

TOWN OF LOUISBURG

NORTH CAROLINA

ANNUAL FINANCIAL REPORT

Town Council Members

Karl T. Pernell – Mayor
Betty Wright – Mayor Pro-Tem
Thomas J. Clancy
Christopher Neal
Emma B. Stewart
Conrad B. Sturges III
William Williamson

Administrative and Financial Staff

Jonathan Franklin, Town Administrator
Sean Medlin, Finance Director

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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FINANCIAL SECTION

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

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SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

Independent Auditor's Report

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

Report on the Financial Statements

We have audited 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 for the Town of Louisburg, 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 Louisburg's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Louisburg ABC Board were not audited in accordance with *Governmental 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 from fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Louisburg, North Carolina as of June 30, 2019, and the respective changes in financial position and, where appropriate, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9-16, the Other Postemployment Benefits' Schedules of Funding Changes in the Total OPEB Liability and Related Ratios on page 66, the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 62 and 63, respectively, and the Law Enforcement officers' Special Separation Allowance schedules of the changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 64 and 65 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 the basic financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Louisburg's basic financial statements. 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 basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 on our consideration of Town of Louisburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Louisburg's internal control over financial reporting and compliance.

May & Place, PA

Louisburg, NC

January 31, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

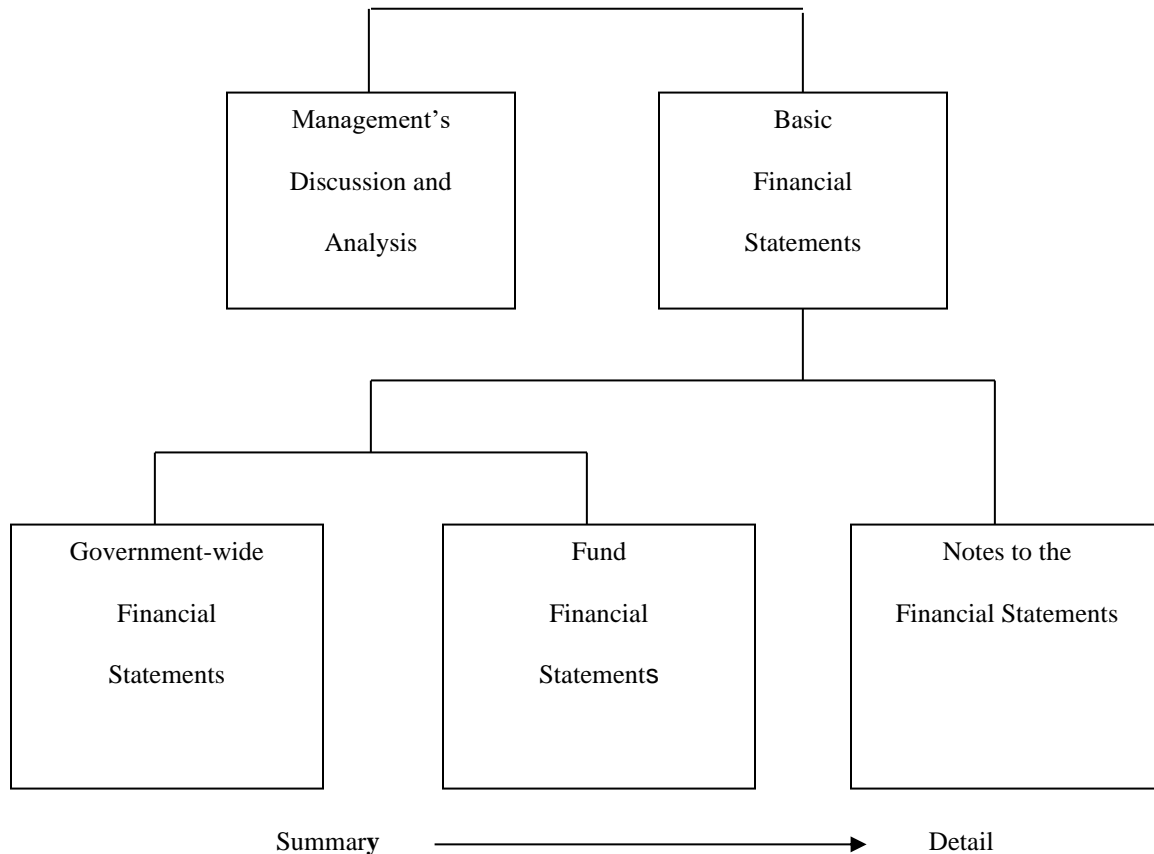
- The assets and deferred outflows of resources of the Town of Louisburg exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,834,589 (*net position*).
- The government's total net position increased by \$149,524, primarily due to increases in governmental activities net position. In fact, the business-type activities net position decreased by \$85,571.
- As of the close of the current fiscal year, the Town of Louisburg's governmental funds reported combined ending fund balances of \$2,453,290 with a net decrease of \$104,098 in fund balance. Approximately 53 percent of this total amount, or \$1,295,492, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$836,557, or 20.88 percent of total general fund expenditures for the fiscal year.
- A portion of the Town's General Fund has been committed for future LEO Special Separation Allowance payments. The June 30, 2019 assigned amount for this purpose was \$321,241.
- The Town of Louisburg's total debt increased by \$178,663 or 4.2% during the current fiscal year even though the town paid \$366,082 in principal debt service payments. New debt consisted of \$275,000 for sanitation vehicles and \$269,745 for sewer improvements.
- The Town of Louisburg maintains a Baa/BBB bond rating or a North Carolina Municipal Council rating of 76.

Overview of the Financial Statements

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

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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into 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, planning, sanitation and streets, 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, sewer, and electric services offered by the Town of Louisburg. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. This importance is acknowledged by the Town exercising control over appointments to the Board by requiring the Board 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 Louisburg, 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 the funds of the Town of Louisburg can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 Louisburg 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 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 Louisburg has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Louisburg uses enterprise funds to account for its water and sewer activities and for its electric distribution operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Louisburg has one agency fund.

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 start on page 30 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 Louisburg’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 62 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 laws of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Louisburg’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2 575 029	\$ 2 643 650	\$ 5 309 766	\$ 5 434 507	\$ 7 884 795	\$ 8 078 157
Capital assets	6 207 929	5 642 769	18 466 500	18 285 807	24 674 429	23 928 576
Deferred outflows of resources	572 563	366 576	467 085	309 411	1 039 648	675 987
Total assets and deferred outflows of resources	9 355 521	8 652 995	24 243 351	24 029 725	33 598 872	32 682 720
Long-term liabilities outstanding	2 599 050	2 172 044	5 192 570	4 970 611	7 791 620	7 142 655
Other liabilities	81 762	49 846	729 789	646 278	811 551	696 124
Deferred inflows of resources	88 045	79 536	73 067	79 340	161 112	158 876
Total liabilities and deferred inflows of resources	2 768 857	2 301 426	5 995 426	5 696 229	8 764 283	7 997 655
Net position:						
Net investment in capital assets	5 531 343	5 132 042	14 714 491	14 596 603	20 245 834	19 728 645
Restricted	1 291 352	1 811 633	308 883	716 594	1 600 235	2 528 227
Unrestricted	(236 031)	(592 106)	3 224 551	3 020 299	2 988 520	2 428 193
Total net position	\$ 6 586 664	\$ 6 351 569	\$ 18 247 925	\$ 18 333 496	\$ 24 834 589	\$ 24 685 065

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 Louisburg exceeded liabilities and deferred inflows by \$24,834,589 as of June 30, 2019. The Town’s net position increased by \$149,524. This increase is a result of investments in parks, streets, water and sewer facilities, and downtown capital infrastructure. The largest portion (82% or \$20,245,834) of the Town’s net position is reflected by the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Louisburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Louisburg’s net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Louisburg’s net position, \$1,600,235 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,988,520 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.61%, which is comparable to the statewide average of 98.57% for municipalities of similar size. Franklin County collects taxes for the Town of Louisburg, so collection rates reflect their efforts.
- Continued low cost of debt due to the Town's high bond rating.

Town of Louisburg Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 464 256	\$ 453 896	\$ 9 729 895	\$ 9 624 942	\$ 10 194 151	\$ 10 078 838
Operating grants & contributions	522 741	478 485	-	-	522 741	478 485
Capital grants & contributions	348 652	1 095 286	92 650	126 216	441 302	1 221 502
General Revenues						
Property taxes	1 294 482	1 265 192	-	-	1 294 482	1 265 192
Other taxes	12	67	-	-	12	67
Grants & contributions not restricted to specific programs	961 817	912 502	-	-	961 817	912 502
Other	100 841	63 697	59 282	22 737	160 123	86 434
Total revenues	<u>3 692 801</u>	<u>4 269 125</u>	<u>9 881 827</u>	<u>9 773 895</u>	<u>13 574 628</u>	<u>14 043 020</u>
Expenses						
General government	389 850	344 550	-	-	389 850	344 550
Public Safety	2 105 143	1 903 009	-	-	2 105 143	1 903 009
Streets and sanitation	1 049 732	1 108 367	-	-	1 049 732	1 108 367
Culture and recreation	261 411	267 344	-	-	261 411	267 344
Interest on long-term debt	18 875	14 045	-	-	18 875	14 045
Water and sewer	-	-	2 908 682	2 781 286	2 908 682	2 781 286
Electric	-	-	6 691 411	6 429 230	6 691 411	6 429 230
Total expenses	<u>3 825 011</u>	<u>3 637 315</u>	<u>9 600 093</u>	<u>9 210 516</u>	<u>13 425 104</u>	<u>12 847 831</u>
Increase (decrease) in net position before transfers and extraordinary item	(132 210)	631 810	281 734	563 379	149 524	1 195 189
Transfers	367 305	368 724	(367 305)	(368 724)	-	-
Increase (decrease) in net position	235 095	1 000 534	(85 571)	194 655	149 524	1 195 189
Beginning net position)	6 351 569	5 351 035	18 333 496	18 138 841	24 685 065	23 489 876
Net position, June 30	<u>\$ 6 586 664</u>	<u>\$ 6 351 569</u>	<u>\$ 18 247 925</u>	<u>\$ 18 333 496</u>	<u>\$ 24 834 589</u>	<u>\$ 24 685 065</u>

Governmental activities: The net position of the governmental activities increased by \$235,095 thereby accounting for all the total growth in the net position of the Town of Louisburg. A portion of this increase was due to the transfer of \$367,305 from the Electric Fund to the General Fund, of which \$48,857 was for payments in lieu of taxes for physical plant of electric operations. General and tax revenues were less than the previous year totals by over \$576,000 mainly because of a decrease from grants for capital projects.

Business-type activities: The net position of the business-type activities for the Town of Louisburg decreased by \$85,571. All utility revenues were slightly higher (1.10%) with no increase in utility rates. The decrease in net position for business type activities was due mainly to increases in water and sewer operating expenses.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Louisburg. At the end of the current fiscal year, Town of Louisburg's total fund balance unassigned in the General Fund was \$836,557 while total fund balance was \$2,221,405. The Town currently has available fund balance of 21% of total general fund expenditures, while total fund balance represents 55% of the same amount.

At June 30, 2019, the governmental funds of Town of Louisburg reported a combined fund balance of \$2,453,290 with a net decrease in fund balance of \$104,098.

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 were more than the budgeted amounts because of higher than budgeted amounts in all revenue categories. The transfer of funds from the Electric Fund also was a major contributor to the increase in general fund balance.

Proprietary Funds. The Town of Louisburg'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 \$1,433,023 and those for the Electric Fund amounted to \$1,791,528. The total change in net position for both funds was a reduction of \$180,704 in the Water and Sewer Fund and an increase of \$95,133 in the Electric Fund.

Capital Asset and Debt Administration

Capital assets. The Town of Louisburg's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$24,674,429 (net of accumulated depreciation). These assets include buildings, streets and sidewalks, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Purchased new Microsoft server for \$5,607
- Purchased police vehicles for \$146,037
- Purchased thermal camera for fire department at cost of \$4,617
- Obtained Honda Tiller for streets department for \$1,390
- Received new F750 truck for new sanitation department at a cost of \$69,532
- Purchased new garbage truck in amount of \$184,502
- Acquired used garbage truck for \$25,000
- Purchased two trucks for sewer operations for \$64,779
- Electric lines improvement made in the amount of \$220,268
- Acquired transformers at a cost of \$22,792
- Purchased new F150 truck for electric operations (\$35,152) and Dodge Ram (\$26,695) for water operations
- Purchased water operations equipment for \$32,507
- Obtained Digital recording monitor for sewer system at a cost of \$12,535 and a Jack hammer for \$2,557
- Continued water and sewer infrastructure improvements spending \$79,386

**Town of Louisburg's Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1 885 320	\$ 1 885 320	\$ 570 459	\$ 570 459	\$ 2 455 779	\$ 2 455 779
Buildings and improvements	465 714	493 041	7 253 502	7 557 351	7 719 216	8 050 392
Revitalization	-	-	195 292	212 944	195 292	212 944
Machinery and equipment	728 623	539 053	1 569 232	937 992	2 297 855	1 477 045
Infrastructure	1 056 440	1 081 850	-	-	1 056 440	1 081 850
Construction in progress	2 071 832	1 643 505	577 259	704 640	2 649 091	2 348 145
Electric, water, sewer Lines, lift stations	-	-	8 300 756	8 302 420	8 300 756	8 302 420
Total	\$ 6 207 929	\$ 5 642 769	\$ 18 466 500	\$ 18 285 806	\$ 24 674 429	\$ 23 928 575

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

Long-term Debt. As of June 30, 2019, the Town of Louisburg had total debt outstanding of \$4,428,594. This total debt is debt backed by the full faith and credit of the Town.

Town of Louisburg's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment debt	\$ 676 586	\$ 510 727	\$ 1 508 008	\$ 1 411 204	\$ 2 184 594	\$ 1 921 931
Revenue bond	-	-	2 244 000	2 278 000	2 244 000	2 278 000
Total	\$ 676 586	\$ 510 727	\$ 3 752 008	\$ 3 689 204	\$ 4 428 594	\$ 4 199 931

Town of Louisburg's Outstanding Debt

The Town of Louisburg's total debt increased by \$228,663 or 5.5% during the past fiscal year. During the year, the Town incurred debt of \$275,000 for three sanitation vehicles and \$269,745 for sewer improvements, while making principal payments for all debt in the amount of \$366,136.

As mentioned in the financial highlights section of this document, the Town of Louisburg has a 76 rating from the North Carolina Municipal Council, which is considered "investment grade" and is comparable to a rating of Baa/BBB by the national rating agencies. This bond rating is a clear indication of the sound financial condition of Town of Louisburg. This bond rating is a primary factor in keeping interest costs low on the Town's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Louisburg is \$22,928,000 based upon total assessed value of \$286.6 million.

Additional information regarding the Town of Louisburg's long-term debt can be found in note III.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

For the Town of Louisburg separate economic indicators are not available, but the following county trends are presented.

- Louisburg has a population estimated of 3,485 as of July 2018.
- Major transportation networks include US Highway 401 and NC Highways 39, 56, 561, and 581; freight rail service provided by CSX Transportation; and Raleigh-Durham International Airport is 35 miles southwest of the Town along with a local county airport.

Louisburg is the county seat and largest town in Franklin County. It is located thirty miles northeast of Raleigh in a good agricultural section, which produces tobacco and soybeans as principle crops. It is a small business center and is home of Louisburg College, a Methodist Junior College (co-educational), with an enrollment of approximately 725 students. A large enzyme plant (800 employees) is located five miles west of the Town near Franklinton.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The Town's General Fund budget reflects a 10.8% decrease. In 2018-19 the Town anticipated having an agreement with the local hospital to provide them with contractual police protection. No further negotiations occurred so the Town did not include revenues for this service in the 2019-2020 budget. Ad Valorem taxes are projected to relatively flat with the property tax remaining at \$0.45 per \$100.00 assessed valuation. The residential sanitation rate remains at \$26.70 per household while the commercial rate remains at \$48.63 per month. The budget includes funding of one additional position in the police department. Other revenues in the General Fund were budgeted with little or no growth for the 2019 fiscal year. In addition, the 2019-2020 budget includes a transfer of \$377,370 from the Electric Fund to the General Fund. The loan proceeds for three new police vehicles. Budgeted expenditures in the General Fund will remain consistent with a 2.5% cost-of-living adjustment effective July 1, 2019 and funding for 2.5% merit increases. All other line item expenditures are expected to remain at the same levels as the prior year.

Business-type Activities: No increases in electric rates are included in the Electric Fund budget which will allow the Town to maintain similar spending rates. While projecting water and sewer sales to remain constant, the FY2020 budget reflects a change in the rate structure for water usage (residential and bulk users) with no changes in sewer rates. It is expected that the average customer will see an increase of \$3.25 per month with the new tiered rate structure. The Town also doubled the water tap fees from \$500 to \$1000 per tap to better reflect a cost recovery method for this service. The Town has received federal and state grants and loans to finance equipment upgrades at the influent pump stations and for the clarifiers.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Louisburg, 110 West Nash Street, Louisburg, NC 27549.

BASIC FINANCIAL STATEMENTS

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

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Louisburg ABC Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1 527 944	\$ 3 626 366	\$ 5 154 310	\$ 257 707
Taxes receivables (net)	36 498	-	36 498	-
Accrued interest receivable on taxes	3 479	-	3 479	-
Accounts receivable (net)	176 827	1 030 894	1 207 721	-
Due from other governments	514 340	206 435	720 775	-
Internal balances	50 000	(50 000)	-	-
Inventories	-	18 020	18 020	154 116
Prepaid items	-	-	-	10 024
Restricted cash and cash equivalents	265 941	478 051	743 992	-
Total current assets	2 575 029	5 309 766	7 884 795	421 847
Non-Current Assets:				
Capital Assets				
Land, non-depreciable				
improvements, and construction in progress	3 957 152	1 147 718	5 104 870	3 792
Other capital assets, net of depreciation	2 250 777	17 318 782	19 569 559	20 447
Total capital assets	6 207 929	18 466 500	24 674 429	24 239
Total assets	8 782 958	23 776 266	32 559 224	446 086
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	528 013	421 579	949 592	40 503
OPEB deferrals	44 550	45 506	90 056	-
Total deferred outflows of resource	572 563	467 085	1 039 648	40 503
LIABILITIES				
Current Liabilities				
Accounts payable	81 762	569 571	651 333	129 990
Customer deposits	-	169 218	169 218	-
Current portion of long-term liabilities	142 544	271 994	414 538	-
Total current liabilities	224 306	1 010 783	1 235 089	129 990
Long-term liabilities:				
Net pension liability (LGRS)	591 017	509 512	1 100 529	30 366
Total pension liability (LEOSSA)	499 718	-	499 718	-
Net OPEB liability	718 384	733 776	1 452 160	-
Due in more than one year	647 387	3 668 288	4 315 675	-
Total liabilities	2 680 812	5 922 359	8 603 171	160 356
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals (LGRS)	24 331	33 645	57 976	157
Pension deferrals (LEOSSA)	25 119	-	25 119	-
OPEB deferrals	38 595	39 422	78 017	-
Total deferred outflows of resource	88 045	73 067	161 112	157
NET POSITION				
Net investment in capital assets	5 531 343	14 714 491	20 245 834	28 031
Restricted for:				
Capital projects	-	-	-	110 000
Rate stabilization	-	308 883	308 883	-
Stabilization by State Statute	1 016 461	-	1 016 461	-
Other functions	274 891	-	274 891	52 416
Unrestricted	(236 031)	3 224 551	2 988 520	135 629
Total net position	\$ 6 586 664	\$ 18 247 925	\$ 24 834 589	\$ 326 076

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Louisburg ABC Board
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 389 850	\$ 8 120	\$ -	\$ 207 074	\$ (174 656)	\$ -	\$ (174 656)	\$ -
Public safety	2 105 143	1 682	430 850	-	(1 672 611)	-	(1 672 611)	-
Streets and sanitation	1 049 732	379 625	91 891	97 680	(480 536)	-	(480 536)	-
Cultural and recreation	261 411	74 829	-	43 898	(142 684)	-	(142 684)	-
Interest on long term debt	18 875	-	-	-	(18 875)	-	(18 875)	-
Total governmental activities	3 825 011	464 256	522 741	348 652	(2 489 362)	-	(2 489 362)	-
Business-type activities:								
Water and sewer	2 908 682	2 619 002	-	92 650	-	(197 030)	(197 030)	-
Electric	6 691 411	7 110 893	-	-	-	419 482	419 482	-
Total business-type activities	9 600 093	9 729 895	-	92 650	-	222 452	222 452	-
Total primary government	\$ 13 425 104	\$ 10 194 151	\$ 522 741	\$ 441 302	(2 489 362)	222 452	(2 266 910)	-
Component units:								
ABC Board	\$ 1 754 307	\$ 1 764 307	\$ -	\$ -	-	-	-	10 000
Total component units	\$ 1 754 307	\$ 1 764 307	\$ -	\$ -	-	-	-	10 000
General revenues								
Taxes:								
Property taxes, levied for general purpose					1 294 482	-	1 294 482	-
Other taxes					12	-	12	-
Grants and contributions not restricted to specific programs					961 817	-	961 817	-
Net unrestricted investment earnings					61 887	55 968	117 855	-
Miscellaneous					33 939	3 314	37 253	-
Insurance recovery					5 015	-	5 015	-
Total general revenues, not including transfers					2 357 152	59 282	2 416 434	-
Transfers					367 305	(367 305)	-	-
Total general revenues and transfers					2 724 457	(308 023)	2 416 434	-
Change in net position					235 095	(85 571)	149 524	10 000
Net position – beginning previously reported					6 351 569	18 333 496	24 685 065	316 076
Net position ending					\$ 6 586 664	\$ 18 247 925	\$ 24 834 589	\$ 326 076

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

Exhibit 3

**Town of Louisburg
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Joyner Park Capital Project		
ASSETS				
Cash and cash equivalents	\$ 1 527 944	\$ -	\$ -	\$ 1 527 944
Restricted cash	47 146	-	218 795	265 941
Receivables, net:				
Taxes	36 498	-	-	36 498
Accounts	176 827	-	-	176 827
Due from other governments	249 065	255 887	9 388	514 340
Due from other funds	590 569	192 015	105 920	888 504
Total Assets	2 628 049	447 902	334 103	3 410 054
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	72 211		9 551	81 762
Due to other funds	297 935	447 902	92 667	838 504
Total liabilities	370 146	447 902	102 218	920 266
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	36 498	-	-	36 498
Total deferred inflows of resources	36 498	-	-	36 498
FUND BALANCES				
Restricted				
Stabilization by State Statute	1 016 461	-	-	1 016 461
Streets	47 146	-	61 185	108 331
Economic development	-	-	170 700	170 700
Assigned				
LEO supplement	321 241	-	-	321 241
Unassigned	836 557	-	-	836 557
Total fund balances	2 221 405	-	231 885	2 453 290
Total liabilities, deferred inflows of resources and fund balances	\$ 2 628 049	\$ 447 902	\$ 334 103	\$ 3 410 054

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

**Town of Louisburg
Balance Sheet
Governmental Funds
June 30, 2019**

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

Total Fund Balance, Governmental Funds	\$ 2 453 290
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Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 12 568 958	
Accumulated depreciation	<u>(6 361 029)</u>	6 207 929

Deferred outflows of resources related to pensions are not reported in the funds	528 013
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Deferred outflows of resources related to OPEB are not reported in the funds	44 550
---------------------------------------------------------------------------------	--------

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds	3 479
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Earned revenues considered deferred inflows of resources in fund statements.	36 498
---------------------------------------------------------------------------------	--------

Long term liabilities used in governmental activities are not financial uses and
therefore, are not reported in the funds

Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	(676 586)
Net pension liability (LGERS)	(591 017)
Total pension liability (LEOSSA)	(499 718)
OPEB liability	(718 384)

Deferred inflows of resources related to pensions are not reported in the funds	(49 450)
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Deferred inflows of resources related to OPEB are not reported in the funds	(38 595)
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Other long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds	(113 345)
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Net position of governmental activities	\$ <u><u>6 586 664</u></u>
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The notes to the financial statements are an integral part of this statement.

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

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Joyner Park Capital Project		
REVENUES				
Ad valorem taxes	\$ 1 290 921	\$ -	\$ -	\$ 1 290 921
Other taxes and licenses	12	-	-	12
Unrestricted intergovernmental	961 817	-	-	961 817
Restricted intergovernmental	382 741	43 898	304 754	731 393
Permits and fees	1 970	-	-	1 970
Sales and services	462 286	-	-	462 286
Investment earnings	61 887	-	-	61 887
Miscellaneous	166 919	-	-	166 919
Total revenues	<u>3 328 553</u>	<u>43 898</u>	<u>304 754</u>	<u>3 677 205</u>
EXPENDITURES				
Current:				
General government	250 784	-	-	250 784
Public safety	2 005 286	-	-	2 005 286
Streets and sanitation	980 414	-	-	980 414
Culture and recreation	207 596	-	-	207 596
Debt service:				
Principal	109 142	-	-	109 142
Interest and other charges	18 875	-	-	18 875
Capital Outlay	435 220	235 913	192 415	863 548
Total expenditures	<u>4 007 317</u>	<u>235 913</u>	<u>192 415</u>	<u>4 435 645</u>
Excess (deficiency) of revenues over expenditures	<u>(678 764)</u>	<u>(192 015)</u>	<u>112 339</u>	<u>(758 440)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	552 385	192 015	920	745 320
Transfers to other funds	(192 933)	-	(185 080)	(378 013)
Sale of capital assets	7 020	-	-	7 020
Insurance recovery	5 015	-	-	5 015
Loan proceeds	275 000	-	-	275 000
Total other financing sources (uses)	<u>646 487</u>	<u>192 015</u>	<u>(184 160)</u>	<u>654 342</u>
Net change in fund balance	(32 277)	-	(71 821)	(104 098)
Fund balances, beginning	<u>2 253 682</u>	<u>-</u>	<u>303 706</u>	<u>2 557 388</u>
Fund balances, ending	<u>\$ 2 221 405</u>	<u>\$ -</u>	<u>\$ 231 885</u>	<u>\$ 2 453 290</u>

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

Town of Louisburg
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	\$	(104 098)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 863 548	
Depreciation expense for governmental assets	<u>(298 387)</u>	565 161

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	129 500
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Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities	1 894
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	37 229
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax sources	3 914
Decrease in accrued interest receivable	(355)

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.

New long-term debt	(275 000)
Principal payments on long-term debt	109 142

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.

Compensated absences	(18 119)
Pension expense LGRS	(141 944)
Pension expense-LEOSSA	(34 854)
OPEB plan expense	(37 375)

Total changes in net position of governmental activities	\$	<u><u>235 095</u></u>
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The notes to the financial statements are an integral part of this statement.

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

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1 285 106	\$ 1 294 106	\$ 1 290 921	\$ (3 185)
Other taxes and licenses	1 000	1 000	12	(988)
Unrestricted intergovernmental	918 856	962 731	961 817	(914)
Restricted intergovernmental	384 850	384 850	382 741	(2 109)
Permits and fees	1 500	1 500	1 970	470
Sales and services	670 000	699 475	462 286	(237 189)
Investment earnings	5 000	58 000	61 887	3 887
Miscellaneous	155 000	166 000	166 919	919
Total revenues	<u>3 421 312</u>	<u>3 567 662</u>	<u>3 328 553</u>	<u>(239 109)</u>
Expenditures				
Current:				
General government	268 198	268 098	252 395	15 703
Public safety	2 440 254	2 320 104	2 158 471	161 633
Streets and sanitation	922 732	1 294 732	1 260 838	33 894
Cultural and recreation	263 097	235 597	207 596	28 001
Debt service:				
Principal retirement	102 732	131 832	109 142	22 690
Interest and other charges	-	-	18 875	(18 875)
Total expenditures	<u>3 997 013</u>	<u>4 250 363</u>	<u>4 007 317</u>	<u>243 046</u>
Revenues over (under) expenditures	<u>(575 701)</u>	<u>(682 701)</u>	<u>(678 764)</u>	<u>3 937</u>
Other financing sources (uses):				
Transfers from other funds	367 305	367 305	552 385	185 080
Transfers to other funds	-	-	(192 933)	(192 933)
Sale of capital assets	-	7 000	7 020	20
Insurance recovery	-	5 000	5 015	15
Loan proceeds	180 000	275 000	275 000	-
Total other financing sources (uses)	<u>547 305</u>	<u>654 305</u>	<u>646 487</u>	<u>(7 818)</u>
Fund balance appropriated	28 396	28 396	-	(28 396)
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ (32 277)	\$ <u>(32 277)</u>
Fund balances, beginning			2 253 682	
Fund balances, ending			<u>\$ 2 221 405</u>	

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

**Town of Louisburg
Statement of Net Position
Proprietary Funds
June 30, 2019**

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1 926 345	\$ 1 700 021	\$ 3 626 366
Restricted cash and cash equivalents	433 457	44 594	478 051
Accounts receivable (net)	744 070	286 824	1 030 894
Due from other governments	-	206 435	206 435
Inventories	-	18 020	18 020
Total current assets	<u>3 103 872</u>	<u>2 255 894</u>	<u>5 359 766</u>
Noncurrent assets:			
Capital assets			
Land and construction in progress	705 285	442 433	1 147 718
Other capital assets, net of depreciation	2 941 863	14 376 919	17 318 782
Capital assets (net)	<u>3 647 148</u>	<u>14 819 352</u>	<u>18 466 500</u>
Total noncurrent assets	<u>3 647 148</u>	<u>14 819 352</u>	<u>18 466 500</u>
Total assets	<u>6 751 020</u>	<u>17 075 246</u>	<u>23 826 266</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	183 742	237 837	421 579
OPEB deferrals	18 876	26 630	45 506
Total deferred outflows of resources	<u>202 618</u>	<u>264 467</u>	<u>467 085</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	427 336	142 235	569 571
Customer deposits	124 624	44 594	169 218
Due to other funds	-	50 000	50 000
Lawsuit settlement - current	50 000	-	50 000
Revenue bond payable - current	-	35 000	35 000
Installment purchase - current	57 593	129 401	186 994
Total current liabilities	<u>659 553</u>	<u>401 230</u>	<u>1 060 783</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	61 420	76 853	138 273
Total OPEB liability	304 373	429 403	733 776
Net pension liability	207 187	302 325	509 512
Installment notes	230 378	1 090 637	1 321 015
Revenue bonds payable	-	2 209 000	2 209 000
Total noncurrent liabilities	<u>803 358</u>	<u>4 108 218</u>	<u>4 911 576</u>
Total liabilities	<u>1 462 911</u>	<u>4 509 448</u>	<u>5 972 359</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	14 787	18 858	33 645
OPEB deferrals	16 352	23 070	39 422
Total deferred inflows of resources	<u>31 139</u>	<u>41 928</u>	<u>73 067</u>
NET POSITION			
Net investment in capital assets	3 359 177	11 355 314	14 714 491
Restricted for:			
Rate stabilization	308 883	-	308 883
Unrestricted	1 791 528	1 433 023	3 224 551
Total net position	<u>\$ 5 459 588</u>	<u>\$ 12 788 337</u>	<u>\$ 18 247 925</u>

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

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

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 7 015 717	\$ 2 571 936	\$ 9 587 653
Water and sewer connections	-	15 500	15 500
Other operating revenues	95 176	31 566	126 742
Total operating revenues	7 110 893	2 619 002	9 729 895
OPERATING EXPENSES			
Governing body	32 505	12 741	45 246
Administration	365 855	146 753	512 608
Business office	150 355	153 942	304 297
Electric operations	1 583 511	-	1 583 511
Electric power purchases	4 318 155	-	4 318 155
Water treatment and distribution	-	876 831	876 831
Waste collection and treatment	-	1 071 130	1 071 130
Depreciation	227 637	541 181	768 818
Total operating expenses	6 678 018	2 802 578	9 480 596
Operating income (loss)	432 875	(183 576)	249 299
NONOPERATING REVENUES (EXPENSES)			
Net investment earnings	39 642	16 326	55 968
Interest and other charges	(13 393)	(106 104)	(119 497)
Sale of fixed assets	2 880	-	2 880
Sale of scrap materials	434	-	434
Total nonoperating revenue (expenses)	29 563	(89 778)	(60 215)
Income (loss) before contributions and transfers	462 438	(273 354)	189 084
Capital contributions	-	92 650	92 650
Transfers to other funds	(367 305)	-	(367 305)
Changes in net position	95 133	(180 704)	(85 571)
Total net position, beginning	5 364 455	12 969 041	18 333 496
Total net position, ending	\$ 5 459 588	\$ 12 788 337	\$ 18 247 925

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

**Town of Louisburg
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019**

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6 905 173	\$ 2 583 040	\$ 9 488 213
Cash paid for goods and services	(5 342 692)	(838 011)	(6 180 703)
Cash paid to or on behalf of employees for services	(1 089 661)	(1 324 832)	(2 414 493)
Net customer deposits	(210)	2 570	2 360
Other operating revenues	95 176	31 566	126 742
Net cash provided (used) by operating activities	567 786	454 333	1 022 119
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(367 305)	-	(367 305)
Total cash flows from noncapital financing activities	(367 305)	-	(367 305)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Loan proceeds	-	269 745	269 745
Acquisition and construction of capital assets	(431 312)	(548 022)	(979 334)
Principal paid on bond maturities and equipment contracts	(107 593)	(149 347)	(256 940)
Interest paid on bond maturities and equipment contracts	(13 393)	(106 105)	(119 498)
Sale of fixed assets	2 880	-	2 880
Capital contributions - grants	-	92 651	92 651
Net cash provided (used) by capital and related financing activities	(549 418)	(441 078)	(990 496)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	39 642	16 326	55 968
Net increase (decrease) in cash and cash equivalents	(309 295)	29 581	(279 714)
Balances – beginning of the year	2 669 097	1 715 034	4 384 131
Balances – end of the year	\$ 2 359 802	\$ 1 744 615	\$ 4 104 417
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 432 875	\$ (183 576)	\$ 249 299
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	227 637	541 181	768 818
Changes in assets, deferred outflows and inflows, and liabilities:			
(Increase) decrease in accounts receivable	(110 544)	(4 396)	(114 940)
(Increase) decrease in inventory	-	(9 776)	(9 776)
(Increase) decrease in deferred outflows of resources-pensions	(78 952)	(85 933)	(164 885)
(Increase) decrease in deferred outflows of resources-OPEB	2 991	4 220	7 211
Increase (decrease) in net pension liability	91 509	109 649	201 158
Increase (decrease) in deferred inflows of resources-pensions	(8 251)	(9 887)	(18 138)
Increase (decrease) in deferred inflows of resources-OPEB	4 921	6 944	11 865
Increase (decrease) in accounts payable and accrued liabilities	1 816	88 335	90 151
Increase (decrease) in customer deposits	(210)	2 570	2 360
Increase (decrease) in OPEB liability	(7 851)	(11 077)	(18 928)
Increase (decrease) in accrued vacation pay	11 845	6 079	17 924
Total adjustments	134 911	637 909	772 820
Net cash provided by operating activities	\$ 567 786	\$ 454 333	\$ 1 022 119

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

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Notes to the Financial Statements

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

I. Summary of Significant Accounting Policies

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

Town of Louisburg 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 Louisburg ABC Board, Bickett Blvd, Louisburg, NC 27549.

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. 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, including fiduciary fund. Separate statements for each fund category – *governmental, proprietary and fiduciary* – 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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating 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 various other taxes and licenses. The primary expenditures are for

administration, public safety, street maintenance, and sanitation services.

Joyner Park Capital Project – The Joyner Park Capital Project fund is a capital improvement fund established to account for capital improvements at Joyner Park.

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town’s electric fund operations.

Water and Sewer Fund. This fund is used to account for the Town’s water and sewer operations.

The Town reports the following fund types:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Franklin County Board of Education.

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, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary 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 principle ongoing operations. The principle 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 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 tax receivables 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, Franklin County is responsible for billing and collecting the property taxes on

registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed during this period 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Louisburg because the tax is levied by Franklin County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, the Enterprise Fund Capital Project Funds, and the Electric Rate Stabilization Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. 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 the 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 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 and the ABC Board'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 with 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 investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities, which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

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.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes outlined in G.S. 134-41.1 through 136-41.4. The rate stabilization fund is classified as restrictive because it can only be expended on electrical purposes. The capital project funds are classified as restrictive because they may only be used for the specific capital projects.

Town of Louisburg Restricted Cash

Governmental Activities		
General Fund	Streets	\$ 47 146
Non-major Governmental Funds	Economic development	218 795
Total governmental activities		<u>265 941</u>
Business-type Activities		
Electric Fund	Rate Stabilization	308 833
	Customer deposits	124 624
Water and Sewer Fund	Customer deposits	44 594
Total business-type activities		<u>478 051</u>
Total Restricted Cash		<u>\$ 743 992</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. 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 expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$200; buildings, improvements, substations, lines, and other plant and distribution systems, \$25,000; infrastructure, \$25,000; furniture and equipment, \$1,000; and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General fund infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were

acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Substations, line equipment	40
Buildings	30
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer software	5
Computer equipment	3

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20
Furniture and equipment	10
Vehicles	3-5
Computers	3

8. Deferred outflows/inflows of resources

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

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in N.C.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 with 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. In addition, a portion of fund balance that is restricted by revenue source for sidewalk capital projects.

Restricted for Economic Development – portion of fund balance that is restricted by revenue source for economic development projects.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Louisburg's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Assigned for LEOSSA – portion of fund balance that has been budgeted by the Board for future LEO Special Separation Allowance payments.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriation by resources or appropriation within funds up to \$100,000.

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

The Town did not comply with the requirements of N.C.G.S. 159B-39, "permitted uses of revenue from electric power rates." The statute provides how electric revenues can be used by members of the North Carolina Eastern Municipal Power Agency of which the Town of Louisburg is a member. The statute requires the Town to use electric revenue to:

...(i) pay the direct and indirect costs of operating the electric system and (ii) transfer to the funds of the municipality a sum that reflects a rate of return on investment in the electric system to the extent allowed...

The statute allows the Town to transfer the greater of "(1) three percent (3%) of the gross capital assets of the electric system at the end of the preceding fiscal year" or "(2) five percent (5%) of the gross annual revenues of the electric system for the preceding fiscal year."

For the Town of Louisburg, the greater was five percent (5%) (\$351,411) of gross annual revenues (\$7,028,225) for the year ending June 30, 2018. For expenditures that were not direct and indirect costs of operating the electric system as defined by the statute, the Town transferred \$318,448 from the Electric Fund to the General Fund and \$82,116 to the North Church Street capital project revitalization fund. The total of these transfers exceeded the allowed amount by \$49,153.

In addition, the Town charged the following expense to the Electric fund contrary to the provisions of the General Statutes:

<u>Account Number</u>	<u>Account Description</u>	<u>Amount</u>
30-810-4400	Council projects	\$ 9 301
30-810-7600	Christmas parade/decoration	7 239
30-810-8500	Tar River Center for History/Culture	7 500
30-820-7500	Economic development	14 467
30-832-7710	Downtown economic development incentive	6 598
30-890-6300	Façade grant	9 750
30-890-6400	Historic preservation	5 134
	Total	<u>\$ 59 989</u>

We recommend the Town of Louisburg comply with N.C.G.S. 159B-39. Based on the above expenditures being revitalization/economic development/recreation & cultural type activities, we further recommend the Town reimburse the electric fund from revitalization/economic development/recreation & cultural type funds and charge future expenditures of this type to the appropriate accounts. The Town should reimburse the electric fund a total of \$109,142.

Correction Plan: See Schedule of Findings and Responses on page 108 of this report.

B. Deficit in Fund Balance or Net Position of Individual Fund
None.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the transfers made from the Town's General Fund exceed the authorized appropriations made by the governing board for general government activities by \$192,933. The over-expenditure occurred because while transfers-in to other funds were budgeted, transfers-out from the general fund were not adequately budgeted. The same situation occurred in the Electric Fund, when \$149,877 transfers-out to other funds were not adequately budgeted. In addition, capital outlays in the Sewer Fund exceeded authorized appropriations by \$7,229.

Correction Plan: See Schedule of Findings and Responses on page 108 of this report.

III. 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 held by the Town's and the 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 or 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 \$917,030 and a bank balance of \$1,071,992. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered held under the pooling method. The carrying amount of deposits for the ABC Board was \$257,707 and the bank balance was \$233,544. All of the bank balance was covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$400.

2. Investments

At June 30, 2019 the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/19</u>	<u>Maturity</u>	<u>Rating</u>
US Government Treasuries	Fair Value Level 1	\$ 1 749 041	Up to 3 years	AAA
US Government Agencies	Fair Value Level 1	798 110	Up to 3 years	AAA
NC Capital Management Trust Cash Portfolio	Amortized Cost	2 435 125	N/A	AAAm
Total		\$ <u>4 982 276</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 valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

Credit risk. The Town has no formal investment policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of N.C.G.S 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Town'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.

Concentration of Credit Risk. The Town places no limit on the amount that the Town may invest in any one issuer. Of the Town's total investments, US Government Treasuries are 34.57%, US Government Agencies are 19.71%, and NC Capital Management Trust are 45.72%.

3. Receivables – Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amounts of \$3,479.

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

	<u>6/30/19</u>
General Fund:	
Taxes receivable	\$ 8 342
Accounts receivable	9 348
Total	<u>17 690</u>
Enterprise Funds	66 838
Total	\$ <u><u>84 528</u></u>

4. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1 885 320	\$ -	\$ -	\$ 1 885 320
Construction in progress	1 643 505	428 327	-	2 071 832
Total capital assets not being depreciated	<u>3 528 825</u>	<u>428 327</u>	<u>-</u>	<u>3 957 152</u>
Capital assets being depreciated:				
Buildings and improvements	1 325 652	-	-	1 325 652
Equipment	4 623 700	435 220	61 443	4 997 477
Revitalization	353 519	-	-	353 519
Infrastructure	1 935 158	-	-	1 935 158
Total capital assets being depreciated	<u>8 238 029</u>	<u>435 220</u>	<u>61 443</u>	<u>8 611 806</u>
Less accumulated depreciation for:				
Buildings and improvements	832 611	27 327	-	859 938
Equipment	4 084 646	245 651	61 443	4 268 854
Revitalization	353 519	-	-	353 519
Infrastructure	853 309	25 409	-	878 718
Total accumulated depreciation	<u>6 124 085</u>	<u>\$ 298 387</u>	<u>\$ 61 443</u>	<u>6 361 029</u>
Total capital assets being depreciated, net	<u>2 113 944</u>			<u>2 250 777</u>
Governmental activity capital assets, net	<u>\$ 5 642 769</u>			<u>\$ 6 207 929</u>

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

General government	\$ 4 983
Public safety	142 915
Streets and sanitation	91 349
Culture and recreation	59 140
Total depreciation expense	<u>\$ 298 387</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Electric fund				
Capital assets not being depreciated:				
Land	\$ 554 974	\$ -	\$ -	\$ 554 974
Construction in progress	-	150 311	-	150 311
Total capital assets not being depreciated:	554 974	150 311	-	705 285
Capital assets being depreciated:				
Electric lines and transformers	5 220 797	243 060	-	5 463 857
Buildings	2 669 804	-	-	2 669 804
Equipment	2 291 461	38 375	20 920	2 308 916
Load management switches	114 253	-	-	114 253
Total capital assets being depreciated	10 296 315	281 435	20 920	10 556 830
Less accumulated depreciation for:				
Electric lines and transformers	4 617 210	113 167	-	4 730 377
Buildings	753 545	69 390	-	822 935
Equipment	1 941 830	43 034	20 920	1 963 944
Load management switches	95 665	2 046	-	97 711
Total accumulated depreciation	7 408 250	\$ 227 637	\$ 20 920	7 614 967
Total capital assets being depreciated, net	2 888 065			2 941 863
Electric fund capital assets, net	<u>\$ 3 443 039</u>			<u>\$ 3 647 148</u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 15 485	\$ -	\$ -	\$ 15 485
Construction in progress	704 640	362 396	640 088	426 948
Total capital assets not being depreciated	720 125	362 396	640 088	442 433
Capital assets being depreciated:				
Building	834 343	-	-	834 343
Water lines	2 149 520	36 949	-	2 186 469
Filtration plant	1 832 024	-	-	1 832 024
Water equipment	1 305 821	700 979	230	2 006 570
Building public works	12 788	-	-	12 788
Revitalization	441 306	-	-	441 306
Sewer lines	9 606 956	42 437	-	9 649 393
Disposal plant	2 739 936	-	-	2 739 936
Weir dam	742 203	-	-	742 203
Sewer equipment	998 192	15 092	230	1 013 054
Lift stations	181 598	-	-	181 598
Water treatment plant	6 667 063	-	-	6 667 063
Total capital assets being depreciated	27 511 750	795 457	460	28 306 747
Less accumulated depreciation for:				
Building	146 010	20 858	-	166 868
Water lines	1 950 452	85 601	-	2 036 053
Filtration plant	1 612 737	45 332	-	1 658 069
Water equipment	866 120	38 183	230	904 073
Building public works	12 752	36	-	12 788
Revitalization	228 362	17 652	-	246 014
Sewer lines	2 170 076	121 362	-	2 291 438
Disposal plant	918 266	1 422	-	919 688
Weir dam	742 203	-	-	742 203
Sewer equipment	868 119	39 944	230	907 833
Lift stations	118 713	3 980	-	122 693
Water treatment plant	3 755 297	166 811	-	3 922 108
Total accumulated depreciation	13 389 107	\$ 541 181	\$ 460	13 929 828
Total capital assets being depreciated, net	14 122 643			14 376 919
Water and Sewer fund capital assets, net	<u>14 842 768</u>			<u>14 819 352</u>
Business-type activities capital assets, net	<u>\$ 18 285 807</u>			<u>\$ 18 466 500</u>

Construction commitments

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

Project	Spent to date	Remaining Commitment
Sidewalk construction	\$ 821 916	\$ 475 242
Recreational facilities	442 015	57 985
Downtown revitalization	812 110	882 925
Electric system improvements	67 671	191 653
Water & Sewer improvements	426 948	823 052
Total	<u>\$ 2 570 660</u>	<u>\$ 2 430 857</u>

Discretely Presented component unit

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 3 792	\$ -	\$ -	\$ 3 792
Total capital assets not being depreciated	<u>3 792</u>	<u>-</u>	<u>-</u>	<u>3 792</u>
Capital assets being depreciated:				
Building improvements	62 161	-	-	62 161
Paving	24 924	-	-	24 924
Store Equipment	70 911	-	-	70 911
Furniture and fixtures	19 330	-	-	19 330
Total capital assets being depreciated	<u>177 326</u>	<u>-</u>	<u>-</u>	<u>177 326</u>
Less accumulated depreciation for:				
Building improvements	55 938	73	-	56 011
Paving	21 987	840	-	22 827
Equipment	53 628	5 607	-	59 235
Furniture and fixtures	18 476	330	-	18 806
Total accumulated depreciation	<u>150 029</u>	<u>\$ 6 850</u>	<u>\$ -</u>	<u>156 879</u>
Total capital assets begin depreciated, net	<u>27 297</u>			<u>20 447</u>
ABC Board capital assets, net	<u>\$ 31 089</u>			<u>\$ 24 239</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employee's Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service.

Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Louisburg 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 Louisburg's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Louisburg were \$258,436 for the year ended June 30, 2019.

Refunds of Contributions – Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$1,100,529 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 asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.04639%, which was an increase of 0.00074% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$289,015. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169 786	\$ 5 697
Changes of assumptions	292 038	-
Net difference between projected and actual earnings on pension plan investments	151 070	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6 931	52 279
Town contributions subsequent to the measurement date	258 436	-
Total	\$ 878 261	\$ 57 976

The \$258,436 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2019	\$ 278 606
2020	176 752
2021	18 206
2022	88 282
2023	-
Thereafter	-

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	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	100.0%	

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2 643 567	\$ 1 100 529	\$ (188 857)

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.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Louisburg 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 0.85 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, 2018 the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>14</u>
Total	<u>16</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 are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions:

The entry age actuarial cost method was used in the December 31, 2018 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	2.5 percent
Salary increases	3.5 to 7.35 percent, including inflation and productivity
	Factor
Discount rate	3.64 percent

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates are based on the MP-2015 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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$16,250 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$499,718. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$46,991.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49 399	\$ 1 857
Changes of assumptions	20 038	23 262
Town contributions subsequent to the measurement date	1 895	-
Total	\$ 71 332	\$ 25 119

The \$1,895 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2020	\$ 5 925
2021	5 925
2022	5 925
2023	4 761
2024	2 583
Thereafter	-

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

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 544 536	\$ 499 718	\$ 458 681

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

	2019
Beginning balance	\$ 440 126
Service cost	23 310
Interest on the total pension liability	13 651
Difference between expected and actual experience	59 909
Changes of assumptions or other inputs	(21 028)
Benefit payments	(16 250)
Ending balance of the total pension liability	<u>\$ 499 718</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disable 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.

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	\$ 289 015	\$ 46 991	\$ 336 006
Pension Liability	1 100 529	499 718	1 600 247
Proportionate share of the net pension liability	.04639%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	169 786	49 399	219 185
Changes of assumptions	292 038	20 038	312 076
Net difference between projected and actual earnings on plan investments	151 070	-	151 070
Changes in proportion and differences between contributions and proportionate share of contributions	6 931	-	6 931
Benefit payments and administrative costs paid subsequent to the measurement date	258 436	1 895	260 331
Deferred Inflows of Resources			
Differences between expected and actual experience	5 697	1 857	7 554
Changes of assumptions	-	23 262	23 262
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	52 279	-	52 279

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. 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 for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

Contributions for the year ended June 30, 2019 were \$56,744, which consisted of \$41,059 from the Town and \$15,685 from the law enforcement officers. No amounts were forfeited.

d. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees of the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina Assembly.

Funding Policy. The Town has elected to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the general employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$177,678, which consisted of \$118,704 from the Town and \$58,974 from the general employees.

e. Other Post-Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town provides post-employment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

The town provides the following post-retirement health care benefits:

- For retirees with twenty-five (25) years of service at age 55, the Town pays the full cost of coverage for these benefits.
- For retirees with twenty to twenty-four (20-24) years of service at age 55, the Town pays seventy-five percent of coverage for these benefits
- For retirees with fifteen to nineteen (15-19) years of service at age 55, the Town pays (50) percent of the cost of coverage for these benefits.
- For retirees with less than fifteen (15) years of service at age 55, the retiree has the option to purchase insurance at the Town's group rate.

Membership of the Health Benefits Plan consisted of the following at June 30, 2018 valuation date:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	6	1
Terminated plan members entitled to but not receiving benefits	-	-
Active plan members	44	13
Total	50	14

Total OPEB Liability

The Town's total OPEB liability of \$1,452,160 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trends Pre-Medicare	7.5% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 1 489 618
Changes for the year	
Service cost	55 964
Interest	51 145
Changes of benefit terms	-
Differences between expected and actual experience	(1 109)
Changes in assumptions or other inputs	(36 602)
Benefit payments	(106 856)
Net changes	(37 458)
Balance at June 30, 2019	\$ 1 452 160

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.89%) or 1 percentage point higher (4.89%) than the current discount rate.

	<u>1% Decrease (2.89%)</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase (4.89%)</u>
Total OPEB liability	\$ 1 566 549	\$ 1 452 160	\$ 1 347 842

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1 313 744	\$ 1 452 160	\$ 1 612 420

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$100,188. At June 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14 800	\$ 953
Changes in assumptions and other inputs	-	77 064
Benefit payments and administrative costs made subsequent to the measurement date	75 256	-
Total	<u>\$ 90 056</u>	<u>\$ 78 017</u>

The \$85,256 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Year ended June 30:	
2019	\$ (11 334)
2020	(11 334)
2021	(11 334)
2022	(11 334)
2023	(11 334)
Thereafter	(6 547) -

2. 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000.

Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 258 436
Benefit payments and administrative expenses made for LEOSAA made subsequent to measurement date	1 895
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	75 256
Differences between expected and actual experience	233 985
Changes of assumptions	312 076
Net difference between projected and actual	151 070
Changes in proportion and differences between employer contributions and proportionate share of contributions	6 931
Total	<u>\$ 1 039 649</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivables, less penalties (General Fund)	\$ -	\$ 36 498
Changes in assumptions	100 326	-
Differences between expected and actual experience	8 507	-
Changes in proportion and differences between employer Contributions and proportionate share of contributions	52 279	-
Total	<u>\$ 161 112</u>	<u>\$ 36 498</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town contracts with a commercial insurance carrier for worker's compensation coverage up to \$1 million.

The Town carries flood insurance through its commercial carrier for property outside of special flood hazard areas. Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town is eligible and has purchased blanket property cover of \$17 million for its structures.

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.

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

5. Claims, Judgments and Contingent Liabilities/Subsequent Events

On December 17, 2015 the Town of Louisburg executed the Ward Site Removal Action Release and Cash out Settlement Agreement and the Ward Operable Unit 2 Release and Cash out Settlement Agreement. The first agreement required the Town of Louisburg to pay the Ward Transformer Site Trust Fund \$46,914 within 30 days of December 17, 2015 and four subsequent payments of \$50,000 in December of 2016 through 2019. The second agreement required the Town of Louisburg to pay \$3,086 to the Ward Transfer Site Trust within thirty days of December 17, 2015. As a result, a \$50,000 current year liability is recorded on the June 30, 2019 Proprietary Funds Statements of Net Position. An expense of \$50,000 is recorded in the June 30, 2019 Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position.

6. Long-term Obligations

a. Installment Purchases

General Fund

In Fiscal Year 2010-11, the Town transferred 5% of a direct borrowing contract with PNC Bank, N.A. for the acquisition and renovation of the public works building in the amount of \$80,631. The financing contract requires 15 annual payments of principal and interest at a rate of 3.89%.

Annual debt service payments of the financing contract as of June 30, 2019, including \$3,360 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 5 759	\$ 1 120
2021	5 759	896
2022	5 759	672
2023	5 760	448
2024	5 760	224
Total	\$ <u>28 797</u>	\$ <u>3 360</u>

In August 2011, the Town entered into a direct borrowing contract with Branch Banking & Trust Co. to purchase a Pierce Pumper Fire Truck. The financing contract requires ten annual payments of principal and interest at a rate of 2.96%.

Annual debt service payments of the financing contract as of June 30, 2019, including \$9,898 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 53 594	\$ 4 901
2021	55 180	3 315
2022	56 814	1 682
Total	\$ <u>165 588</u>	\$ <u>9 898</u>

In December 2015, the Town entered into a direct borrowing contract with the LGFCU Financial Partners, LLC in the amount of \$50,000 for the purchase of a Fire Apparatus Truck. The financing contract requires sixty (60) monthly payments of principal and interest at a rate of 2.25%.

Annual debt service payments for the financing contract as of June 30, 2019, including \$280 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 10 337	\$ 245
2021	5 253	35
Total	\$ 15 590	\$ 280

In September 2017, the Town entered into a direct placement contract with the United States Department of Agriculture in the amount of \$29,000 for parks and recreation renovations. The financing contract requires thirty (30) annual payments of principal and interest at a rate of 2.75%.

Annual debt service payments for the financing contract of June 30, 2019 including \$13,169 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 653	\$ 780
2021	669	764
2022	689	744
2023	708	725
2024	728	705
Thereafter	24 918	9 451
Total	\$ 28 365	\$ 13 169

In February 2018 the Town entered into a direct placement contract with the United States Department of Agriculture in the amount of \$124,000 for the purchase of three police vehicles. The financing contract requires eight annual payments of \$20,186 and interest at a rate of 3.375%.

Annual debt service payments of the financing contract as of June 30, 2019, including \$13,121 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 16 541	\$ 3 645
2021	17 091	3 095
2022	17 676	2 510
2023	18 273	1 913
2024	18 889	1 297
Thereafter	19 529	661
Total	\$ 107 999	\$ 13 121

In March 2017 the Town entered into a direct placement contract with the United States Department of Agriculture in the amount of \$83,000 for parking lot construction. The financing contract requires 20 annual payments of \$5,452 for principal and interest at a rate of 2.75%.

Annual debt service payments for the financing contract as of June 30, 2019 including \$21,553 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 3 340	\$ 2 112
2021	3 438	2 014
2022	3 533	1 919
2023	3 630	1 822
2024	3 725	1 727
Thereafter	58 908	11 959
Total	\$ 76 574	\$ 21 553

In February 2019 the Town entered into direct borrowing contract with First Citizens Bank & Trust Co. in the amount of \$275,000 for three sanitation vehicles. The financing contract requires 60 monthly payments of \$4,953.62 for principal and interest at a rate of 3.10%.

Annual debt service payments for the financing contract as of June 30, 2019 including \$18,775 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 52 318	\$ 7 125
2021	53 964	5 480
2022	55 661	3 783
2023	57 411	2 032
2024	34 319	355
Total	\$ 253 673	\$ 18 775

Electric Fund

In September 2008, the Town entered into a direct borrowing contract with PNC Bank, N.A. for the acquisition and renovation of the public works building. The financing contract requires fifteen annual payments of principal and interest at a rate of 3.89%.

Annual debt service payments of the financing contract as of June 30, 2019, including \$33,606 of interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 57 594	\$ 11 202
2021	57 594	8 962
2022	57 594	6 721
2023	57 594	4 481
2024	57 595	2 240
Total	\$ 287 971	\$ 33 606

Water and Sewer Fund

In Fiscal Year 2010-11, the Town transferred 45% of a direct borrowing contract with PNC Bank, N.A. for the acquisition and renovation of the public works building in the amount of \$725,676. The financing contract requires 15 annual payments of principal and interest at a rate of 3.89%.

Annual debt service payments of the financing contract as of June 30, 2019, including \$30,245 of interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 51 834	\$ 10 082
2021	51 834	8 065
2022	51 834	6 049
2023	51 834	4 033
2024	51 834	2 016
Total	\$ <u>259 170</u>	\$ <u>30 245</u>

In December 2010, the Town entered into a direct borrowing contract with Branch Banking & Trust Co. for the acquisition of 1200 MC Lite Water Meters. The financing contract requires ten annual payments and interest at a rate of 2.97%.

Annual debt service payments of the financing contract as of June 30, 2019, including \$1,786 of interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 19 651	\$ 1 185
2021	20 234	601
Total	\$ <u>39 885</u>	\$ <u>1 786</u>

In October 2010, the Town entered into a direct borrowing contract with the North Carolina Department of Environment and Natural Resources to borrow \$195,020 in ARRA funds for water distribution system improvements. The financing contract calls for fifteen annual principal payments with an interest rate of 0.0%.

Annual debt service payments on the loan as of June 30, 2019 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 9 751	\$ -
2021	9 751	-
2022	9 751	-
2023	9 751	-
2024	9 751	-
Thereafter	58 506	-
Total	\$ <u>107 261</u>	\$ <u>-</u>

In February 2012, the Town entered into a State Revolving Loan direct borrowing contract with the North Carolina Department of Environment and Natural Resources to borrow \$247,027 for water reclamation facility improvements. The financing contract calls for twenty annual payments with an interest rate of 0.0%. The first principal payment was due annually on or before May 1st and not due earlier than six months after the original date of completion of the project.

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 12 351	\$ -
2021	12 352	-
2022	12 351	-
2023	12 352	-
2024	12 351	-
Thereafter	111 162	-
Total	<u>\$ 172 919</u>	<u>\$ -</u>

In June 2013, the Town entered into a State Revolving Loan direct borrowing contract with the North Carolina Department of Environment and Natural Resources to borrow \$213,560 for water supply systems facility improvements. The financing contract calls for twenty annual payments with an interest rate of 0.0%. The first principal payment was due annually on or before May 1st and not due earlier than six months after the original date of completion of the project. In 2015 the loan was reduced to \$205,557. A payment in the amount of \$10,678 was recalculated to \$10,278 starting May 1, 2107 going forward.

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 10 278	\$ -
2021	10 278	-
2022	10 278	-
2023	10 278	-
2024	10 278	-
Thereafter	102 778	-
Total	<u>\$ 154 168</u>	<u>\$ -</u>

In May 2017, the Town entered into a State Revolving Loan direct borrowing contract with the North Carolina Department of Environment and Natural Resources to borrow \$240,998 for sewer system facility improvements. The financing contract calls for twenty annual payments with an interest rate of 0.0%. The first principal payment was due annually on or before May 1st and not due earlier than six months after the original date of completion of the project.

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 12 049	\$ -
2021	12 049	-
2022	12 050	-
2023	12 049	-
2024	12 050	-
Thereafter	156 642	-
Total	<u>\$ 216 889</u>	<u>\$ -</u>

In July 2018, the Town entered into a direct borrowing contract with the North Carolina Department of Environmental Quality to borrow \$539,490 for sewer system improvements with \$269,745 of the loan amount reduced by "Principal Forgiveness". The financing contract calls for twenty annual payments with an interest rate of 0.0%. The first principal payment was due annually on or before May 1st and not due earlier than six months after the original date of completion of the project.

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 13 487	\$ -
2021	13 487	-
2022	13 488	-
2023	13 487	-
2024	13 487	-
Thereafter	202 309	-
Total	<u>\$ 269 745</u>	<u>\$ -</u>

b. Revenue Bonds

Serviced by the Water and Sewer Fund:

\$1,873,000, Water and Sewer Revenue Bonds, Series 2011A, issued for water and sewer improvements, due in annual installments of various amounts plus interest from July 26, 2011 through July 26, 2051, interest is at 4.375% \$ 1 737 000

\$555,000, Water and Sewer Revenue Bonds, Series 2011B, issued for water and sewer improvements, due in annual installments of various amounts plus interest from July 26, 2001 through July 26, 2051; interest at 3.375 percent. 507 000

Total \$ 2,244,000

Annual debt service payments requirements to maturity for Series 2011A Water and Sewer Revenue Bonds as of June 30, 2019, including \$1,477,045 of interest are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 26 000	\$ 73 823
2021	27 000	72 717
2022	29 000	71 570
2023	30 000	70 338
2024	31 000	69 062
Thereafter	1 594 000	1 119 535
Total	<u>\$ 1 737 000</u>	<u>\$ 1 477 045</u>

Annual debt service payments requirements to maturity for Series 2011B Water and Sewer Revenue bonds as of June 30, 2019, including \$330,953 of interest are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 9 000	\$ 17 111
2021	9 000	16 808
2022	10 000	16 504
2023	10 000	16 166
2024	10 000	15 829
Thereafter	459 000	248 535
Total	<u>\$ 507 000</u>	<u>\$ 330 953</u>

The Town complies with the Bond Order covenants as to rates and charges, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2011A and 2011B. Section 5.01 of the Bond Order requires the net revenues for each fiscal year not be less than 110% of the debt service requirement for that year and not less than 100% of the amount necessary to meet annual debt service obligations coming due in that fiscal year with respect to the Town's general obligation bonds and installment financing obligations, if any, used to finance system improvements. The net revenue to debt service requirements are as follows:

Operating revenues	\$	2 619 002
Operating expenses*		<u>2 261 397</u>
Operating income		357 605
Nonoperating revenues (expenses)**		<u>2 522</u>
Net revenue available for debt service		360 127
Debt service, principal and interest paid (Revenue bonds only)	\$	126 300
Net revenue to debt service (Revenue bonds only)		285%
Debt service, principal and interest paid (Installment obligation financing for system improvements)	\$	129 151
Net revenue to debt service (Installment obligation financing for system improvements)		279%

* Per rate covenants, this does not include the depreciation expense of \$541,181.

** Per rate covenants, this does not include revenue bond interest paid of \$92,300.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,428,000 in water and sewer system revenue bonds issued in July 2011. Proceeds from the bonds provided financing for the extension of water and sewer lines. The bonds are payable solely from water and sewer customer net revenues and are payable through 2051. Annual principal and interest payments on the bonds are detailed above. The total principal and interest remaining to be paid on the bonds is \$4,051,998. Principal and interest paid for the current year was \$34,000 and \$92,300, respectively.

c. Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Direct Borrowing/Direct Placement					
Installment purchases	\$ 510 727	\$ 275 000	109 142	\$ 676 585	\$ 142 544
Compensated absences	95 226	18 199	-	113 425	-
Total OPEB liability	736 914	-	18 530	718 384	-
Net pension liability (LGERS)	389 051	201 966	-	591 017	-
Total net pension liability (LEOSSA)	440 126	59 592	-	499 718	-
Governmental activities:					
Long – term liabilities	\$ <u>2 172 044</u>	\$ <u>554 757</u>	\$ <u>127 672</u>	\$ <u>2 599 129</u>	\$ <u>142 544</u>
Business-type activities:					
Electric Fund					
Direct Borrowing					
Installment purchases	\$ 345 564	\$ -	\$ 57 593	\$ 287 971	\$ 57 593
Compensated absences	49 575	11 845	-	61 420	-
Total OPEB liability	312 224	-	7 851	304 373	-
Net pension liability (LGERS)	115 678	91 509	-	207 187	-
Lawsuit settlement	100 000	-	50 000	50 000	50 000
Electric long-term liabilities	\$ <u>923 041</u>	\$ <u>103 354</u>	\$ <u>115 444</u>	\$ <u>910 951</u>	\$ <u>107 593</u>
Water and Sewer Fund					
Direct Borrowing					
Installment purchases	\$ 486 986	\$ 269 745	80 669	676 062	\$ 94 723
Clean Water Revolving Loan	185 270	-	12 351	172 919	12 351
Systems Water Revolving Loan	164 445	-	10 278	154 167	10 278
Pollution Control Revolving Loan	228 939	-	12 049	216 890	12 049
Compensated absences	70 774	6 079	-	76 853	-
Total OPEB liability	440 480	-	11 077	429 403	-
Net pension liability (LGERS)	192 676	109 649	-	302 325	-
Revenue bonds	2 278 000	-	34 000	2 244 000	35 000
Water and Sewer long-term liabilities	\$ <u>4 047 570</u>	\$ <u>385 473</u>	<u>160 424</u>	<u>4 272 619</u>	\$ <u>164 401</u>
Business type activities:					
Long – term liabilities	\$ <u>4 970 611</u>	\$ <u>488 827</u>	<u>275 868</u>	<u>5 183 570</u>	\$ <u>271 994</u>

C. Interfund Balances and Activities

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

Due to General Fund from Water/Sewer Fund	\$ 50 000
Due to General Fund from Total Non-major Funds	92 667
Due to General Fund from Joyner Park Capital Project	447 902
Due to Joyner Park Capital Project from the General Fund	192 015
Due to Total Non-Major Funds from the General Fund	105 920
Total	\$ <u>888 504</u>

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

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

From the Electric Fund to the Electric Load Management capital project fund	\$ 67 761
From the Electric Fund to the N. Church St. revitalization capital project	82 116
From the Electric Fund to the General Fund for return on investment as per NCGS 159B-39(c)	318 448
From the Electric Fund to the General Fund – payment in lieu of taxes	<u>48 857</u>
Total Transfers from the Electric Fund to other funds	517 182
From the Total Non-Major Funds to the General Fund as reimbursement	185 080
From the General Fund to the Joyner Park Capital Project as part of the local match requirement by grant agreement	192 015
From the General Fund to Total Non-Major Funds as part of the local match requirements by grant agreements	<u>920</u>
Total Transfers	<u>\$ 895 197</u>

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

D. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 2 221 405
Less:	
Stabilization by State Statute	1 016 461
Streets-Powell Bill	47 146
LEOSSA	321 241
Remaining Fund Balance	<u>836 557</u>

The Town of Louisburg assigns a portion of its fund balance for future law enforcement special separation allowance (LEOSSA) payments.

IV. Jointly Governed Organization

The Town, in conjunction with twenty other local governments, is a member of the North Carolina Eastern Municipal Power Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency governing board. The twenty members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchase of power for the fiscal year ended June 30, 2019 was \$4,318,155.

The Town, in conjunction with five counties and fourteen other municipalities established the Kerr-Tar Council of Governments (COG). The participating governments established the COG to coordinate various funding received from federal and State agencies. Each participating government appoints thirty-two members to the Council's governing board. The Town paid membership fees of \$1,984 to the COG during the fiscal year ended June 30, 2019.

V. Joint Ventures

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 lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System.
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Louisburg's proportion of the net pension liability (asset) (%)	.04639%	.04565%	.05639%	0.0475%	(0.0472%)	0.0479%
Louisburg's proportion of the net pension liability (asset) (\$)	1 100 529	697 406	1 196 784	213 178	(278 655)	94 254
Louisburg's covered payroll (\$)	3 311 250	3 200 604	3 072 837	3 028 482	2 787 673	2 609 778
Louisburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.24%	21.79%	38.95%	7.04%	(10.00%)	3.61%
Plan fiduciary net position as a percentage of total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Louisburg, North Carolina
Town of Louisburg's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 255 849	225 797	213 233	\$ 208 011	\$ 187 185	\$ 188 925
Contributions in relation to the contractually required contribution	<u>258 436</u>	<u>225 797</u>	<u>213 233</u>	<u>208 011</u>	<u>187 185</u>	<u>188 925</u>
Contribution deficiency (excess)	\$ <u><u>(2 587)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Louisburg's covered-employee payroll	\$ 3 198 257	3 311 250	3 200 604	\$ 3 072 837	\$ 3 028 482	\$ 2 787 673
Contributions as a percentage of covered employee payroll	8.08%	6.82%	6.67%	6.77%	6.18%	6.78%

Town of Louisburg, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 440 126	\$ 398 372	\$ 377 030
Service cost	23 310	18 002	20 885
Interest on the total pension liability	13 651	15 016	13 429
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of total pension liability	59 909	(2 803)	-
Changes of assumptions or other inputs	(21 028)	30 236	(11 212)
Benefits payments	(16 250)	(18 697)	(1 760)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 499 718</u>	<u>\$ 440 126</u>	<u>\$ 398 372</u>

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

Town of Louisburg, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 499 718	\$ 440 126	\$ 398 372
Covered payroll	748 400	688 629	775 763
Total pension liability as a percentage of covered payroll	66.77%	63.91%	51.35%

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

Town of Louisburg
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 55 964	\$ 59 903
Interest	51 145	44 806
Changes of benefit terms	-	-
Differences between expected and actual experience	(1 109)	20 592
Changes of assumptions	(36 602)	(63 462)
Benefits payments	<u>(106 856)</u>	<u>(120 704)</u>
Net change in total OPEB liability	<u>(37 458)</u>	<u>(58 865)</u>
Total OPEB liability – beginning	<u>1 489 618</u>	<u>1 548 483</u>
Total OPEB liability – ending	<u><u>1 452 160</u></u>	<u><u>1 489 618</u></u>
 Covered payroll	 2 657 243	 2 657 243
Total OEPB liability as a percentage of covered payroll	54.65%	56.06%

Notes to Schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

Individual Fund Statements and Schedules

**Town of Louisburg
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 1 288 173	\$ -
Penalties and interest	-	2 748	-
Total	<u>1 294 106</u>	<u>1 290 921</u>	<u>(3 185)</u>
Other taxes and licenses:			
Auto tags	-	12	-
Total	<u>1 000</u>	<u>12</u>	<u>(988)</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	512 085	-
Utility franchise tax	-	314 873	-
Gasoline sales tax refund	-	19 710	-
Beer and wine tax	-	14 380	-
ABC profit distribution	-	100 769	-
Total	<u>962 731</u>	<u>961 817</u>	<u>(914)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	91 891	-
Central fire district	-	290 850	-
Total	<u>384 850</u>	<u>382 741</u>	<u>(2 109)</u>

(continued)

Town of Louisburg
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Permits and fees:			
Zoning permits	\$ -	\$ 1 970	\$ -
Total	<u>1 500</u>	<u>1 970</u>	<u>470</u>
Sales and services			
Sanitation and landfill	-	379 625	-
Recreation department fees	-	74 829	-
Police revenue	-	1 682	-
Cemetery revenue	-	6 150	-
Total	<u>699 475</u>	<u>462 286</u>	<u>(237 189)</u>
Investment earnings	<u>58 000</u>	<u>61 887</u>	<u>3 887</u>
Miscellaneous:			
Miscellaneous income	-	26 919	-
SRO-School contributions	-	140 000	-
Total	<u>166 000</u>	<u>166 919</u>	<u>919</u>
Total Revenues	<u>3 567 662</u>	<u>3 328 553</u>	<u>(239 109)</u>
Expenditures:			
General government:			
Governing council:			
Salaries and employee benefits	-	2 981	-
Other operating expenditures	-	15 881	-
Total	<u>20 454</u>	<u>18 862</u>	<u>1 592</u>
Administration:			
Salaries and employee benefits	-	112 361	-
Other operating expenditures	-	63 461	-
Capital outlay	-	1 611	-
Total	<u>186 896</u>	<u>177 433</u>	<u>9 463</u>
Planning:			
Salaries and employee benefits	-	34 656	-
Other operating expenditures	-	21 444	-
Total	<u>60 748</u>	<u>56 100</u>	<u>4 648</u>
Total general government	<u>268 098</u>	<u>252 395</u>	<u>15 703</u>

(continued)

**Town of Louisburg
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police:			
Salaries and employee benefits	-	1 278 817	-
Other operating expenditures	-	183 624	-
Capital outlay	-	146 037	-
Total	<u>1 741 934</u>	<u>1 608 478</u>	<u>133 456</u>
Fire:			
Salaries and employee benefits	-	414 816	-
Other operating expenditures	-	128 029	-
Capital outlay	-	7 148	-
Total	<u>578 170</u>	<u>549 993</u>	<u>28 177</u>
Total public safety	<u>2 320 104</u>	<u>2 158 471</u>	<u>161 633</u>
Streets and sanitation:			
Streets:			
Salaries and employee benefits	-	410 218	-
Other operating expenditures	-	274 427	-
Capital outlay	-	1 390	-
Total	<u>711 055</u>	<u>686 035</u>	<u>25 020</u>
Solid Waste:			
Salaries and employee benefits	-	150 936	
Sanitation	-	37 595	-
Landfill	-	67 501	-
Other operating expenditures	-	39 737	-
Capital outlay	-	279 034	-
Total	<u>583 677</u>	<u>574 803</u>	<u>8 874</u>
Total streets and sanitation	<u>1 294 732</u>	<u>1 260 838</u>	<u>33 894</u>

(continued)

Town of Louisburg
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	92 582	-
Other operating expenditures	-	115 014	-
Total	<u>235 597</u>	<u>207 596</u>	<u>28 001</u>
Debt service:			
Principal retirement	-	109 142	-
Interest and other changes	-	18 875	-
Total debt service	<u>131 832</u>	<u>128 017</u>	<u>3 815</u>
Total expenditures	<u>4 250 363</u>	<u>4 007 317</u>	<u>243 046</u>
Revenues over (under) expenditures	(682 701)	(678 764)	3 937
Other financing sources (uses):			
Transfers from other funds:			
Electric Fund	367 305	367 305	-
Capital Projects	-	185 080	185 080
Transfers to other funds:			
Capital Projects	-	(192 933)	(192 933)
Sale of assets	7 000	7 020	20
Insurance recovery	5 000	5 015	15
Loan proceeds	275 000	275 000	-
Total	<u>654 305</u>	<u>646 487</u>	<u>(7 818)</u>
Fund balance appropriated	28 396	-	(28 396)
Net change in fund balance	\$ <u>-</u>	(32 277)	\$ <u>(32 277)</u>
Fund balances:			
Beginning		2 253 682	
Ending		\$ <u>2 221 405</u>	

Town of Louisburg
Capital Project Fund – Grant Project South Main Sidewalk
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Sidewalk Project:					
Restricted intergovernmental:					
DOT Grant	\$ <u>506 000</u>	\$ <u>386 343</u>	\$ <u>7 702</u>	\$ <u>394 045</u>	\$ <u>(111 955)</u>
Total revenues	<u>506 000</u>	<u>386 343</u>	<u>7 702</u>	<u>394 045</u>	<u>(111 955)</u>
Expenditures:					
Revitalization:					
Legal/Admin/Fiscal	3 670	6 943	-	6 943	(3 273)
Construction	502 760	376 604	2 150	378 754	124 006
Engineering	36 790	44 471	-	44 471	(7 681)
Construction administration	23 400	28 213	11 485	39 698	(16 298)
Construction inspection	26 000	26 698	426	27 124	(1 124)
Contingency	<u>39 880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39 880</u>
Total expenditures	<u>632 500</u>	<u>482 929</u>	<u>14 061</u>	<u>496 990</u>	<u>135 510</u>
Other financing sources:					
Town contribution	<u>126 500</u>	<u>116 442</u>	<u>-</u>	<u>116 442</u>	<u>(10 058)</u>
Total other sources:	<u>126 500</u>	<u>116 442</u>	<u>-</u>	<u>116 442</u>	<u>(10 058)</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>19 856</u>	(6 359)	\$ <u>13 497</u>	\$ <u>13 497</u>
Fund balance, beginning:			<u>19 856</u>		
Fund balance, ending			\$ <u><u>13 497</u></u>		

Town of Louisburg
Special Revenue Fund – Grant Project Mineral Springs
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Mineral Springs Project:					
Restricted intergovernmental:					
Community Block Grant	\$ <u>50 000</u>	\$ <u>50 000</u>	\$ <u>-</u>	\$ <u>50 000</u>	\$ <u>-</u>
Total revenues	<u>50 000</u>	<u>50 000</u>	<u>-</u>	<u>50 000</u>	<u>-</u>
Expenditures:					
Revitalization:					
Legal/Admin	5 000	1 024	-	1 024	3 976
Planning	<u>45 000</u>	<u>10 187</u>	<u>-</u>	<u>10 187</u>	<u>34 813</u>
Total expenditures	<u>50 000</u>	<u>11 211</u>	<u>-</u>	<u>11 211</u>	<u>38 789</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>38 789</u>	\$ <u>-</u>	\$ <u>38 789</u>	\$ <u>38 789</u>
Fund Balance, beginning			<u>38 789</u>		
Fund Balance, ending			<u>\$ <u>38 789</u></u>		

Town of Louisburg
Capital Project Fund – Grant Project Joyner Park
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Sidewalk Project:					
Restricted intergovernmental:					
PARTF Grant proceeds	\$ <u>250 000</u>	\$ <u>206 102</u>	\$ <u>43 898</u>	\$ <u>250 000</u>	\$ <u>-</u>
Total revenues	<u>250 000</u>	<u>206 102</u>	<u>43 898</u>	<u>250 000</u>	<u>-</u>
Expenditures:					
Revitalization:					
Construction	375 000	206 102	235 913	442 015	(67 015)
Engineering	100 000	-	-	-	100 000
Contingency	<u>25 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25 000</u>
Total expenditures	<u>500 000</u>	<u>206 102</u>	<u>235 913</u>	<u>442 015</u>	<u>57 985</u>
Other financing sources:					
Town contribution	<u>250 000</u>	<u>-</u>	<u>192 015</u>	<u>192 015</u>	<u>(57 985)</u>
Total other sources:	<u>250 000</u>	<u>-</u>	<u>192 015</u>	<u>192 015</u>	<u>(57 985)</u>
Revenues over (under)					
expenditures	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning:			<u>-</u>		
Fund balance, ending			\$ <u><u>-</u></u>		

Town of Louisburg
Capital Project Fund – USDA Parking Lot Project
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
USDA Loan	\$ 83 000	\$ 83 000	\$ -	\$ 83 000	\$ -
USDA Grant	50 000	41 101	8 899	50 000	-
Total revenues	<u>133 000</u>	<u>124 101</u>	<u>8 899</u>	<u>133 000</u>	<u>-</u>
Expenditures:					
Infrastructure:					
Acquisition	35 000	36 318	-	36 318	(1 318)
Legal/Admin/Fiscal	1 200	1 416	-	1 416	(216)
Construction	85 000	81 467	-	81 467	3 533
Engineering design	3 500	4 900	-	4 900	(1 400)
Contingency	8 500	-	-	-	8 500
Total expenditures	<u>133 200</u>	<u>124 101</u>	<u>-</u>	<u>124 101</u>	<u>9 099</u>
Other financing sources:					
Town contribution	200	-	-	-	(200)
Total other sources:	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200)</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	8 899	\$ <u>8 899</u>	\$ <u>8 899</u>
Fund balance, beginning:			-		
Fund balance, ending			<u>\$ 8 899</u>		

Town of Louisburg
Capital Project Fund – Grant Project Sidewalk Bickett & Johnson
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Sidewalk Project:					
Restricted intergovernmental:					
Grant proceeds	\$ <u>354 000</u>	\$ <u>271 188</u>	\$ <u>71 936</u>	\$ <u>343 124</u>	\$ <u>(10 876)</u>
Total revenues	<u>354 000</u>	<u>271 188</u>	<u>71 936</u>	<u>343 124</u>	<u>(10 876)</u>
Expenditures:					
Sidewalk Infrastructure:					
Construction	335 000	274 784	55 138	329 922	5 078
Engineering	<u>70 000</u>	<u>64 202</u>	<u>-</u>	<u>64 202</u>	<u>5 798</u>
Total expenditures	<u>405 000</u>	<u>338 986</u>	<u>55 138</u>	<u>394 124</u>	<u>10 876</u>
Other financing sources:					
Town contribution	<u>51 000</u>	<u>67 798</u>	<u>(16 798)</u>	<u>51 000</u>	<u>-</u>
Total other sources:	<u>51 000</u>	<u>67 798</u>	<u>(16 798)</u>	<u>51 000</u>	<u>-</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning:			<u>-</u>		
Fund balance, ending			\$ <u>-</u>		

Town of Louisburg
Capital Project Fund – Downtown Revitalization
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Grant funds	\$ 899 000	\$ 400 000	\$ 200 000	\$ 600 000	\$ (299 000)
Other revenue:					
Sale of building	162 835	162 835	-	162 835	-
Rental income	-	6 250	7 074	\$ 13 324	\$ 13 324
Total revenues	<u>1 061 835</u>	<u>569 085</u>	<u>207 074</u>	<u>776 159</u>	<u>(285 676)</u>
Expenditures:					
Revitalization:					
Acquisition and renovation	<u>1 061 835</u>	<u>491 387</u>	<u>114 072</u>	<u>605 459</u>	<u>456 376</u>
Total expenditures	<u>1 061 835</u>	<u>491 387</u>	<u>114 072</u>	<u>605 459</u>	<u>456 376</u>
Other financing sources:					
Town contribution	-	168 277	(168 277)	-	-
Total other sources	<u>-</u>	<u>168 277</u>	<u>(168 277)</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>245 975</u>	(75 275)	\$ <u>170 700</u>	\$ <u>170 700</u>
Fund balance, beginning:			<u>245 975</u>		
Fund balance, ending			\$ <u><u>170 700</u></u>		

Town of Louisburg
Capital Project Fund – Electric Charge Stations
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Duke Energy Grant	\$ <u>25 000</u>	\$ <u>25 000</u>	\$ <u>-</u>	\$ <u>25 000</u>	\$ <u>-</u>
Total revenues	<u>25 000</u>	<u>25 000</u>	<u>-</u>	<u>25 000</u>	<u>-</u>
Expenditures:					
Infrastructure:					
Construction and installation	<u>25 000</u>	<u>24 994</u>	<u>-</u>	<u>24 994</u>	<u>6</u>
Total expenditures	<u>25 000</u>	<u>24 994</u>	<u>-</u>	<u>24 994</u>	<u>6</u>
Other financing sources(uses):					
Transfer to General Fund	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>	<u>(6)</u>
Total other sources:	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>	<u>(6)</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>6</u>	(6)	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning:			<u>6</u>		
Fund balance, ending			\$ <u>-</u>		

Town of Louisburg
Capital Projects Fund – USDA Parks Building Renovation Project
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
USDA Loan	\$ 29 000	\$ 29 000	\$ -	\$ 29 000	\$ -
USDA Grant	50 000	50 000	-	50 000	-
Total revenues	<u>79 000</u>	<u>79 000</u>	<u>-</u>	<u>79 000</u>	<u>-</u>
Expenditures:					
Infrastructure:					
Legal/Admin/Fiscal	400	60	-	60	340
Construction	70 000	77 318	-	77 318	(7 318)
Engineering design	2 000	2 000	-	2 000	-
Contingency	7 000	-	-	-	7 000
Total expenditures	<u>79 400</u>	<u>79 378</u>	<u>-</u>	<u>79 378</u>	<u>22</u>
Other financing sources:					
Town contribution	400	-	378	378	(22)
Total other sources:	<u>400</u>	<u>-</u>	<u>378</u>	<u>378</u>	<u>(22)</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>(378)</u>	\$ 378	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning:			<u>(378)</u>		
Fund balance, ending			\$ <u>-</u>		

Town of Louisburg
Capital Project Fund – Police Vehicles
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
USDA Loan	\$ 124 000	\$ 124 000	\$ -	\$ 124 000	\$ -
USDA Grant	40 000	40 000	-	40 000	-
Total revenues	<u>164 000</u>	<u>164 000</u>	<u>-</u>	<u>164 000</u>	<u>-</u>
Expenditures:					
Infrastructure:					
Acquisition	<u>164 547</u>	<u>164 542</u>	<u>-</u>	<u>164 542</u>	<u>5</u>
Total expenditures	<u>164 547</u>	<u>164 542</u>	<u>-</u>	<u>164 542</u>	<u>5</u>
Other financing sources:					
Town contribution	<u>547</u>	<u>-</u>	<u>542</u>	<u>542</u>	<u>(5)</u>
Total other sources:	<u>547</u>	<u>-</u>	<u>542</u>	<u>542</u>	<u>(5)</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>(542)</u>	542	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning:			<u>(542)</u>		
Fund balance, ending			\$ <u>-</u>		

Town of Louisburg
Capital Project Fund – Grant Project Sidewalk N. Main Street
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Sidewalk Project:					
Restricted intergovernmental:					
Grant proceeds	\$ <u>270 400</u>	\$ <u>-</u>	\$ <u>9 144</u>	\$ <u>9 144</u>	\$ <u>(261 256)</u>
Total revenues	<u>270 400</u>	<u>-</u>	<u>9 144</u>	<u>9 144</u>	<u>(261 256)</u>
Expenditures:					
Sidewalk Infrastructure:					
Construction	<u>338 000</u>	<u>-</u>	<u>9 144</u>	<u>9 144</u>	<u>328 856</u>
Total expenditures	<u>338 000</u>	<u>-</u>	<u>9 144</u>	<u>9 144</u>	<u>328 856</u>
Other financing sources:					
Town contribution	<u>67 600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67 600)</u>
Total other sources:	<u>67 600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67 600)</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	<u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning:			<u>-</u>		
Fund balance, ending			\$ <u>-</u>		

**Town of Louisburg
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2019**

	Mineral Springs	S. Main Sidewalk CMAQ Project	USDA Parking Lot	Bickett Sidewalk	N. Main Sidewalk Project	Downtown Revitalization	Total
Assets							
Cash & cash equivalents	\$ 38 789	\$ -	\$ 8 899	\$ -	\$ -	\$ 171 107	\$ 218 795
Accounts receivable, net	-	-	-	-	-	-	-
Due from general fund	-	54 920	-	51 000	-	-	105 920
Due from other govt	-	-	-	244	9 144	-	9 388
Total Assets	<u>38 789</u>	<u>54 920</u>	<u>8 899</u>	<u>51 244</u>	<u>9 144</u>	<u>171 107</u>	<u>334 103</u>
Liabilities & Fund Balances							
Liabilities							
Accounts payable and and accrued liabilities	-	-	-		9 144	407	9 551
Due to General Fund	-	41 423	-	51 244	-	-	92 667
Total liabilities	<u>-</u>	<u>41 423</u>	<u>-</u>	<u>51 244</u>	<u>9 144</u>	<u>407</u>	<u>102 218</u>
Fund balances:							
Restricted	<u>38 789</u>	<u>13 497</u>	<u>8 899</u>	<u>-</u>	<u>-</u>	<u>170 700</u>	<u>231 885</u>
Total liabilities and fund balances	\$ <u>38 789</u>	\$ <u>54 920</u>	\$ <u>8 899</u>	\$ <u>51 244</u>	\$ <u>9 144</u>	\$ <u>171 107</u>	\$ <u>334 103</u>

Town of Louisburg
Combining State of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Mineral Springs	S. Main Sidewalk Project	USDA Parking Lot	Bickett Sidewalk	N. Main Sidewalk Project	Electric Charge Stations	Downtown Revitalization	Parks & Recreat. Bldg.	Police Vehicles	Total
Revenues:										
Restricted intergovernmental	\$ -	\$ 7 702	\$ 8 899	\$ 71 935	\$ 9 144	\$ -	\$ 207 074	\$ -	\$ -	\$ 304 754
Total revenue	<u>-</u>	<u>7 702</u>	<u>8 899</u>	<u>71 935</u>	<u>9 144</u>	<u>-</u>	<u>207 074</u>	<u>-</u>	<u>-</u>	<u>304 754</u>
Expenditures										
Equipment	-	-	-	-	-	-	-	-	-	-
Revitalization	-	14 061	-	55 138	9 144	-	114 072	-	-	192 415
Total expenditures	<u>-</u>	<u>14 061</u>	<u>-</u>	<u>55 138</u>	<u>9 144</u>	<u>-</u>	<u>114 072</u>	<u>-</u>	<u>-</u>	<u>192 415</u>
Revenues over expenditures	<u>-</u>	<u>(6 359)</u>	<u>8 899</u>	<u>16 797</u>	<u>-</u>	<u>-</u>	<u>93 002</u>	<u>-</u>	<u>-</u>	<u>112 339</u>
Other financing sources(uses):										
Transfer to General Fund	-	-	-	(16 797)	-	(6)	(168 277)	-	-	(185 080)
Town contribution	-	-	-	-	-	-	-	378	542	920
Total other sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16 797)</u>	<u>-</u>	<u>(6)</u>	<u>(168 277)</u>	<u>378</u>	<u>542</u>	<u>(184 160)</u>
Fund balance beginning	<u>38 789</u>	<u>19 856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>245 975</u>	<u>(378)</u>	<u>(542)</u>	<u>303 706</u>
Fund balances ending	<u>\$ 38 789</u>	<u>\$ 13 497</u>	<u>\$ 8 899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170 700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231 885</u>

**Town of Louisburg
Electric 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:			
Charges for services:			
Electricity sales to customers	\$ -	\$ 7 015 717	\$ -
Total	<u>7 122 000</u>	<u>7 015 717</u>	<u>(106 283)</u>
Other operating revenues:	98 800	95 176	(3 624)
Total operating revenues	<u>7 220 800</u>	<u>7 110 893</u>	<u>(109 907)</u>
Nonoperating revenues:			
Interest (net of expenses)	8 000	39 477	31 477
Total Revenues	<u>7 228 800</u>	<u>7 150 370</u>	<u>(78 430)</u>
Expenditures:			
Governing body:			
Salaries and employee benefits		4 727	
Other operating expenditures		27 778	
Total	<u>37 136</u>	<u>32 505</u>	<u>4 631</u>
Administration:			
Salaries and employee benefits		219 404	
Supplies		6 097	
Other operating expenditures		84 952	
Capital outlay		3 222	
Total	<u>323 394</u>	<u>313 675</u>	<u>9 719</u>
Business office:			
Salaries and employee benefits		98 120	
Other operating expenditures		54 054	
Total	<u>160 333</u>	<u>152 174</u>	<u>8 159</u>
Electrical operations:			
Salaries and employee benefits		767 410	
Line maintenance		82 939	
Vehicle and equipment maintenance		147 235	
Other operating expenditures		182 586	
NC utilities tax		440 713	
Capital outlay		278 212	
Total	<u>1 901 363</u>	<u>1 899 095</u>	<u>2 268</u>
Electrical power purchases	<u>4 321 133</u>	<u>4 318 155</u>	<u>2 978</u>

(continued)

Town of Louisburg
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Payment on debt principal	-	107 593	-
Interest	-	13 393	-
Total	<u>121 036</u>	<u>120 986</u>	<u>50</u>
Total Expenditures	<u>6 864 395</u>	<u>6 836 590</u>	<u>27 805</u>
Revenues over (under) expenditures	364 405	313 780	(50 625)
Other financing (uses):			
Transfers to other funds:	(367 305)	(517 182)	(149 877)
Sale of fixed assets	2 900	2 880	(20)
Sale of scrap material	-	434	434
Total other financing sources (uses)	<u>(364 405)</u>	<u>(513 868)</u>	<u>(149 463)</u>
Appropriated fund balance	-	-	-
Revenues over (under) expenditures and other financing (uses)	\$ <u>-</u>	<u>(200 088)</u>	\$ <u>(200 088)</u>

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

Reconciling items:	
Principal retirement	\$ 107 593
Capital outlays	281 434
Depreciation	(227 637)
Interest income from Rate Stabilization Fund	166
Increase in accrued vacation pay	(11 845)
Increase in deferred outflows of resources- pensions	78 952
Increase in net pension liability	(91 509)
Decrease in deferred inflows of resources- pensions	8 251
Decrease in deferred outflows of resources- OPEB	(2 991)
Increase in deferred inflows of resources-OPEB	(4 921)
Increase in accrued OPEB liability	7 851
Capital grants/contributions	149 877
Total	<u>295 221</u>
Change in net position	\$ <u>95 133</u>

Town of Louisburg
Electric Rate Stabilization Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ -	\$ 166	\$ 166
Expenditures:			
Rate stabilization	-	-	-
Total expenditures	-	-	-
Other financing sources (uses):			
Transfers from other funds:			
Electric Operating Fund	-	-	-
Total other financing sources (uses)	-	-	-
Revenues over other financing sources (uses)	\$ -	166	\$ 166
Fund Balances:			
Beginning of year, July 1		308 667	
End of year, June 30		\$ 308 833	

Town of Louisburg
Electric Capital Project Fund – Load Management Project
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Sidewalk Infrastructure:					
Construction	\$ <u>259 414</u>	\$ <u>-</u>	\$ <u>67 761</u>	\$ <u>67 761</u>	\$ <u>191 653</u>
Total expenditures	<u>259 414</u>	<u>-</u>	<u>67 761</u>	<u>67 761</u>	<u>191 653</u>
Other financing sources:					
Town electric fund contribution	<u>259 414</u>	<u>-</u>	<u>67 761</u>	<u>67 761</u>	<u>(191 653)</u>
Total other sources:	<u>259 414</u>	<u>-</u>	<u>67 761</u>	<u>67 761</u>	<u>(191 653)</u>
Revenues and other sources					
over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning:			<u>-</u>		
Fund balance, ending			\$ <u><u>-</u></u>		

Town of Louisburg
Electric Capital Project Fund – N. Church St. Revitalization Project
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Sidewalk Project:					
Sale of materials	\$ <u>-</u>	\$ <u>-</u>	\$ <u>434</u>	\$ <u>434</u>	\$ <u>434</u>
Total revenues	<u>-</u>	<u>-</u>	<u>434</u>	<u>434</u>	<u>434</u>
Expenditures:					
Sidewalk Infrastructure:					
Construction	<u>250 000</u>	<u>-</u>	<u>82 550</u>	<u>82 550</u>	<u>167 450</u>
Total expenditures	<u>250 000</u>	<u>-</u>	<u>82 550</u>	<u>82 550</u>	<u>167 450</u>
Other financing sources:					
Town electric fund contribution	<u>250 000</u>	<u>-</u>	<u>82 116</u>	<u>82 116</u>	<u>(167 884)</u>
Total other sources:	<u>250 000</u>	<u>-</u>	<u>82 116</u>	<u>82 116</u>	<u>(167 884)</u>
Revenues and other sources over (under) expenditures	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Fund balance, beginning:			<u>-</u>		
Fund balance, ending			\$ <u><u>-</u></u>		

**Town of Louisburg
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:			
Charges for Services:			
Water sales		\$ 1 175 049	
Sewer sales		1 396 887	
Total	\$ 2 611 796	2 571 936	\$ (39 860)
Water and sewer connections	18 500	15 500	(3 000)
Other operating revenues	50 000	31 566	(18 434)
Total operating revenues	2 680 296	2 619 002	(61 294)
Nonoperating revenues:			
Interest earnings – net of expenses	16 000	16 326	326
Total nonoperating revenues	16 000	16 326	326
 Total revenues	 2 696 296	 2 635 328	 (60 968)
Expenditures:			
Governing body:			
Salaries and employee benefits		3 517	
Other operating expenditures		9 224	
Total	15 124	12 741	2 383
Administration:			
Salaries and employee benefits		113 806	
Other operating expenditures		40 457	
Total	160 965	154 263	6 702
Business office:			
Salaries and employee benefits		111 766	
Other operating expenditures		46 757	
Total	171 011	158 523	12 488

(continued)

**Town of Louisburg
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>
Water treatment and distribution:			
Water treatment plant:			
Salaries and employee benefits		317 811	
Chemicals		62 843	
Utilities		67 640	
Maintenance		67 253	
Other operating expenditures		38 537	
Total	<u>563 173</u>	<u>554 084</u>	<u>9 089</u>
Water distribution:			
Salaries and employee benefits		205 789	
Supplies		10 335	
Line maintenance and repairs		22 241	
Other operating expenditures		71 989	
Total	<u>319 221</u>	<u>310 354</u>	<u>8 867</u>
Total water treatment and distribution	<u>882 394</u>	<u>864 438</u>	<u>17 956</u>
Waste collection and treatment:			
Sewer collection system:			
Salaries and employee benefits		192 257	
Line maintenance and repairs		40 576	
Other operating expenditures		54 351	
Total	<u>295 931</u>	<u>287 184</u>	<u>8 747</u>
Waste treatment plant:			
Salaries and employee benefits		379 886	
Maintenance and repairs		62 089	
Sludge hauling		152 395	
Utilities		99 474	
Other operating expenditures		70 409	
Total	<u>765 070</u>	<u>764 253</u>	<u>817</u>
Total waste collection and treatment	<u>1 061 001</u>	<u>1 051 437</u>	<u>9 564</u>
Debt service:			
Interest and other charges		106 105	
Principal retirement		149 347	
Total debt service	<u>255 501</u>	<u>255 452</u>	<u>49</u>
Capital outlay			
Water	100 000	97 841	2 159
Sewer	50 300	57 529	(7 229)
Total capital outlay	<u>150 300</u>	<u>155 370</u>	<u>(5 070)</u>
Total expenditures	<u>2 696 296</u>	<u>2 652 224</u>	<u>44 072</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(16 896)</u>	<u>\$ (16 896)</u>

(continued)

**Town of Louisburg
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019**

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

Reconciling items:

Principal retirement	149 347
Capital outlay	155 370
Decrease in accrued vacation pay	(6 079)
Decrease in deferred outflows of resources-pensions	85 933
Decrease in net pension liability	(109 649)
Increase in deferred inflows of resources-pensions	9 887
Increase in deferred outflows of resources OPEB	(4 220)
Increase in deferred inflows of resources OPEB	(6 944)
Decrease in accrued OPEB liability	11 077
Depreciation	(541 181)
Loan proceeds (new debt)	(269 745)
Capital grants/contributions	362 396
Total reconciling items	<u>(163 808)</u>

Change in net position	\$ <u><u>(180 704)</u></u>
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Town of Louisburg, North Carolina
Water and Sewer Capital Project –Clarifier Replacement
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Grant Funds	\$ 500 000	\$ -	\$ -	\$ -	\$ (500 000)
Loan Funds	<u>200 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200 000)</u>
Total revenue	<u>700 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(700 000)</u>
Expenditures:					
Engineering and Observation	111 000	-	-	-	111 000
Construction	407 000	-	-	-	407 000
Legal, Fiscal, and Admin.	<u>182 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182 000</u>
Total expenditures	<u>700 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700 000</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Town of Louisburg, North Carolina
Water and Sewer Capital Project – Sewer Influent System Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Legal/Admin	\$ 49 260	\$ 24 552	\$ -	\$ 24 552	\$ 24 708
Engineering	47 200	35 000	-	35 000	12 200
Construction Admin	99 000	5 000	13 000	18 000	81 000
Construction	322 240	-	349 396	349 396	(27 156)
Contingency	32 300	-	-	-	32 300
Total expenditures	<u>550 000</u>	<u>64 552</u>	<u>362 396</u>	<u>426 948</u>	<u>123 052</u>
Other financing sources:					
Loan	539 000	64 552	362 396	426 948	(112 052)
Town contribution	11 000	-	-	-	(11 000)
Total other sources:	<u>550 000</u>	<u>64 552</u>	<u>362 396</u>	<u>426 948</u>	<u>(123 052)</u>
Revenues and other sources over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Town of Louisburg
Water and Sewer Capital Project– Effluent Pipeline
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
USDA Grant	\$ 2 300 000	\$ -	\$ -	\$ -	\$ (2 300 000)
Golden Leaf Grant	300 000	-	-	-	(300 000)
CDBG Grant	1 700 000	-	-	-	(1 700 000)
EDA	2 500 000	-	-	-	(2 500 000)
Total revenues	<u>6 800 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6 800 000)</u>
Expenditures:					
Infrastructure:					
Construction	<u>6 800 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6 800 000</u>
Total expenditures	<u>6 800 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6 800 000</u>
Revenues under expenditures over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Other Schedules

This section contains additional information on property taxes.

- **Schedule of Ad Valorem Taxes Receivable**
- **Analysis of Current Tax Levy**
- **Water and Sewer Fund's Schedule of Net Position by Function**
- **Water and Sewer Fund's Schedule of Revenues, Expenditures, and Changes in Net Fund Position by Function**
- **Water and Sewer Fund's Schedule of Cash Flows by Function**

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

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 1 289 703	\$ 1 271 768	\$ 17 935
2017-2018	13 654	-	8 579	5 075
2016-2017	8 599	-	4 108	4 491
2015-2016	3 598	-	1 036	2 562
2014-2015	3 744	-	128	3 616
2013-2014	2 987	-	132	2 855
2012-2013	2 916	-	81	2 835
2011-2012	2 069	-	178	1 891
2010-2011	1 984	-	192	1 792
2009-2010	1 965	-	177	1 788
2008-2009	1 782	-	1 782	-
	<u>\$ 43 298</u>	<u>\$ 1 289 703</u>	<u>\$ 1 288 161</u>	<u>\$ 44 840</u>

Less allowance for uncollectable accounts:
General Fund

8 342

Ad valorem taxes receivable – net

\$ 36 498

Reconciliation with revenues:

Ad valorem taxes – General Fund

\$ 1 290 921

Reconciling items:

Interest collected

(2 760)

Subtotal

(2 760)

Total collections and credits

\$ 1 288 161

Town of Louisburg, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
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 rate	\$ 286 883 111	0.45	\$ 1 290 974	\$ 1 205 638	\$ 85 336
Total	<u>286 883 111</u>		<u>1 290 974</u>	<u>1 205 638</u>	<u>85 336</u>
Discoveries:					
Current year taxes					-
Prior year taxes	-		-	-	-
Penalties	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	(282 444)		(1 271)	(1 271)	-
Total property valuation	\$ <u>286 600 667</u>				
Net levy			1 289 703	1 204 367	85 336
Uncollected taxes at June 30, 2019			<u>(17 935)</u>	<u>(17 935)</u>	<u>-</u>
Current year's taxed collected			\$ <u>1 271 768</u>	\$ <u>1 186 432</u>	\$ <u>85 336</u>
Current levy collection percentage			<u>98.61%</u>	<u>98.51%</u>	<u>100.00%</u>

**Town of Louisburg
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 760 257	\$ 939 764	\$ 1 700 021
Restricted cash and cash equivalents	42 594	2 000	44 594
Accounts receivable (net)	114 987	171 837	286 824
Due from other governments	20 278	186 157	206 435
Inventories	18 020	-	18 020
Total current assets	<u>956 136</u>	<u>1 299 758</u>	<u>2 255 894</u>
Noncurrent assets:			
Capital assets			
Land, non-depreciable assets			
improvements and construction in progress	15 485	426 948	442 433
Other capital assets, net of depreciation	3 049 501	11 327 418	14 376 919
Capital assets (net)	<u>3 064 986</u>	<u>11 754 366</u>	<u>14 819 352</u>
Total noncurrent assets	<u>3 064 986</u>	<u>11 754 366</u>	<u>14 819 352</u>
Total assets	<u>4 021 122</u>	<u>13 054 124</u>	<u>17 075 246</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in fiscal year	33 449	36 784	70 233
Pension related deferred outflows	76 090	91 514	167 604
OPEB deferrals	11 947	14 683	26 630
Total deferred outflows of resources	<u>121 486</u>	<u>142 981</u>	<u>264 467</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	10 857	131 378	142 235
Customer deposits	42 594	2 000	44 594
Due to other funds	-	50 000	50 000
Revenue bond payable current	9 000	26 000	35 000
Installment purchase current	65 596	63 805	129 401
Total current liabilities	<u>128 047</u>	<u>273 183</u>	<u>401 230</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	34 734	42 119	76 853
Net pension liability	136 778	165 547	302 325
Total OPEB liability	190 147	239 256	429 403
Installment notes	365 303	725 334	1 090 637
Revenue bonds payable	498 000	1 711 000	2 209 000
Total non-current liabilities	<u>1 224 962</u>	<u>2 883 256</u>	<u>4 108 218</u>
Total liabilities	<u>1 353 009</u>	<u>3 156 439</u>	<u>4 509 448</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	8 374	10 484	18 858
OPEB deferrals	10 269	12 801	23 070
NET POSITION			
Net investment in capital assets	2 127 087	9 228 227	11 355 314
Unrestricted	643 869	789 154	1 433 023
Total net position	<u>\$ 2 770 956</u>	<u>\$ 10 017 381</u>	<u>\$ 12 788 337</u>

Town of Louisburg
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1 175 049	\$ 1 396 887	\$ 2 571 936
Water and sewer connections	10 000	5 500	15 500
Other operating revenues	<u>12 772</u>	<u>18 794</u>	<u>31 566</u>
Total operating revenues	<u>1 197 821</u>	<u>1 421 181</u>	<u>2 619 002</u>
OPERATING EXPENSES			
Governing body	6 796	5 945	12 741
Administration	69 396	77 357	146 753
Business office	79 755	74 187	153 942
Water treatment and distribution	876 831	-	876 831
Waste collection and treatment	-	1 071 130	1 071 130
Depreciation	<u>179 581</u>	<u>361 600</u>	<u>541 181</u>
Total operating expenses	<u>1 212 359</u>	<u>1 590 219</u>	<u>2 802 578</u>
Operating income (loss)	<u>(14 538)</u>	<u>(169 038)</u>	<u>(183 576)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	10 107	6 219	16 326
Interest and other charges	<u>(21 512)</u>	<u>(84 592)</u>	<u>(106 104)</u>
Total nonoperating revenue (expenses)	<u>(11 405)</u>	<u>(78 373)</u>	<u>(89 778)</u>
Income (loss) before contributions and transfers	(25 943)	(247 411)	(273 354)
Capital contributions	<u>-</u>	<u>92 650</u>	<u>92 650</u>
Changes in net position	(25 943)	(154 761)	(180 704)
Total net position, previously reported	2 796 899	10 172 142	12 969 041
Total net position, ending	\$ <u><u>2 770 956</u></u>	\$ <u><u>10 017 381</u></u>	\$ <u><u>12 788 337</u></u>

Town of Louisburg
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1 182 477	\$ 1 400 563	\$ 2 583 040
Cash paid for goods and services	(403 698)	(434 313)	(838 011)
Cash paid to or on behalf of employees for services	(635 184)	(689 648)	(1 324 832)
Customer deposits received (returned) net	1 970	600	2 570
Other operating revenues	12 772	18 794	31 566
Net cash provided (used) by operating activities	<u>158 337</u>	<u>295 996</u>	<u>454 333</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Loan proceeds	-	269 745	269 745
Acquisition and construction of capital assets	(49 618)	(498 404)	(548 022)
Principal paid on bond maturities and equipment contracts	(74 029)	(75 318)	(149 347)
Interest paid on bond maturities and equipment contracts	(21 512)	(84 593)	(106 105)
Capital contributions	-	92 651	92 651
Net cash provided (used) by capital and related financing activities	<u>(145 159)</u>	<u>(295 919)</u>	<u>(441 078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	10 107	6 219	16 326
Net cash from investment activities	<u>10 107</u>	<u>6 219</u>	<u>16 326</u>
Net increase (decrease) in cash and cash equivalents	23 285	6 296	29 581
Balances, beginning of the year	779 566	935 468	1 715 034
Balances, end of the year	<u>\$ 802 851</u>	<u>\$ 941 764</u>	<u>\$ 1 744 615</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (14 310)	\$ (169 266)	\$ (183 576)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	179 581	361 600	541 181
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(2 572)	(1 824)	(4 396)
(Increase) decrease in inventory	(9 776)	-	(9 776)
(Increase) decrease in deferred outflows of resources – pensions	(42 807)	(43 126)	(85 933)
(Increase) decrease in deferred outflows of resources – OPEB	1 719	2 501	4 220
Increase (decrease) in net pension liability	52 193	57 456	109 649
Increase (decrease) in deferred inflows of resources - pension	(4 706)	(5 181)	(9 887)
Increase (decrease) in deferred inflows of resources – OPEB	3 125	3 819	6 944
Increase (decrease) in accounts payable and accrued liabilities	(4 598)	92 933	88 335
Increase (decrease) in customer deposits	1 970	600	2 570
Increase (decrease) in accrued OPEB liability	(4 985)	(6 092)	(11 077)
Increase (decrease) in accrued vacation pay	3 503	2 576	6 079
Total adjustments	<u>172 647</u>	<u>465 262</u>	<u>637 909</u>
Net cash provided by operating activities	<u>\$ 158 337</u>	<u>\$ 295 996</u>	<u>\$ 454 333</u>

Compliance Section

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

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SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

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

Independent Auditor's Report

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

We 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 Louisburg, 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 Louisburg's basic financial statements, and have issued our report thereon dated January 31, 2020. The financial statements of the Town of Louisburg Alcoholic Beverage Control Board, the discretely presented component unit, were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Louisburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-3 and 2019-4.

Purpose of this Report

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

May & Place, PA

Louisburg, North Carolina

January 31, 2020

**TOWN OF LOUISBURG
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Internal Control Over Financial Reporting
Material Weaknesses

Finding: 2019-1

Criteria:	Written procedures need to be established and approved by the Town council detailing allowable employee travel, and meal expenses, allowable use of Town vehicles, telephones, and credit cards.
Condition:	We determined that Town credit cards were used to charge meals for staff at local restaurants and no written policies have been approved by the Council detailing allowable use. The meals were recorded as travel expenses.
Effect:	The Town paid for meals for employees while not on travel status.
Cause:	No written council policies detailing allowable use.
Recommendation:	We recommend the Town Council develop and implement written policies concerning the allowable use of Town credit cards, vehicles, and telephones, and allowable travel expenses.
Views of responsible officials and planned corrective actions.	See the following views of officials and planned corrective actions.

(continued)

**TOWN OF LOUISBURG
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Finding: 2019-2

Criteria:	Cash accounts in each fund need to be reconciled to the central depository cash accounts in a timely manner.
Condition:	Cash accounts in each fund and central depository cash accounts reconciliations were not performed in a timely manner.
Effect:	Various cash fund accounts do not agree to central depository cash accounts.
Cause:	Lack of time due to small staff.
Recommendation:	We recommend the management reconcile all fund cash accounts to the central depository cash accounts at least quarterly and any differences be researched, and errors corrected.
Views of responsible officials and planned corrective actions.	See the following views of officials and planned corrective actions.

(continued)

**TOWN OF LOUISBURG
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Compliance and Other Matters

Finding: 2019-3 (Finding is also reported in the Stewardship, Compliance, and Accountability section in the notes section of this report)

Criteria:	Compliance with North Carolina General Statute 159B-39, that requires the Town to use electric revenue to “...(i) pay the direct and indirect cost of operating the electric system and (ii) transfer to the funds of the municipality a sum that reflects a rate of return on investment in the electric system to the extent allowed...” the greater of “(1) three percent (3%) of the gross capital assets of the electric system at the end of the preceding fiscal year’ or (2) five percent (5%) of the gross annual revenues of the electric system for the preceding fiscal year.”
Condition:	The Town transferred \$318,448 from the Electric Fund to the General Fund and \$82,116 to the North Church Street Revitalization Capital Project. The total transfers exceeded the allowable amount by \$49,153. In addition, electric fund revenues were used for revitalization/economic development/ recreation and cultural type activities totaling \$59,989.
Effect:	\$109,142 in Electric Fund revenues were used for unallowable activities.
Cause:	Management’s misunderstanding concerning the allowable use of Electric Fund revenues.
Recommendation:	We recommend Town management comply with the requirements of NCGS 159B-39. In addition, the Electric Fund needs to be reimbursed \$109,142.
Views of responsible officials and planned corrective actions.	See the following views of officials and planned corrective actions.

(continued)

TOWN OF LOUISBURG
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

Finding: 2020-4 (Finding is also reported in the Stewardship, Compliance, and Accountability section in the notes section of this report)

Criteria:	Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds.
Condition:	The transfers from the General Fund to other funds exceeded budgeted amounts by \$192,933. In addition, transfers from the Electric Fund to other funds exceed budgeted amounts by \$149,877. Also, capital outlays in the Sewer Fund exceeded budgeted amounts by \$7,229
Effect:	Over-expenditure of the General Fund, the Electric Fund and the Sewer Fund of \$192,933, \$149,877 and \$7,299, respectively.
Cause:	The Town did not amend the budgets for increased transfers and expenditures.
Recommendation:	We recommend the management more closely review budget reports prior to year-end in order to implement budget amendments before year end.
Views of responsible officials and planned corrective actions.	See the following views of officials and planned corrective actions.

Town of Louisburg



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Director

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**State of North
Carolina**

Views of responsible officials and planned corrective actions:

Finding 2019-1

The Town of Louisburg will create and adopt the following policies as addressed in Audit finding 2019-1. The policies to be created and adopted would be credit card use policy, travel policy, vehicle use policy, and telephone use policy.

Find 2019-2

Management will ensure that the cash account related to the Due from and Due to accounts will be reconciled. This will become a part of the monthly reconciliation process.

Finding 2019-3


Attached you will find a response to finding 2019-3 via legal opinion from Cauley-Pridgen PA.

Finding 2019-4

Management will ensure that expenditures related to capital outlay will be carefully reviewed and that sufficient budget amounts are appropriated and approved. Transfers between funds related to capital projects will be completed once the project has been approved and adopted at the monthly council meeting.

MEMORANDUM

TO: Jonathan Franklin, Town Administrator, Town of Louisburg

FROM: Gabriel Du Sablon and Jim Cauley
Cauley Pridgen, P.A. 

DATE: January 27, 2020

SUBJECT: Use of Electric Fund Revenues

The Town has requested an opinion from legal counsel on the legality of certain transfers and expenditures from the Town's electric utility enterprise fund. The following legal opinion is based on the specific facts and circumstances surrounding the Town's expenditures as conveyed to legal counsel. The main expenditures in question are the Town's funding of the North Church Street capital project in the amount of \$82,116 and a few miscellaneous charges to the Electric fund totaling \$59,989.

The Town of Louisburg is a member of the North Carolina Eastern Municipal Power Agency (NCEMPA) and operates its own electric distribution system. As is the case with many other municipally-owned electric providers, the Town's electric utility ordinarily generates a profit. As a court has previously considered and decided, a city's practice of charging customers for water, sewer, electric, and natural gas enterprise services at rates in excess of actual cost, and using the profits to fund general fund activities, does not violate state or federal equal protection or due process provisions. General Textile Printing and Processing Corp. v. City of Rocky Mount, 908 F. Supp. 1295 (E.D.N.C. 1995).

There are, however, a few statutory restrictions on the type and amount of transfers that a local government can make from an enterprise fund. For example, in adopting a budget ordinance, G.S. § 159-13(b)(14) stipulates that a local government cannot make appropriations from a utility enterprise fund unless sufficient revenues remain to meet the operating expenses, capital outlay, and debt service obligations of the utility. This provision, however, is also a grant of authority to make such appropriations, provided the conditions of the statute are met.

Since Louisburg is a member of NCEMPA (also called an "ElectriCity"), North Carolina General Statute § 159B-39 also applies as stated in subsection (e) thereof. Pursuant to §159B-39(a), an ElectiCity shall use electric fund revenues to:

- (i) *pay the direct and indirect costs of operating the electric system and*

- (ii) *transfer to other funds of the municipality a sum that reflects a rate of return on the investment in the electric system to the extent allowed in subsection (c) of this section.*

With regard to the “rate of return” transfer authorized in sub-subsection (ii) above, §159B-39(c) specifies that a municipality can transfer a certain amount of unrestricted funds to any other municipal fund. The

funds so transferred can be used for any purpose allowed by law. The “rate of return” transfer is capped at the greater of the value of 3% of the electric utilities gross capital assets or 5% of the gross annual revenues of the utility during the prior fiscal year.

With regard to the “direct and indirect costs” mentioned in §159B-39(a)(i), subsection (b) of §159B-39 goes on to state as follows:

The direct and indirect costs of operating the electric system include all of the following:

- (1) *Debt service payments on indebtedness incurred for the electric system or secured by revenues of the electric system.*
- (2) *Capital improvements or equipment for the electric system.*
- (3) *Payments for the cost of power purchased under contractual arrangements.*
- (4) *Debt service, maintenance, renewal, and replacement or other reserves required by legal documents entered into by the municipality in connection with the issuance of bonds or other indebtedness for the electric system.*
- (5) *Reserves deemed necessary by the governing body of the municipality to assure that funds are available to maintain the financial and operational integrity of the electric system.*
- (6) *Maintaining a rate stabilization fund to minimize the impact of periodic rate changes that would otherwise be required to reflect changes in costs of operations and demand for electric service.*
- (7) *Making payments in lieu of taxes to other governmental units to reflect property taxes that would have been collected by the other governmental unit if the municipality were not the owner of the electric system.*
- (8) *Making transfers to the general fund or other funds of the municipality to reimburse the general fund or other funds for costs paid from the fund that are reasonably allocable to the electric system*

The foregoing subsection sets for a non-exhaustive list of mostly direct and a few indirect costs of the electric utility. The list is meant to be illustrative of the types of costs that the General Assembly contemplates as direct and indirect costs. For multiple reasons, the list should not, however, be read as a comprehensive or exclusive list of direct and indirect costs of the electric system.

First, the statute omits the use of any words of limitation such as “exclusively,” “solely,” “only,” or “limited to.” N.C. Dep’t of Revenue v. Graybar Elec. Co., 2019 NCBC LEXIS 2, *13, 2019 NCBC 2 (N.C. Super. Ct. January 9, 2019) (declining to interpret a statutory list as exclusive in the absence of such terms of limitation). Second, the statute states that “direct and indirect costs of operating the electric system include all of the following...” (emphasis added). The use of the term “all” suggests that the General Assembly meant to the term to be read as “at least all” or “at a minimum.” To read it otherwise would render the addition of the word “all” as surplusage. A common rule of construction is to avoid any reading which renders a word as surplusage.

Furthermore, when a statutory definition uses the word “includes” as opposed to “means,” as the case is here, the term is “more susceptible to extension of meaning by construction than where the definition declares what a term ‘means.’” 2A Norman J. Singer & J.D. Shambie Singer, *Sutherland Statutory Construction* § 47:7, at 305 (7th ed. 2007); Am. Eyecare v. Dep’t of Human Servs., 770 N.W.2d 832, 837 (Iowa 2009). Generally, “the verb ‘includes’ imports a general class, some of whose particular instances are those specified in the definition.” Helvering v. Morgan’s, Inc., 293 U.S. 121, 125 n.1, 55 S. Ct. 60, 61 (1934). Based on the foregoing, it is clear that §159B-39(b) is meant to set forth a non-exclusive list.

This interpretation is reinforced by UNC School of Government faculty member Kara Millonzi’s writings, as she has stated that allocation of money from an enterprise fund to another fund to cover shared costs (such as IT costs and human resources management, for example) should not be considered a transfer at all, and should instead be labeled as a reimbursement for budgeting, accounting, and reporting purposes. Kara Millonzi, *Transferring Money from an Enterprise Fund: Authority, Limitations, and Consequences*, Coates’ Canons: NC Local Government Law (June 5, 2015) (<https://canons.sog.unc.edu/transferring-money-from-an-enterprise-fund-authority-limitations-and-consequences/>).

In addition to the foregoing, §159B-3 contains a list of definitions, and states in relevant part as follows:

The following terms whenever used or referred to in this Chapter shall have the following respective meanings unless a different meaning clearly appears from the context:

(2) “Cost” or “cost of a project” shall mean, but shall not be limited to, the cost of acquisition, construction, reconstruction, improvement, enlargement, betterment or extension of any project, including the cost of studies, plans, specifications, surveys, and estimates of costs and revenues relating thereto; the cost of land, land rights, rights-of-way and easements, water rights, fees, permits, approvals, licenses, certificates, franchises, and the preparation of applications for and securing the same; administrative, legal, engineering and inspection expenses; financing fees, expenses and costs; working capital; initial fuel costs; interest on the bonds during the period of

construction and for such reasonable period thereafter as may be determined by the issuing municipality or joint agency (provided that a period of three years shall be deemed to be reasonable for bonds issued to finance a generating unit expected to be operated to supply base load); establishment of reserves; and all other expenditures of the issuing municipality or joint agency incidental, necessary or convenient to the acquisition, construction, reconstruction, improvement, enlargement, betterment or extension of any project and the placing of the same in operation. The term shall also mean the capital cost of fuel for any project.

(emphasis added).

Finally, G.S. §159-52 states that “[i]n order to effectuate the purposes and policies prescribed in this Chapter the provisions hereof shall be liberally construed.”

In light of the foregoing and in addition to the rate of return transfers explicitly authorized by §159B-39(a)(ii), the Town of Louisburg has made certain expenditures out of its Electric Fund for purposes that the Town considers indirect costs of its electric system. Chiefly, the Town has made several targeted economic development expenditures aimed at attracting and retaining business within the Town’s electric utility service area, including funding the Church Street Redevelopment Project and purchasing and renovating 3 dilapidated structures. Municipalities are authorized to separately budget for capital projects by passing capital project ordinances under the authority of G.S. §159-13.2. At its inception, the North Church Street Redevelopment Project was such a capital project and had the specific goal of revitalizing a key area in downtown Louisburg with the principal purpose of preventing the loss of business interests (and the associated utility accounts) in the area. These efforts have resulted in the recruitment of new business into core areas of the Town and added new commercial power customers. Given that the Town’s electric service area is dictated by statute and relatively static, the Town’s only means of increasing—or at least retaining—its customer service base is by ensuring a constant and healthy supply of businesses operating within the Town, consuming its electricity. The Town’s electric system has already seen direct and immediate benefits as a result of its Church Street Redevelopment Project in the form of new commercial power customers.

Simply put, the long term sustainability of the Town’s electric system depends on attracting and retaining commercial power customers, and the primary tool in the Town’s repertoire for achieving such growth and sustainability is via economic development activities. The growth of most private business is geographic in nature, as they expand their customer base. This is most commonly achieved by advertising, marketing, and sometimes by employing regional salespeople that visit untapped markets in an effort to recruit new business; all of which are budgeted operational costs. Since the Town’s geographic footprint is relatively fixed, however, the Town’s growth depends on bringing additional customers within its jurisdiction. As a result, the Town’s “marketing” is primarily achieved by targeted economic development. The costs incident thereto are readily classified as indirect costs of the Town’s electric system.

Consequently, said costs are properly treated as indirect costs under §159B-39(a)(i), and ought to be excluded from the total revenues permitted to be transferred to other municipal funds via the "rate of return" transfer authorized by §159B-39(a)(ii). The Town also charged several miscellaneous accounts, such as related economic development activities and certain cultural expenditures, to the Electric fund. It was the Town's determination that each such account was properly treated as "indirect costs" of the Electric fund. For example, the Town charged its Electric fund for installation of Christmas decorations in conjunction with its annual Christmas parade. The Town chose to allocate those costs to the Electric fund because the decorations are stored in a facility belonging to the electric department, they are installed by the electric crew using electric department equipment onto utility poles owned by the electric department, and last but not least, they consume electricity. Based on the foregoing circumstances, it is legal counsel's opinion that the Town's classification of such expenses as indirect costs of the electric system was reasonable.

Please let us know if you have any questions about this opinion or need anything further.