balance	<u>121,000</u>	<u>-</u>	<u>(121,000)</u>
Net Change in Fund Balance	\$ <u>-</u>	<u>219,136</u>	\$ <u>219,136</u>
Fund Balance, Beginning		<u>2,671,432</u>	
Fund Balance, Ending		\$ <u><u>2,890,568</u></u>	

TOWN OF LIBERTY, NORTH CAROLINA
COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

	Downtown Revitalization Fund	Capital Reserve Fund	Library Permanent Fund	Total Non-major Governmental Funds
Assets:				
Restricted Cash	\$ 73,367	\$ 267,734	\$ 136,384	\$ 477,485
Total Assets	<u>\$ 73,367</u>	<u>\$ 267,734</u>	<u>\$ 136,384</u>	<u>\$ 477,485</u>
Liabilities and Fund Balances:				
Liabilities				
Payable From Restricted Asset	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Cultural and Recreational	-	-	136,384	136,384
Restricted:				
Economic and Physical Development	73,367	-	-	73,367
Stabilization by State Statute	-	-	-	-
Committed:				
Capital Projects	-	267,734	-	267,734
Unassigned	-	-	-	-
Total Fund Balances	<u>73,367</u>	<u>267,734</u>	<u>136,384</u>	<u>477,485</u>
Total Liabilities and Fund Balance	<u>\$ 73,367</u>	<u>\$ 267,734</u>	<u>\$ 136,384</u>	<u>\$ 477,485</u>

TOWN OF LIBERTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2015

	Downtown Revitalization Fund	Capital Reserve Fund	Library Permanent Fund	Total Non-major Governmental Funds
Revenues:				
Restricted Intergovernmental	\$ 140,000	\$ -	\$ -	\$ 140,000
Investment Earnings	-	-	3,129	3,129
Total Revenues	<u>140,000</u>	<u>-</u>	<u>3,129</u>	<u>143,129</u>
Expenditures:				
Economic and Physical Development	66,633	-	-	66,633
Capital Outlay	-	-	-	-
Total Expenditures	<u>66,633</u>	<u>-</u>	<u>-</u>	<u>66,633</u>
Revenues Over Expenditures	<u>73,367</u>	<u>-</u>	<u>3,129</u>	<u>76,496</u>
Other Financing Sources (Uses):				
Transfers From Other Funds				
General Fund	-	-	-	-
Transfers to Other Funds				
General Fund	-	(51,000)	-	(51,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(51,000)</u>	<u>-</u>	<u>(51,000)</u>
Net Change in Fund Balances	73,367	(51,000)	3,129	25,496
Fund Balances, Beginning	<u>-</u>	<u>318,734</u>	<u>133,255</u>	<u>451,989</u>
Fund Balances, Ending	\$ <u><u>73,367</u></u>	\$ <u><u>267,734</u></u>	\$ <u><u>136,384</u></u>	\$ <u><u>477,485</u></u>

TOWN OF LIBERTY, NORTH CAROLINA
CAPITAL PROJECT CAPITAL RESERVE FUND

SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (Uses):			
Transfer From Other Funds			
General Fund	\$ 11,000	\$ -	\$ (11,000)
Transfer to Other Funds			
General Fund	<u>(118,309)</u>	<u>(51,000)</u>	<u>67,309</u>
Total Other Financing Sources (Uses)	<u>(107,309)</u>	<u>(51,000)</u>	<u>56,309</u>
Appropriated Fund Balance	<u>107,309</u>	<u>-</u>	<u>(107,309)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(51,000)</u>	<u>\$ (51,000)</u>
Fund Balance, Beginning		<u>318,734</u>	
Fund Balance, Ending		<u>\$ 267,734</u>	

TOWN OF LIBERTY, NORTH CAROLINA
DOWNTOWN REVITALIZATION SPECIAL REVENUE FUND

SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and For the Fiscal Year Ended June 30, 201

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
N.C. Department of Commerce Grant	\$ 140,000	\$ -	\$ 140,000	\$ 140,000	\$ -
Expenditures:					
Economic and Physical Development					
Duke Energy	116,594	-	55,797	55,797	60,797
Charter - Spectrum	10,836	-	10,836	10,836	-
Sidewalk	16,070	-	-	-	16,070
Storefront Conversion	6,500	-	-	-	6,500
Total Expenditures	<u>150,000</u>	<u>-</u>	<u>66,633</u>	<u>66,633</u>	<u>83,367</u>
Revenues Over (Under) Expenditures	<u>(10,000)</u>	<u>-</u>	<u>73,367</u>	<u>73,367</u>	<u>83,367</u>
Other Financing Sources:					
Transfers From Other Funds					
General Fund	10,000	-	-	-	(10,000)
Total Other Financing Sources	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>73,367</u>	<u>\$ 73,367</u>	<u>\$ 73,367</u>
Fund Balance, Beginning			<u>-</u>		
Fund Balance, Ending			<u>\$ 73,367</u>		

TOWN OF LIBERTY, NORTH CAROLINA
POLICE DEPARTMENT BUILDING CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Administration	\$ 68,000	\$ -	\$ 27,832	\$ 27,832	\$ 40,168
Architecture	14,400	-	-	-	14,400
Environmental	7,200	-	-	-	7,200
Construction	1,500,000	-	-	-	1,500,000
Other	105,000	-	-	-	105,000
Advertising	-	-	-	-	-
Survey	-	-	-	-	-
Contingency	150,000	-	-	-	150,000
Total Expenditures	<u>1,844,600</u>	<u>-</u>	<u>27,832</u>	<u>27,832</u>	<u>1,816,768</u>
Other Financing Sources:					
USDA Loan	1,500,000	-	-	-	(1,500,000)
Transfers From Other Funds:					
General Fund	<u>344,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(344,600)</u>
Total Other Financing Sources	<u>1,844,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,844,600)</u>
Other Financing Sources					
(Under) Expenditures	\$ <u>-</u>	\$ <u>-</u>	(27,832)	\$ <u>(27,832)</u>	\$ <u>(27,832)</u>
Fund Balance, Beginning			-		
Fund Balance, Ending			\$ <u>(27,832)</u>		

TOWN OF LIBERTY, NORTH CAROLINA
WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Water and Sewer Charges	\$	\$ 870,554	\$
Taps and Connection Fees		41,906	
Other Operating Revenues		396	
Total Operating Revenues	<u>905,979</u>	<u>912,856</u>	<u>6,877</u>
Nonoperating Revenues:			
Interest Earned on Investments	200	171	(29)
Golden Leaf Foundation Grant	<u>100,000</u>	<u>69,000</u>	<u>(31,000)</u>
Total Nonoperating Revenues	<u>100,200</u>	<u>69,171</u>	<u>(31,029)</u>
Total Revenues	<u>1,006,179</u>	<u>982,027</u>	<u>(24,152)</u>
Expenditures:			
Water and Sewer Administration:			
Salaries and Employee Benefits		132,782	
Telephone and Postage		3,971	
Insurance		59,291	
Maintenance and Supplies		6,542	
Contracted Services		21,930	
Other Operating Expenditures		12,588	
Total	<u>244,412</u>	<u>237,104</u>	<u>7,308</u>
Water:			
Salaries and Employee Benefits		107,665	
Telephone and Postage		5,323	
Utilities		39,748	
Maintenance		110,622	
Supplies		1,565	
Contracted Services		20,735	
Other Operating Expenditures		27,529	
Total	<u>363,840</u>	<u>313,187</u>	<u>50,653</u>
Sewer:			
Salaries and Employee Benefits		126,620	
Telephone and Postage		4,577	
Utilities		44,799	
Maintenance		44,490	
Supplies		2,184	
Contracted Services		22,704	
Other Operating Expenditures		80,370	
Total	\$ <u>445,261</u>	\$ <u>325,744</u>	\$ <u>119,517</u>

TOWN OF LIBERTY, NORTH CAROLINA
WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Concluded):			
Debt Service:			
Principal on Notes	\$ 6,065	\$ 6,064	\$ 1
Capital Outlay:			
Water and Sewer Administration		4,110	
Water		40,300	
Total	58,948	44,410	14,538
Total Expenditures	<u>1,118,526</u>	<u>926,509</u>	<u>192,017</u>
Revenues Over (Under) Expenditures	<u>(112,347)</u>	<u>55,518</u>	<u>167,865</u>
Other Financing Sources:			
Transfer From Other Funds:			
Water and Sewer Capital Reserve Fund	78,000	-	(78,000)
Sale of Capital Assets	5,000	7,155	2,155
Total Other Financing Sources	<u>83,000</u>	<u>7,155</u>	<u>(75,845)</u>
Appropriated Fund Balance	<u>29,347</u>	<u>-</u>	<u>(29,347)</u>
Revenues and Other Uses Over Expenditures	<u>\$ -</u>	<u>\$ 62,673</u>	<u>\$ 62,673</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and Other Uses Over Expenditures		\$ 62,673	
Payment of Note Principal		6,064	
Transfers to General Fund From Water and Sewer Capital Reserve Fund		(4,585)	
Interest Income From Water and Sewer Capital Reserve Fund		478	
Increase in Accrued Compensated Absences		(3,879)	
Increase in Deferred Outflows of Resources- Pension		24,719	
Increase in Net Pension Liability		(33,362)	
Decrease in Deferred Inflows of Resources- Pension		398	
Capital Outlay		44,410	
Depreciation		(256,265)	
Total Reconciling Items		<u>(222,022)</u>	
Change in Net Position		<u>\$ (159,349)</u>	

TOWN OF LIBERTY, NORTH CAROLINA
WATER AND SEWER CAPITAL RESERVE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment Earnings	\$ -	\$ 478	\$ 478
Total Revenues	<u>-</u>	<u>478</u>	<u>478</u>
Expenditures:			
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over Expenditures	<u>-</u>	<u>478</u>	<u>478</u>
Other Financing Sources (Uses):			
Transfers From Other Funds:			
Water and Sewer Fund	33,152	-	(33,152)
Transfers to Other Funds:			
General Fund	-	(4,585)	(4,585)
Water and Sewer Fund	<u>(111,152)</u>	<u>-</u>	<u>111,152</u>
Total Other Financing Sources (Uses)	<u>(78,000)</u>	<u>(4,585)</u>	<u>73,415</u>
Appropriated Fund Balance	<u>78,000</u>	<u>-</u>	<u>(78,000)</u>
Revenues and Other Sources Under Expenditures	<u>\$ -</u>	<u>(4,107)</u>	<u>\$ (4,107)</u>
Fund Balance, Beginning		<u>220,719</u>	
Fund Balance, Ending		<u>\$ 216,612</u>	

TOWN OF LIBERTY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 1,197,416	\$ 1,181,365	\$ 16,051
2017-2018	15,322	-	8,606	6,716
2016-2017	6,878	-	4,839	2,039
2015-2016	1,577	-	159	1,418
2014-2015	1,159	-	101	1,058
2013-2014	1,165	-	35	1,130
2012-2013	936	-	145	791
2011-2012	939	-	179	760
2010-2011	773	-	166	607
2009-2010	470	-	21	449
2008-2009	377	-	377	-
	<u>\$ 29,596</u>	<u>\$ 1,197,416</u>	<u>\$ 1,195,993</u>	31,019
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable				<u>(3,000)</u>
Ad Valorem Taxes Receivable (Net)				<u>\$ 28,019</u>
Reconciliation With Revenues:				
Ad Valorem Taxes Collected-General Fund		\$ 1,222,040		
Interest/Penalties Collected		(7,635)		
Discounts Allowed		15,887		
Taxes Written Off		377		
Releases and Adjustments		<u>(34,676)</u>		
Total Collections and Credits		\$ <u>1,195,993</u>		

TOWN OF LIBERTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY****TOWN-WIDE LEVY**

For the Fiscal Year Ended June 30, 2019

	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	\$ 180,786,447	\$ 0.64	\$ 1,157,033	\$ 1,020,204	\$ 136,829
Motor Vehicles Taxed at Prior Year's Rate	-	0.64	-	-	-
Total Original Levy	<u>180,786,447</u>		<u>1,157,033</u>	<u>1,020,204</u>	<u>136,829</u>
Discoveries:					
Current Year Taxes	8,737,781	0.64	55,922	55,922	-
Prior Year Taxes	-		-	-	-
Total Discoveries	<u>8,737,781</u>		<u>55,922</u>	<u>55,922</u>	<u>-</u>
Abatements	<u>(2,427,991)</u>		<u>(15,539)</u>	<u>(15,539)</u>	<u>-</u>
Total Property Valuation	<u>\$ 187,096,237</u>				
Net Levy			1,197,416	1,060,587	136,829
Uncollected Taxes at June 30, 2019			<u>(16,051)</u>	<u>(15,819)</u>	<u>(232)</u>
Current Year's Taxes Collected			\$ <u>1,181,365</u>	\$ <u>1,044,768</u>	\$ <u>136,597</u>
Current Levy Collection Percentage			<u>98.66%</u>	<u>98.51%</u>	<u>99.83%</u>



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**Report on Compliance and Other Matters and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

INDEPENDENT AUDITOR'S REPORT

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

I have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Liberty, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Liberty's basic financial statements, and have issued my report thereon dated January 17, 2020. My report includes a reference to another auditor who audited the financial statements of the Town of Liberty ABC Board, as described in my report on the Town of Liberty's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by that auditor. The financial statements of the Town of Liberty ABC Board were not audited in accordance with *Government Auditing Standards*.

Compliance and Other Matters.

As part of obtaining reasonable assurance about whether the Town of Liberty's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting.

In planning and performing my audit of the financial statements, I considered the Town of Liberty's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Liberty's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the

Town of Liberty's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Liberty'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.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency as item 2019-1.

Town of Liberty's Response to Finding.

The Town of Liberty's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report.

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Liberty'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 Town of Liberty's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 17, 2020



William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

TOWN OF LIBERTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	<u> X </u>	no
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Significant deficiency(s) identified that are not considered to be material weaknesses	<u> X </u>	yes	_____	none reported
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Noncompliance material to financial statements noted	_____	yes	<u> X </u>	no
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TOWN OF LIBERTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES (Concluded)

For the Year Ended June 30, 2019

Section II. Findings Related to the Audit
of the Basic Financial Statements

Significant Deficiency:

Finding 2019-1: Deficit Fund Balance

Criteria : Sufficient resources should be available before obligations are incurred.

Condition : The Police Department Building Capital Project Fund had a deficit fund balance at June 30, 2019.

Effect : Obligations incurred for eligible expenditures without sufficient resources available.

Cause : Obligations incurred prior to sufficient resources being available from loan proceeds or interfund transfers.

Recommendation : Transfers of resources on a short-term basis should be made as a transfer to/transfer from so sufficient resources are available for obligations.

Management Response : The Town of Liberty agrees with this finding.



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TOWN OF LIBERTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2019

Finding 2019-1: Deficit Fund Balance

A Name of Contact Person: Will Doerfer, Town Manager

B. Corrective Action:

Capital project funds will be assessed to determine the best source of transfer of funds; either as due to/ due from or transfer to/transfer from prior to obligation of resources.

C. Proposed Completion Date: Immediately.

