

**Town of Rowland, North Carolina**

**Financial Statements**

**For the Year Ended  
June 30, 2019**

**Town of Rowland, North Carolina**

**Financial Statements**

**For the Year Ended**

**June 30, 2019**

**Board of Town Commissioners**

**Michelle Shooter, Mayor**

**Betty Boyd**

**Paul Hunt**

**Jean Love**

**Marvin C. Shooter, Mayor Pro Tem**

**\* \* \* \* \***

**David Townsend, Town Clerk**

**Faye Carlyle, Finance Officer**

**Town of Rowland, North Carolina**  
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**June 30, 2019**

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# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs

N. C. Association of CPAs

### Independent Auditor's Report

To the Honorable Mayor and  
Members of the Board of Town Commissioners  
Town of Rowland, 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 of the Town of Rowland, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

#### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented

component unit, each major fund, and the aggregate remaining fund information of the Town of Rowland, North Carolina as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

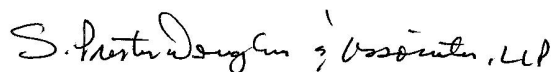
*Required Supplementary Information*

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

*Supplementary and other Information*

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

The budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in, all material respects, in relation to the basic financial statements as a whole.



Lumberton, North Carolina  
December 10, 2019

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

**Management's Discussion and Analysis**

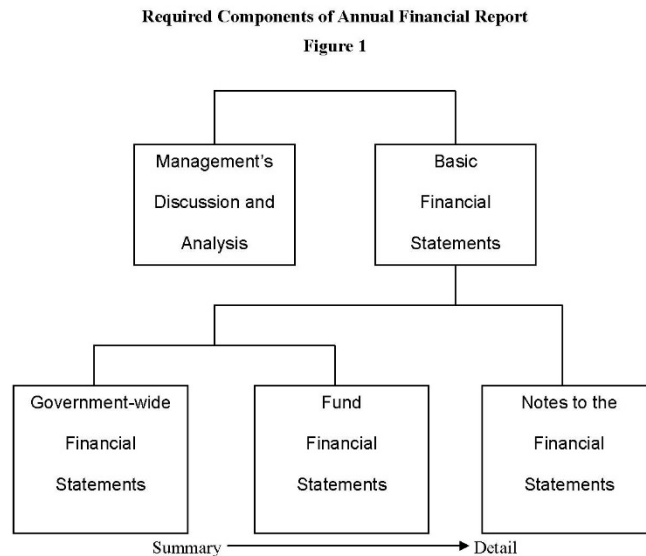
As management of the Town of Rowland, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Rowland for the fiscal year ending June 30, 2019. We encourage readers to consider the information presented in conjunction with additional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

**Financial Highlights**

- The total assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,222,006.
- The government's total net position decreased by \$32,182 in 2019.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$399,725. Approximately 73.80% of this total amount, or \$294,987, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$294,987, or approximately 32.23% of total general fund expenditures.

**Overview of the Financial Statements**

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



**Financial Statements**

The first two statements 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 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.

**Town of Rowland, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2019**

There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes 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 N.C. General Statutes can also 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, in a manner similar to the 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 total liabilities. 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 general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. 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. This includes the water and sewer services offered by the Town of Rowland. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members, and because the Board is required to distribute a portion of its profits to the Town.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund Financial Statements.** The fund financial statements 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 Rowland, like other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories, governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same 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 monies that are unexpended 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 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 Rowland adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.



**Town of Rowland, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2019**

**Basic Financial Statements (continued)**

**Governmental Funds (continued).** 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.** The Town of Rowland maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered a major fund of the Town.

**Notes to 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 can be found beginning on page 18 of this report.

**Other Information.** In addition to the basic financial statement and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 44 of this report.

**Government-Wide Financial Analysis**

**Town of Rowland's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<u>Assets</u>						
Current and other assets	\$ 606,156	\$ 543,249	\$ 212,747	\$ 187,084	\$ 818,903	\$ 730,333
Noncurrent assets	306,865	324,879	3,914,315	4,031,044	4,221,180	4,355,923
Total assets	<u>913,021</u>	<u>868,128</u>	<u>4,127,062</u>	<u>4,218,128</u>	<u>5,040,083</u>	<u>5,086,256</u>
Deferred Outflows of Resources	<u>79,266</u>	<u>69,120</u>	<u>16,699</u>	<u>14,801</u>	<u>95,965</u>	<u>83,921</u>
<u>Liabilities</u>						
Current liabilities	44,146	49,169	121,721	88,507	165,867	137,676
Noncurrent liabilities	808,602	847,975	829,110	858,170	1,637,712	1,706,145
Total liabilities	<u>852,748</u>	<u>897,144</u>	<u>950,831</u>	<u>946,677</u>	<u>1,803,579</u>	<u>1,843,821</u>
Deferred Inflows of Resources	<u>89,996</u>	<u>56,997</u>	<u>20,467</u>	<u>15,171</u>	<u>110,463</u>	<u>72,168</u>
<u>Net position</u>						
Net investment in capital assets	192,152	194,734	3,234,815	3,326,944	3,426,967	3,521,678
Restricted	104,738	97,075	-	-	104,738	97,075
Unrestricted	(247,347)	(308,702)	(62,352)	(55,863)	(309,699)	(364,565)
Total net position	<u>\$ 49,543</u>	<u>\$ (16,893)</u>	<u>\$ 3,172,463</u>	<u>\$ 3,271,081</u>	<u>\$ 3,222,006</u>	<u>\$ 3,254,188</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$3,222,006 at the close of the current fiscal year.

**Town of Rowland, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2019**

Governmental activities increased the Town's net position by \$66,436 during the fiscal year.

Business-type activities decreased the Town's net position by \$98,618 during the fiscal year.

**Town of Rowland's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Ad Valorem taxes	\$ 369,400	\$ 388,690	\$ -	\$ -	\$ 369,400	\$ 388,690
Other taxes/licenses	374,812	312,011	-	-	374,812	312,011
Unrestricted						
intergovernmental	12,756	13,980	-	-	12,756	13,980
Restricted						
intergovernmental	50,857	49,738	21,500	4,500	72,357	54,238
Other general						
revenues	10,635	13,366	25,379	875	36,014	14,241
Charges for services	154,740	149,938	406,353	413,667	561,093	563,605
Total revenues	<u>973,200</u>	<u>927,723</u>	<u>453,232</u>	<u>419,042</u>	<u>1,426,432</u>	<u>1,346,765</u>
Expenses						
General government	234,412	228,078	-	-	234,412	228,078
Public safety	430,099	421,690	-	-	430,099	421,690
Transportation	121,389	196,883	-	-	121,389	196,883
Environmental protection	116,068	114,242	-	-	116,068	114,242
Cultural and recreational	-	-	-	-	-	-
Non-departmental	-	4,427	-	-	-	4,427
Interest	4,796	6,115	-	-	4,796	6,115
Water and sewer	-	-	551,850	504,602	551,850	504,602
Total expenses	<u>906,764</u>	<u>971,435</u>	<u>551,850</u>	<u>504,602</u>	<u>1,458,614</u>	<u>1,476,037</u>
Change in net position	66,436	(43,712)	(98,618)	(85,560)	(32,182)	(129,272)
Net position –						
beginning	(16,893)	444,589	3,271,081	3,510,764	3,254,188	4,657,297
Restatement	-	(417,770)	-	(154,123)	-	(571,893)
Net position –						
beginning, restated	(16,893)	26,819	3,271,081	3,356,641	3,254,188	3,383,460
Net position –						
ending	<u>\$ 49,543</u>	<u>\$ (16,893)</u>	<u>\$ 3,172,463</u>	<u>\$ 3,271,081</u>	<u>\$ 3,222,006</u>	<u>\$ 3,254,188</u>

**Financial Analysis of the Government's Funds**

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

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

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$399,725. Of this total amount, \$294,987 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed for a variety of other restricted purposes. As a measure of the governmental funds' liquidity, it may be useful to compare both reserved fund balance and total fund balance to total expenditures. Unassigned fund balance represents 32.23% of total governmental funds expenditures, while total fund balance represents 43.67% of total governmental fund expenditures.

**Town of Rowland, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2019**

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

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to a negative \$(62,352). The total change in net position for the Water and Sewer Fund was a decrease of \$98,618.

#### **Capital Assets and Debt Administration**

**Capital Assets.** The Town of Rowland's investment in capital assets for its governmental activities and the business-type activities (respectively) as of June 30, 2019, totaled \$306,865 and \$3,914,315 (both net of accumulated depreciation).

Additional information on the Town's capital assets can be found in the notes starting on 25 of this report.

**Long-term Debt.** As of June 30, 2019, the Town of Rowland had total installment & bonded debt outstanding of \$794,213.

#### **Economic Factors and Next Year's Budgets**

- The unemployment rate for the Town and surrounding area in Robeson County was 6.2 % at June 30, 2019, which was a decrease from a rate of 6.4% a year ago. This comparison is significantly higher than the State's rate of 4.1% and the national rate of 3.7%.
- The Town plans to continue investing in its plant and equipment with grant assistance to more efficiently deliver Town services and upgrade its infrastructure.

#### **Request for Information**

This report is designed to provide a general overview of the Town of Rowland's finances for those with an interest in this area. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Rowland, Post Office Box 127, Rowland NC 28383.

## **Basic Financial Statements**

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

	<u>Primary Government</u>			<u>Component</u>
	<u>Business</u>		<u>Unit</u>	
	<u>Governmental</u>	<u>Type</u>	<u>ABC</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Board</u>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 351,747	\$ 87,879	\$ 439,626	\$ 25,334
Taxes receivable - net	177,585	-	177,585	-
Accounts receivable - net	47,171	72,007	119,178	-
Internal balances	(27,914)	27,914	-	-
Due from other governments	56,605	20,000	76,605	-
Inventories	-	4,947	4,947	44,287
Prepaid items	-	-	-	126
Restricted cash	962	-	962	-
<b>Total current assets</b>	<u>606,156</u>	<u>212,747</u>	<u>818,903</u>	<u>69,747</u>
Noncurrent assets:				
Capital assets (Note 3):				
Land, non-depreciable	21,305	10,300	31,605	5,000
Other capital assets - net of depreciation	285,560	3,904,015	4,189,575	16,968
Total capital assets	<u>306,865</u>	<u>3,914,315</u>	<u>4,221,180</u>	<u>21,968</u>
<b>Total assets</b>	<u>913,021</u>	<u>4,127,062</u>	<u>5,040,083</u>	<u>91,715</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Pension deferrals	79,266	16,699	95,965	-
<b>Total deferred outflows of resources</b>	<u>79,266</u>	<u>16,699</u>	<u>95,965</u>	<u>-</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable and accrued expenses	28,846	67,201	96,047	27,320
Current portion of long-term debt	15,300	25,800	41,100	-
Customer deposits	-	28,720	28,720	-
<b>Total current liabilities</b>	<u>44,146</u>	<u>121,721</u>	<u>165,867</u>	<u>27,320</u>
Long-term liabilities:				
Net pension liability	81,609	20,402	102,011	-
Total pension liability	110,556	-	110,556	-
Total OPEB liability	503,837	142,108	645,945	-
Non-current portion of long-term debt	112,600	666,600	779,200	-
<b>Total liabilities</b>	<u>852,748</u>	<u>950,831</u>	<u>1,803,579</u>	<u>27,320</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Pension deferrals	29,023	3,269	32,292	-
OPEB deferrals	60,973	17,198	78,171	-
<b>Total deferred inflows of resources</b>	<u>89,996</u>	<u>20,467</u>	<u>110,463</u>	<u>-</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	192,152	3,234,815	3,426,967	21,968
Restricted for:				
Stabilization by State Statute	103,776	-	103,776	-
Public Safety	962	-	962	-
Other	-	-	-	7,688
Unrestricted	(247,347)	(62,352)	(309,699)	34,739
<b>Total net position</b>	<u>\$ 49,543</u>	<u>\$ 3,172,463</u>	<u>\$ 3,222,006</u>	<u>\$ 64,395</u>

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>			<u>Component Unit ABC Board</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>	
					<u>Governmental Activities</u>	<u>Business-type Activities</u>		
<b>Primary government</b>								
<b>Governmental activities:</b>								
General government	\$ 234,412	\$ 1,117	\$ -	\$ 11,093	\$ (222,202)	\$ -	\$ (222,202)	\$ -
Public safety	430,099	-	-	-	(430,099)	-	(430,099)	-
Transportation	121,389	-	-	39,764	(81,625)	-	(81,625)	-
Environmental protection	116,068	153,623	-	-	37,555	-	37,555	-
Cultural and recreational	-	-	-	-	-	-	-	-
Non-departmental	-	-	-	-	-	-	-	-
Interest on long-term debt	4,796	-	-	-	(4,796)	-	(4,796)	-
<b>Total governmental activities</b>	<b>906,764</b>	<b>154,740</b>	<b>-</b>	<b>50,857</b>	<b>(701,167)</b>	<b>-</b>	<b>(701,167)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water and sewer	551,850	406,353	21,500	-	-	(123,997)	(123,997)	-
<b>Total business-type activities</b>	<b>551,850</b>	<b>406,353</b>	<b>21,500</b>	<b>-</b>	<b>-</b>	<b>(123,997)</b>	<b>(123,997)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 1,458,614</b>	<b>\$ 561,093</b>	<b>\$ 21,500</b>	<b>\$ 50,857</b>	<b>(701,167)</b>	<b>(123,997)</b>	<b>(825,164)</b>	<b>-</b>
<b>Component unit:</b>								
ABC Board	\$ 252,477	\$ 257,670	\$ -	\$ -	-	-	-	5,193
<b>Total component unit</b>	<b>\$ 252,477</b>	<b>\$ 257,670</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,193</b>
			<b>General revenues:</b>					
			Ad Valorem taxes		369,400	-	369,400	-
			Other taxes and licenses		374,812	-	374,812	-
			Unrestricted intergovernmental revenues		12,756	-	12,756	-
			Investment earnings		334	-	334	-
			Other revenue (expense)		10,301	25,379	35,680	-
			Transfers in (out)		-	-	-	-
			<b>Total general revenues and transfers</b>		<b>767,603</b>	<b>25,379</b>	<b>792,982</b>	<b>-</b>
			<b>Change in net position</b>		66,436	(98,618)	(32,182)	5,193
			<b>Net position, beginning</b>		<b>(16,893)</b>	<b>3,271,081</b>	<b>3,254,188</b>	<b>59,202</b>
			<b>Net position - ending of year</b>		<b>\$ 49,543</b>	<b>\$ 3,172,463</b>	<b>\$ 3,222,006</b>	<b>\$ 64,395</b>

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

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

	<b>Major Fund General</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 351,747	\$ 351,747
Restricted cash	962	962
Taxes receivable - net	177,585	177,585
Accounts receivable - net	47,171	47,171
Due from other governments	56,605	56,605
<b>Total assets</b>	<b>\$ 634,070</b>	<b>\$ 634,070</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	28,846	28,846
Due to other funds	27,914	27,914
<b>Total liabilities</b>	<b>56,760</b>	<b>56,760</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	177,585	177,585
<b>Total deferred inflows of resources</b>	<b>177,585</b>	<b>177,585</b>
<b>FUND BALANCES</b>		
Restricted		
Stabilization by State Statute	103,776	103,776
Public Safety	962	962
Assigned	-	-
Subsequent year's expenditures	-	-
Unassigned	294,987	294,987
<b>Total fund balances</b>	<b>399,725</b>	<b>399,725</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 634,070</b>	

**Town of Rowland, North Carolina**  
**Balance Sheet (continued)**  
**Governmental Funds**  
**June 30, 2019**

**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Total Fund Balance, Governmental Funds	\$	399,725
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds		
Gross capital assets at historical cost	\$ 1,875,458	
Accumulated depreciation	<u>(1,568,593)</u>	306,865
Deferred outflows of resources related to pensions are not reported in the funds		79,266
Earned revenues considered deferred inflows of resources in fund statements		177,585
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(143,332)	
Net pension liability	15,432	
Total pension liability	(81,609)	
OPEB liability	<u>(110,556)</u>	(823,902)
	<u>(503,837)</u>	
Deferred inflows of resources related to pensions are not reported in the funds		(29,023)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(60,973)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>49,543</u></b>



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

	<b>Major Fund General</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Ad valorem taxes	\$ 367,567	\$ 367,567
Other taxes and licenses	374,812	374,812
Unrestricted intergovernmental	12,756	12,756
Restricted intergovernmental	52,669	52,669
Sales and services	153,623	153,623
Interest earned on investments	334	334
Miscellaneous	9,606	9,606
<b>Total revenues</b>	<b>971,367</b>	<b>971,367</b>
<b>EXPENDITURES</b>		
General government	213,029	213,029
Public safety	447,175	447,175
Transportation	118,790	118,790
Environmental protection	116,068	116,068
Cultural and recreational	-	-
Debt service		
Principal repayment	15,432	15,432
Interest	4,796	4,796
<b>Total expenditures</b>	<b>915,290</b>	<b>915,290</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>56,077</b>	<b>56,077</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers	-	-
Loan proceeds	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>56,077</b>	<b>56,077</b>
<b>Fund balance - beginning of year</b>	<b>343,648</b>	<b>343,648</b>
<b>Fund balance - end of year</b>	<b>\$ 399,725</b>	<b>\$ 399,725</b>

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

**Town of Rowland, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2019**

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

Net change in fund balances - total governmental funds		\$ 56,077
<p>Governmental funds report capital outlay 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</p>		
Capital outlay expenditures which were capitalized	\$ 9,078	
Depreciation expense for governmental assets	<u>(27,092)</u>	(18,014)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		25,687
<p>Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities</p>		
		10,957
<p>OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities</p>		
		12,902
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		1,833
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	-	
Principal payments on long-term debt	<u>15,432</u>	15,432
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense	(25,158)	
OPEB plan expense	<u>(13,280)</u>	(38,438)
<b>Total change in net position of governmental activities</b>		<b><u>\$ 66,436</u></b>

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

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>Revenues</b>				
Ad valorem taxes	\$ 400,304	\$ 400,304	\$ 367,567	\$ (32,737)
Other taxes and licenses	304,970	316,970	374,812	57,842
Unrestricted intergovernmental	17,800	17,800	12,756	(5,044)
Restricted intergovernmental	43,515	56,870	52,669	(4,201)
Sales and services	155,000	155,000	153,623	(1,377)
Investment earnings	500	500	334	(166)
Miscellaneous	14,350	14,350	9,606	(4,744)
<b>Total revenues</b>	<u>936,439</u>	<u>961,794</u>	<u>971,367</u>	<u>9,573</u>
<b>Expenditures</b>				
Current:				
General government	228,015	241,370	213,029	28,341
Public safety	494,440	506,440	447,175	59,265
Sanitation	122,030	122,030	118,790	3,240
Transportation	138,753	138,753	116,068	22,685
Cultural and recreational	4,500	4,500	-	4,500
Contingency	-	-	-	-
Debt service:				
Principal repayment	15,500	15,500	15,432	68
Interest	5,301	5,301	4,796	505
<b>Total expenditures</b>	<u>1,008,539</u>	<u>1,033,894</u>	<u>915,290</u>	<u>118,604</u>
<b>Revenues over (under) expenditures</b>	<u>(72,100)</u>	<u>(72,100)</u>	<u>56,077</u>	<u>128,177</u>
<b>Other financing sources (uses):</b>				
Loan proceeds	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance appropriated</b>	<u>72,100</u>	<u>72,100</u>	<u>-</u>	<u>(72,100)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>56,077</u>	<u>\$ 56,077</u>
<b>Fund balance - beginning of year</b>			<u>343,648</u>	
<b>Fund balance - end of year</b>			<u>\$ 399,725</u>	

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

**Town of Rowland, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2019**

	<u>Business-type Activities</u> <u>Enterprise Fund</u> <u>Water and Sewer Fund</u>
<b><u>ASSETS</u></b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 87,879
Accounts receivable - net	72,007
Due from other funds	27,914
Due from other other governments	20,000
Inventories	4,947
<b>Total current assets</b>	<u>212,747</u>
<b>Non-current assets:</b>	
Land, non-depreciable	10,300
Other capital assets, net of depreciation	3,904,015
<b>Total non-current assets</b>	<u>3,914,315</u>
<b>Total assets</b>	<u>4,127,062</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Pension deferrals	16,699
<b>Total deferred outflows of resources</b>	<u>16,699</u>
<b><u>LIABILITIES</u></b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	67,201
Current portion of long-term debt	25,800
Customer deposits	28,720
<b>Total current liabilities</b>	<u>121,721</u>
<b>Non-current liabilities:</b>	
Net pension liability	20,402
Total OPEB liability	142,108
Non-current portion of long-term debt	666,600
<b>Total non-current liabilities</b>	<u>829,110</u>
<b>Total liabilities</b>	<u>950,831</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Pension deferrals	3,269
OPEB deferrals	17,198
<b>Total deferred inflows of resources</b>	<u>20,467</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	3,234,815
Restricted	-
Unrestricted	(62,352)
<b>Total net position</b>	<u>\$ 3,172,463</u>

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

**Town of Rowland, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2019**

	<b>Business-type Activities</b>
	<b>Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 406,353
Other operating revenue	-
<b>Total operating revenues</b>	406,353
<b>OPERATING EXPENSES</b>	
Water operating expenses	146,620
Sewer operating expenses	215,529
Non-departmental operating expenses	19,375
Depreciation	138,229
<b>Total operating expenses</b>	519,753
<b>Operating income (loss)</b>	(113,400)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Capital contributions	21,500
Miscellaneous revenue	25,379
Interest expense	(32,097)
<b>Total non-operating revenues (expenses)</b>	14,782
<b>Change in net position</b>	(98,618)
<b>Net position, beginning</b>	3,271,081
<b>Net position, ending</b>	\$ 3,172,463

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

**Town of Rowland, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2019**

	<u>Business-type Activities Enterprise Fund Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 400,203
Cash payments for personal services	(166,139)
Cash payments for goods and services	(208,607)
Increase (decrease) in customer deposits	2,087
<b>Net cash provided (used) by operating activities</b>	<u>27,544</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on bonds and other loans	(24,600)
Increase (decrease) in amounts due other funds	-
Interest paid on bonds and other loans	(32,097)
Grants and capital contributions	21,500
Acquisition and construction of assets	(21,500)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(56,697)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Miscellaneous	25,379
Interest from investments	-
<b>Net cash provided (used) by investing activities</b>	<u>25,379</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(3,774)
<b>Cash and cash equivalents - beginning of year</b>	<u>91,653</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 87,879</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (113,400)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	138,229
(Increase) decrease in accounts receivable	(26,150)
(Increase) decrease in inventory	(3,287)
Increase (decrease) in accounts payable	29,927
Increase (decrease) in customer deposits	2,087
Increase in deferred outflows of resources - pensions	(1,898)
Increase in net pension liability	687
Increase in deferred inflows of resources - pensions	1,241
Increase in deferred inflows of resources - OPEB	4,055
Decrease in OPEB liability	(3,947)
<b>Total adjustments</b>	<u>140,944</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 27,544</u>

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

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Town of Rowland 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 Rowland is a municipal corporation that is governed by an elected mayor and a four-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.

*Component Units.* In conformity with generally accepted accounting principles, the financial statements of component unit have been included in the financial statements as discretely presented component units.

*Discretely Presented Component Units.* The Town appoints the members of the ABC Board's governing board. 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 Rowland ABC Board, c/o Town of Rowland, Post Office Box 127, Rowland, NC 28383.

**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. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**B - Basis of Presentation (continued)**

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

*Water and Sewer Fund* - Water and Sewer Fund is used to account for the activity related to the provision of water and sanitary sewer services to the Town's customers.

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

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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



**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**C - Measurement Focus and Basis of Accounting (continued)**

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Rowland because the tax is levied by Robeson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D - Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Special Revenue Fund and the Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Finance Manager is authorized to transfer appropriations within a fund up to \$2,500; however, any revisions that alter total expenditures of any fund or exceed \$2,500 must be approved by the governing body. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

***Deposits and Investments***

All deposits of the Town and of 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 principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town 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 bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

***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 maturity of three months or less when purchased to be cash and cash equivalents.

***Restricted Assets***

Asset forfeiture funds are classified as restricted cash because they can be expended only for certain police related purposes. The Town of Rowland's restricted cash related to Public Safety was \$962 for the year ended June 30, 2019.

***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 due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

***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 Town of Rowland ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

***Capital Assets***

The government defines capital assets 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, \$5,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$100,000; furniture and equipment, \$5,000; and vehicles, \$5,000. 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 infrastructure assets acquired prior to July 1, 2002, 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 the life of the asset is not capitalized.

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

***Capital Assets (continued)***

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

General and Enterprise Funds:

Asset Class	Estimated Useful Lives
Infrastructure	25 years
Buildings	50-67 years
Improvements	25 years
Vehicles	6 years
Furniture and fixtures	6-10 years
Equipment	6-35 years
Computer equipment	3 years

Discretely presented component units:

Asset Class	Estimated Useful Lives
Buildings	50-67 years
Runways	25-40 years
Land improvements	20 years
Furniture and fixtures	6-10 years
Equipment	6-35 years

***Deferred outflows/inflows of resources***

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

***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 are reported as deferred charges and amortized over the term of the related 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

***Compensated Absences***

The vacation policies of the Town and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds.

Both the Town and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

***Net Position/Fund Balances***

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

In the governmental fund financial statements, fund balance is composed of three 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:

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

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

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

*Restricted for Public Safety* – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

*Net Position/Fund Balances (continued)*

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

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

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

*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 Rowland's employer contributions are recognized when due and the Town of Rowland has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**Note 2 – Stewardship, Compliance, and Accountability**

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

Water and sewer fund expenditures exceeded planned, budgeted amounts in connection with debt service and non-departmental expenditures by \$202 and \$960 respectively. Management will endeavor to make sure the situation will not repeat itself in future years.

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds**

**A - Assets**

***Deposits***

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

Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and 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 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 and ABC Board have no policy regarding custodial risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$440,588 and a bank balance of \$459,847. Of the bank balance, all of it was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$25,334 and the bank balance was \$22,868. All of the bank balance of the ABC Board was covered by federal depository insurance.

***Capital Assets***

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

<b>Governmental activities -</b>	Beginning			Ending
<b>Capital assets</b>	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 21,305	\$ -	\$ -	\$ 21,305
Buildings	244,637	-	-	244,637
Improvements	375,663	-	-	375,663
Vehicles	326,740	9,078	-	335,818
Furniture and equipment	522,790	-	-	522,790
Infrastructure	375,245	-	-	375,245
Total capital assets	<u>\$ 1,866,380</u>	<u>\$ 9,078</u>	<u>\$ -</u>	<u>\$ 1,875,458</u>
<b>Less -</b>				
<b>Accumulated depreciation</b>				
Buildings	\$ 187,711	\$ 1,498	\$ -	\$ 189,209
Improvements	205,047	7,002	-	212,049
Vehicles	298,465	13,674	-	312,139
Furniture and equipment	516,952	2,596	-	519,548
Infrastructure	333,326	2,322	-	335,648
Total accumulated depreciation	<u>1,541,501</u>	<u>\$ 27,092</u>	<u>\$ -</u>	<u>1,568,593</u>
<b>Governmental activities -</b>				
<b>Capital assets - net</b>	<u>\$ 324,879</u>			<u>\$ 306,865</u>

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**A – Assets (continued)**

**Capital Assets (continued)**

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

General government	\$	8,500
Public safety		13,674
Transportation		4,918
Total depreciation expense	\$	27,092

**Business-type activities -**

**Water and Sewer Fund -**

	Beginning Balances	Increases	Decreases	Ending Balances
Land (non-depreciable)	\$ 10,300	\$ -	\$ -	\$ 10,300
Distribution system	7,414,775	21,500	-	7,436,275
Equipment and automobiles	458,407	-	-	458,407
Total capital assets	\$ 7,883,482	\$ 21,500	\$ -	\$ 7,904,982

**Less -**

**Accumulated depreciation**

Distribution system	\$ 3,395,052	\$ 137,591	\$ -	\$ 3,532,643
Equipment and automobiles	457,386	638	-	458,024
Total accumulated depreciation	3,852,438	\$ 138,229	\$ -	3,990,667

**Business-type activities**

<b>Capital assets - net</b>	\$ 4,031,044			\$ 3,914,315
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Discretely presented component units:

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

Land	\$	5,000
Buildings		22,386
Improvements		18,632
Furniture and equipment		13,708
		59,726
Less - accumulated depreciation		(37,758)
Total ABC fixed assets	\$	21,968

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B - Liabilities**

***Pension Plan and Postemployment Obligations***

Local Government Employees' Retirement System

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



**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

***Pension Plan and Postemployment Obligations (continued)***

Local Government Employees' Retirement System (continued)

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rowland 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 Rowland'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 Rowland were \$30,864 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 \$102,011 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00430%, which was a decrease of 0.00363% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense (revenue) of \$22,167. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 15,738	\$ 528
Changes of assumptions	27,070	-
Net difference between projected and actual earnings on pension plan investments	14,003	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	799	15,816
Town contributions subsequent to the measurement date	30,864	-
Total	<u>\$ 88,474</u>	<u>\$ 16,344</u>

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Pension Plan and Postemployment Obligations (continued)*

Local Government Employees’ Retirement System (continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

\$30,864 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase 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:

<b>Year ended June 30:</b>		
2020	\$	23,637
2021		13,427
2022		(796)
2023		4,998
2024		-
Thereafter		-
		\$ 41,266

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

Inflation	3.0 percent	
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor	
Investment rate of return	7.0 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.

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Pension Plan and Postemployment Obligations (continued)*

Local Government Employees’ Retirement System (continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies’ return projections reflect the 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:

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

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Pension Plan and Postemployment Obligations (continued)*

Local Government Employees’ Retirement System (continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

*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 City’s proportionate share of the net pension asset to changes in the discount rate.* The following presents the City’s proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the City’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:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 245,039	\$ 102,011	\$ (17,506)

*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.

Law Enforcement Officers Special Separation Allowance

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

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

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	7
Total	8

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

***Pension Plan and Postemployment Obligations (continued)***

Law Enforcement Officers Special Separation Allowance (continued)

*Summary of Significant Accounting Policies*

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

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

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

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

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

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

*Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. 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 \$10,429 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$110,556. 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 \$8,202.

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Pension Plan and Postemployment Obligations (continued)*

Law Enforcement Officers Special Separation Allowance (continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (continued)*

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,882	\$ 12,003
Changes of assumptions	4,609	3,945
Benefits payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 7,491	\$ 15,948

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

<b>Year ended June 30:</b>		
2020	\$	(1,695)
2021		(1,695)
2022		(1,695)
2023		(1,491)
2024		(1,881)
Thereafter		-
	\$	(8,457)

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

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (3.64%)</b>
Total pension liability	\$ 117,588	\$ 110,556	\$ 104,028

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Pension Plan and Postemployment Obligations (continued)*

Law Enforcement Officers Special Separation Allowance (continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (continued)*

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

	<b>2019</b>
Beginning balance	\$ 129,489
Service cost	5,442
Interest on the total pension liability	3,927
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(14,562)
Changes of assumptions or other inputs	(3,311)
Benefit payments	(10,429)
Other changes	-
Ending balance of the total pension liability	\$ 110,556

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

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

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Pension Plan and Postemployment Obligations (continued)*

*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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 22,167	\$ 8,202	\$ 30,369
Pension Liability	102,011	110,556	212,567
Proportionate share of the net pension liability	.00430%	n/a	
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	15,738	2,882	18,620
Changes of assumptions	27,070	4,609	31,679
Net difference between projected and actual earnings on pension plan investments	14,003	-	14,003
Changes in proportion and differences between Town contributions and proportionate share of contributions	799	-	799
Benefit payments and administrative costs paid subsequent to the measurement date	30,864	-	30,864
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	528	12,003	12,531
Changes of assumptions	-	3,945	3,945
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	15,816	-	15,816

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.

*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 \$14,271 of which \$9,403 were made by the Town and \$4,868 were made by employees.



**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Pension Plan and Postemployment Obligations (continued)*

*Other postemployment benefits*

According to a Town resolution, the Town provides postemployment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (LGERS) and have at least five years of creditable service with the Town. In addition, the Town pays the full cost of these benefits with a minimum of twenty years of creditable service with the Town. Retirees who do not meet the aforementioned criteria have the option to purchase coverage themselves and their dependents through the Town for eighteen months. The entire cost of this insurance is borne by the retirees. The Town maintains health care coverage through private insurers.

Membership of the Plan consisted of the following at June 30, 2017:

	General Employees	Law Enforcement Officers
	<u>          </u>	<u>          </u>
Retirees and dependents receiving benefits	2	1
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	<u>5</u>	<u>7</u>
Total	<u><u>7</u></u>	<u><u>8</u></u>

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Other postemployment benefits (continued)*

**Total OPEB Liability**

The Town’s total OPEB liability of \$645,945 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare 7.50% Medicare 5.50%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

**Changes in the Total OPEB Liability**

	<b>OPEB Liability</b>
Balance at July 1, 2018	\$ 663,887
Service cost	12,516
Interest	23,343
Changes of benefit terms	-
Differences between expected and actual experience	(3,736)
Changes of assumptions or other inputs	(33,526)
Benefit payments	<u>(16,539)</u>
Net changes	<u>(17,942)</u>
Balance at June 30, 2019	<u><u>\$ 645,945</u></u>

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 1, 2010 through December, 31, 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 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Other post-employment benefits (continued)*

	<b>1% Decrease (2.89%)</b>	<b>Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
Total OPEB liability	\$ 756,014	\$ 645,945	\$ 558,299

*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:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 550,480	\$ 645,945	\$ 766,117

**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 \$17,025. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 10,142
Changes of assumptions	-	68,029
Total	\$ -	\$ 78,171

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

<b>Year ended June 30:</b>			
2019	\$	(18,834)	
2020		(18,834)	
2021		(18,834)	
2022		(16,472)	
2023		(5,197)	
Thereafter		-	
	\$	(78,171)	

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B – Liabilities (continued)**

*Other employment benefits*

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

*Deferred Outflows and Inflows of Resources*

Deferred outflows of resources at year end are comprised of –pension related deferrals of \$95,965.

Deferred inflows of resources at year end are comprised of – property taxes receivable of \$177,585, pension deferrals of \$32,292, and OPEB deferrals of \$78,171.

*Risk Management*

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains workers' compensation coverage up to the statutory limits and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims of up to \$5 million for workers' compensation. These pools are reinsured for annual employee health claims in excess of \$150,000.

The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries no flood insurance as no assets are considered exposed to this hazard.

In accordance with G.S. 159-29, the finance officer is performance bonded for \$75,000. The Town had no tax collector at the report date. All employees in a position of trust are covered under a blanket employee dishonesty policy with a \$25,000 limit.

Town of Rowland ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B - Liabilities (continued)**

*USDA Promissory Notes*

On July 13, 2006 the Town executed two direct borrowing promissory notes between it and the USDA (lender) for purposes of renovating a library. Both notes are collateralized by a deed of trust on certain real estate and are to be repaid annually over 25 years. The \$50,000 note bears interest at the rate of 4.5% and the \$75,000 note bears interest at the rate of 4.25%. See repayment schedules on the following page for additional details.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 8,301	\$ 4,760	\$ 3,541
2021	8,301	4,967	3,334
2022	8,301	5,183	3,118
2023	8,301	5,408	2,893
2024	8,301	5,644	2,657
2025-2029	41,505	32,122	9,383
2030-2032	25,415	23,316	2,099
Total	<u>\$ 108,425</u>	<u>\$ 81,400</u>	<u>\$ 27,025</u>

*Installment Notes*

On June 14, 2016, the Town entered into a direct borrowing installment note of \$54,403 with Lumbee Guaranty Bank to purchase two police cars, payable in five annual installments of \$11,927, including interest at 3.140% in a manner reflected immediately below.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 11,927	\$ 10,540	\$ 1,387
2021	11,927	11,210	717
2022	11,927	11,563	364
Total	<u>\$ 35,781</u>	<u>\$ 33,313</u>	<u>\$ 2,468</u>

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B - Liabilities (continued)**

*General Obligated Indebtedness*

The general obligations bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

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

*General Obligation Bonds*

Sanitary Sewer Bonds issued July 3, 1989, payable in annual principle installments ranging from \$2,000 to \$8,000 through June 1, 2029; interest at 5.00%	\$ 76,000
Sanitary Sewer Bonds issued January 8, 2001, payable in annual installments ranging from \$7,500 to \$30,000 through June 1, 2040; interest at 4.5%	480,000
Sanitary Sewer Bonds issued January 8, 2001, payable in annual installments ranging from \$1,900 to \$7,600 through June 1, 2040; interest at 4.5%	123,500
	\$ 679,500
Total general obligation bonds	\$ 679,500

Annual debt service requirements to maturity of general obligation bonds including interest of \$356,124 are as follows:

Years ending June 30:	Total	Principal	Interest
2020	\$ 56,757	\$ 25,800	\$ 30,957
2021	56,761	27,000	29,761
2022	56,109	27,600	28,509
2023	56,030	28,800	27,230
2024	55,893	30,000	25,893
2025-2029	273,232	165,800	107,432
2030-2034	223,744	152,700	71,044
2035-2039	217,806	184,200	33,606
2040	39,292	37,600	1,692
Total	\$ 1,035,624	\$ 679,500	\$ 356,124

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 3 - Detail Notes on All Funds (continued)**

**B - Liabilities (continued)**

**General Obligated Indebtedness (continued)**

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental activities:</b>					
Direct borrowing					
USDA promissory note	\$ 85,961	\$ -	\$ 4,561	\$ 81,400	\$ 4,760
Installment purchases	44,184	-	10,871	33,313	10,540
Compensated absences	13,187	-	-	13,187	-
Total OPEB liability	517,832	-	13,995	503,837	-
Net pension liability (LGERS)	82,642	-	1,033	81,609	-
Total pension liability	129,489	-	18,933	110,556	-
Total	<u>\$ 873,295</u>	<u>\$ -</u>	<u>\$ 49,393</u>	<u>\$ 823,902</u>	<u>\$ 15,300</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 704,100	\$ -	\$ 24,600	\$ 679,500	\$ 25,800
Compensated absences	12,900	-	-	12,900	-
Total OPEB liability	146,055	-	3,947	142,108	-
Net pension liability (LGERS)	19,715	687	-	20,402	-
Total	<u>\$ 882,770</u>	<u>\$ 687</u>	<u>\$ 28,547</u>	<u>\$ 854,910</u>	<u>\$ 25,800</u>

At June 30, 2019, the Town's legal debt margin is \$3,166,627.

**Interfund Balances and Activity**

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

Due from the General Fund to the Water & Sewer Fund - \$27,914

The outstanding balance results from the timing differences between when goods and services are provided, recorded, and then subsequently reimbursed.

**Town of Rowland, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2019**

**Note 4 – Net Investment in Capital Assets**

At June 30, 2019, the Town had a total net investment in capital assets of \$3,426,967.

**Note 5 – Fund Balance**

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

Total fund balance-General Fund	\$ 399,725
Less:	
Stabilization by State Statute	103,776
Public Safety	962
Subsequent year's expenditures	-
Remaining Fund Balance	294,987

**Note 6 – Subsequent Events**

Subsequent events were evaluated through December 10, 2019, which is the date the financial statements were available to be issued.



### **Required Supplementary Financial Data**

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

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability and Related Ratios

**Town of Rowland, North Carolina**  
**Town of Rowland'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>
Rowland's proportion of the net pension liability (asset) (%)	0.00430%	0.00067%	0.00069%	0.00067%	0.00061%	0.00076%
Rowland's proportion of the net pension liability (asset) (\$)	\$ 102,011	\$ 102,357	\$ 145,380	\$ 29,979	\$ (36,210)	\$ 91,609
Rowland's covered-employee payroll	\$ 342,040	\$ 372,093	\$ 396,156	\$ 390,440	\$ 340,206	\$ 340,206
Rowland's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.82%	27.51%	36.70%	7.56%	(9.27%)	26.93%
Plan fiduciary net position as a percentage of the total pension liability.	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**Town of Rowland, North Carolina**  
**Town of Rowland'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	\$ 30,864	\$ 27,491	\$ 28,282	\$ 26,273	\$ 27,221	\$ 24,467
Contributions in relation to the contractually required contribution	30,864	27,491	28,282	26,273	27,221	24,467
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rowland's covered-employee payroll	\$ 373,128	\$ 342,040	\$ 372,093	\$ 396,156	\$ 390,440	\$ 340,206
Contributions as a percentage of covered-employee payroll	8.27%	8.04%	7.60%	6.63%	7.21%	7.19%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 129,489	\$ 118,143	\$ 121,452
Service cost	5,442	6,323	5,251
Interest on the total pension liability	3,927	4,359	4,150
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(14,562)	4,268	-
Changes of assumptions or other inputs	(3,311)	6,825	(2,281)
Benefit payments	(10,429)	(10,429)	(10,429)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 110,556</u>	<u>\$ 129,489</u>	<u>\$ 118,143</u>

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 110,556	\$ 129,489	\$ 118,143
Covered payroll	236,329	285,541	238,141
Total pension liability as a percentage of covered payroll	46.78%	45.35%	49.61%

Notes to the schedules:

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

**Town of Rowland, North Carolina**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**June 30, 2019**

<b>Total OPEB Liability</b>	<b>2019</b>	<b>2018</b>
Service cost	\$ 12,516	\$ 14,276
Interest	23,343	21,212
Changes of benefit terms	-	-
Differences between expected and actual experience	(3,736)	(10,749)
Changes of assumptions	(33,526)	(61,415)
Benefit payments	(16,539)	(8,239)
<b>Net change in total OPEB liability</b>	<b>(17,942)</b>	<b>(44,915)</b>
<b>Total OPEB liability - beginning</b>	<b>663,887</b>	<b>708,802</b>
<b>Total OPEB liability - ending</b>	<b>\$ 645,945</b>	<b>\$ 663,887</b>
<b>Covered payroll</b>	<b>\$ 290,124</b>	<b>\$ 290,124</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>222.64%</b>	<b>228.83%</b>

Notes to the schedules:

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

	<b>2019</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Current year	\$	\$ 343,082	\$
Prior years		24,485	
<b>Total</b>	400,304	367,567	(32,737)
<b>Other taxes and licenses:</b>			
Utility franchise tax		53,216	
Local option sales tax		263,347	
Privilege and gaming licenses		47,800	
Zoning permits		250	
Occupancy tax		10,199	
<b>Total</b>	316,970	374,812	57,842
<b>Unrestricted intergovernmental:</b>			
Beer and wine tax		4,278	
Payments in lieu of taxes		1,997	
Video franchise fee		2,274	
Telecommunications sales tax		4,207	
<b>Total</b>	17,800	12,756	(5,044)
<b>Restricted intergovernmental:</b>			
Powell Bill allocation		39,764	
Grants		11,093	
Courtroom facility fees		1,117	
Solid waste disposal tax		695	
<b>Total</b>	\$ 56,870	\$ 52,669	\$ (4,201)



**Town of Rowland, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – General Fund (continued)**  
**For the Year Ended June 30, 2019**

	<b>2019</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues (continued):</b>			
<b>Other general revenues:</b>			
Investment earnings	\$	\$ 334	\$
Miscellaneous income		1,006	
Sanitation fees		153,623	
Rent		8,600	
<b>Total other general revenues</b>	<u>169,850</u>	<u>163,563</u>	<u>(6,287)</u>
<b>Total revenues</b>	<u>961,794</u>	<u>971,367</u>	<u>9,573</u>
<b>Expenditures:</b>			
<b>General government:</b>			
Board remuneration		9,688	
Professional fees		14,516	
Legal fees		6,088	
Election expense		-	
Dues and fees		2,289	
Insurance and bonds		8,433	
Rescue Squad		4,500	
Contributions		41,621	
Other operating expenditures		12,715	
<b>Total</b>	<u>109,845</u>	<u>99,850</u>	<u>9,995</u>
<b>Administration:</b>			
Salaries and employee benefits		82,781	
Miscellaneous		6,838	
Telephone and postage		6,004	
Utilities		4,434	
Maintenance and repairs		4,851	
Advertising		-	
Supplies and printing		4,489	
Dues and fees		213	
Insurance and bonds		3,569	
<b>Total</b>	<u>131,525</u>	<u>113,179</u>	<u>18,346</u>
<b>Total general government</b>	<u>\$ 241,370</u>	<u>\$ 213,029</u>	<u>\$ 28,341</u>

**Town of Rowland, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – General Fund (continued)**  
**For the Year Ended June 30, 2019**

	<b>2019</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Expenditures (continued):</b>			
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and employee benefits	\$	\$ 343,440	\$
Telephone and postage		7,404	
Utilities		5,567	
Maintenance and repairs		18,011	
Vehicle expense		16,580	
Supplies		1,516	
Uniform expense		3,057	
Dues and subscriptions		602	
Insurance and bonds		19,374	
Miscellaneous expense		1,546	
Capital outlay		9,078	
<b>Total</b>	<b>485,440</b>	<b>426,175</b>	<b>59,265</b>
<b>Fire:</b>			
Telephone		514	
Utilities		399	
Vehicle expense		320	
Insurance and bonds		18,785	
Miscellaneous		982	
<b>Total</b>	<b>21,000</b>	<b>21,000</b>	<b>-</b>
<b>Total public safety</b>	<b>\$ 506,440</b>	<b>\$ 447,175</b>	<b>\$ 59,265</b>

**Town of Rowland, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – General Fund (continued)**  
**For the Year Ended June 30, 2019**

	2019		Variance Positive (Negative)
	Budget	Actual	
<b>Expenditures (continued)</b>			
<b>Environmental protection:</b>			
Landfill expense	\$	\$ -	\$
Contracted services		110,068	
Miscellaneous		6,000	
<b>Total environmental protection</b>	<u>122,030</u>	<u>116,068</u>	<u>5,962</u>
<b>Transportation:</b>			
<b>Powell Bill:</b>			
Salaries and employee benefits		51,565	
Patching and resurfacing		7,241	
Maintenance and repairs		3,001	
Vehicle expense		4,805	
Supplies		807	
Uniform expense		1,102	
Insurance and bonds		4,428	
<b>Total</b>	<u>86,698</u>	<u>72,949</u>	<u>13,749</u>
<b>Streets:</b>			
Utilities		26,912	
Maintenance and repairs		1,607	
Mosquito control		4,075	
Vehicle expense		2,165	
Supplies		2,617	
Insurance and bonds		621	
Hurricane Matthew clean-up		5,313	
Miscellaneous expense		2,531	
<b>Total</b>	<u>52,055</u>	<u>45,841</u>	<u>6,214</u>
<b>Total transportation</b>	<u>138,753</u>	<u>118,790</u>	<u>19,963</u>
<b>Cultural and Recreational:</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Debt Service:</b>			
Principal		15,432	
Interest		4,796	
<b>Total debt service</b>	<u>20,801</u>	<u>20,228</u>	<u>573</u>
<b>Non-departmental:</b>	<u>4,500</u>	<u>-</u>	<u>4,500</u>
<b>Total expenditures</b>	<u>\$ 1,033,894</u>	<u>\$ 915,290</u>	<u>\$ 118,604</u>

**Town of Rowland, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – General Fund (continued)**  
**For the Year Ended June 30, 2019**

	<u>2019</u>		<b>Variance Positive (Negative)</b>
	<u>Budget</u>	<u>Actual</u>	
<b>Total revenues</b>	\$ 961,794	\$ 971,367	\$ 9,573
<b>Total expenditures</b>	<u>1,033,894</u>	<u>915,290</u>	<u>118,604</u>
<b>Revenues over (under) expenditures</b>	(72,100)	56,077	128,177
<b>Other financing sources (uses):</b>			
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	72,100	-	(72,100)
Net change in fund balance	<u>\$ -</u>	56,077	<u>\$ (56,077)</u>
<b>Fund balance, beginning</b>		<u>343,648</u>	
<b>Fund balance, ending</b>		<u>\$ 399,725</u>	

**Town of Rowland, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – (Non-GAAP)**  
**For the Year Ended June 30, 2019**

	2019		Variance Positive (Negative)
	Budget	Actual	
<b><u>Revenues:</u></b>			
<b>Operating revenues</b>			
Water and sewer revenue	\$	\$ 400,243	\$
Reconnection fees	-	6,110	
<b>Total operating revenues</b>	416,750	406,353	(10,397)
<b>Non-operating revenues:</b>			
FEMA assistance - Hurricane Matthew		20,000	
Miscellaneous income		5,379	
<b>Total non-operating revenues</b>	20,775	25,379	4,604
<b>Total revenues</b>	437,525	431,732	(5,793)
<b><u>Expenditures</u></b>			
<b>Water</b>			
Salaries and benefits		81,693	
Telephone and postage		1,102	
Utilities		16,528	
Maintenance and repairs		18,436	
Water and sewer tests		1,314	
Vehicle expense		5,303	
Supplies		14,790	
Uniforms		2,153	
Dues and fees		420	
Insurance and bonds		4,685	
Miscellaneous		1,906	
<b>Total water</b>	\$ 161,300	\$ 148,330	\$ 12,970

**Town of Rowland, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – (Non-GAAP)**  
**For the Year Ended June 30, 2019**

	<b>2019</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b><u>Expenditures (continued)</u></b>			
<b>Sewer</b>			
Salaries and benefits	\$	\$ 84,446	\$
Telephone and postage		2,209	
Utilities		27,124	
Maintenance and repairs		12,929	
Sewer tests		8,190	
Vehicle expense		4,566	
Supplies		8,595	
Uniforms		1,698	
Contracted services		26,200	
Dues and fees		3,834	
Insurance and bonds		4,988	
Miscellaneous expense		34,217	
<b>Total sewer</b>	<b>222,555</b>	<b>218,996</b>	<b>3,559</b>
<b>Debt service</b>			
Principal retirement		24,600	
Interest		32,097	
<b>Total debt service</b>	<b>56,495</b>	<b>56,697</b>	<b>(202)</b>
<b>Non-departmental - retirees insurance</b>	<b>13,100</b>	<b>14,060</b>	<b>(960)</b>
<b>Total expenditures</b>	<b>\$ 453,450</b>	<b>\$ 438,083</b>	<b>\$ 15,367</b>

**Town of Rowland, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – (Non-GAAP)**  
**For the Year Ended June 30, 2019**

	<b>2019</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Total revenues</b>	\$ 437,525	\$ 431,732	\$ (5,793)
<b>Total expenditures</b>	<u>453,450</u>	<u>438,083</u>	<u>15,367</u>
<b>Revenue over (under) expenditures</b>	(15,925)	(6,351)	9,574
<b>Other financing sources (uses)</b>			
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	15,925		(15,925)
<b>Revenue and other sources     over (under) expenditures     and other uses</b>	<u>\$ -</u>	<u>\$ (6,351)</u>	<u>\$ (6,351)</u>

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

**Revenue over (under) expenditures** \$ (6,351)

**Reconciling items:**

Principal retirement	24,600
Increase in deferred outflows of resources - pensions	1,898
Increase in net pension liability	(687)
Increase in deferred inflows of resources - pensions	(1,241)
Increase in deferred inflows of resources - OPEB	(4,055)
Decrease in OPEB liability	3,947
Capital contributions	21,500
Depreciation	<u>(138,229)</u>

**Change in net position** \$ (98,618)

**Town of Rowland, North Carolina**  
**Water and Sewer Fund Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>		
<b>Revenues:</b>					
Asset Inventory Assessment Grant					
NC DEQ	\$ 125,950	\$ 4,500	\$ 21,500	\$ 26,000	\$ 99,950
<b>Total revenues</b>	<u>125,950</u>	<u>4,500</u>	<u>21,500</u>	<u>26,000</u>	<u>99,950</u>
<b>Expenditures:</b>					
Planning and design	125,950	4,500	21,500	26,000	99,950
<b>Total expenditures</b>	<u>125,950</u>	<u>4,500</u>	<u>21,500</u>	<u>26,000</u>	<u>99,950</u>
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## **Other Schedules**

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

<b>Fiscal Year</b>	<b>Uncollected Balances June 30, 2018</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balances June 30, 2019</b>
2018-2019	\$ -	\$ 391,133	\$ 359,887	\$ 31,246
2017-2018	28,082	-	6,386	21,696
2016-2017	25,661	-	3,154	22,507
2015-2016	19,084	-	1,318	17,766
2014-2015	18,656	-	2,048	16,608
2013-2014	17,940	-	776	17,164
2012-2013	17,980	-	1,511	16,469
2011-2012	15,648	-	1,916	13,732
2010-2011	13,943	-	1,166	12,777
2009-2010	9,734	-	2,114	7,620
2008-2009	9,024	-	9,024	-
2007-2008	-	-	-	-
	<u>\$ 175,752</u>	<u>\$ 391,133</u>	<u>\$ 389,300</u>	<u>177,585</u>
Less: Allowance for uncollected accounts - General Fund				<u>-</u>
<b>Ad valorem taxes receivable - net</b>				<u><u>\$ 177,585</u></u>
<b>Reconciliation to revenues:</b>				
Taxes - Ad valorem - general fund				\$ 367,567
Reconciling items:				
Taxes written off				9,024
Other				<u>12,709</u>
<b>Total collections and credits</b>				<u><u>\$ 389,300</u></u>

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

	Town-wide Levy			Total Levy	
	Property Valuation	Rate (per \$100)	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy</b>					
Property taxed at current year's rate	\$ 49,510,506	<u>0.0079</u>	\$ 391,133	\$ 355,992	\$ 35,141
<b>Discoveries</b>			-	-	-
<b>Releases</b>			-	-	-
<b>Net levy</b>			391,133	355,992	35,141
Less- Uncollected taxes at June 30, 2019			<u>31,246</u>	<u>31,246</u>	<u>-</u>
<b>Current year's taxes collected</b>			<u>\$ 359,887</u>	<u>\$ 324,746</u>	<u>\$ 35,141</u>
<b>Current levy collection percentage</b>			<u>92.01%</u>	<u>91.22%</u>	<u>100.00%</u>