

TOWN OF LANDIS, NORTH CAROLINA

Audited Financial Statements

For the Fiscal Year Ended June 30, 2020

Board of Alderman Members

Meredith B. Smith, Mayor
Ashley Stewart, Mayor Pro Tempore
Katie Sells
Darrell Overcash
Tony Corriher

Administrative and Financial Staff

Leonard Barefoot, Interim Town Manager
Diane Seaford, Finance Officer

TOWN OF LANDIS, NORTH CAROLINA

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Landis, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Landis, North Carolina as of June 30, 2020, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund and Storm Water Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 39 and 40 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 basic financial statements of the Town of Landis, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2021, on our consideration of the Town of Landis, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the Town of Landis, North Carolina's internal control over financial reporting and compliance.

Ann R. Craven, CPA, PLLC

*Ann R. Craven, CPA, PLLC
Greensboro, North Carolina
February 18, 2021*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Landis, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Landis for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

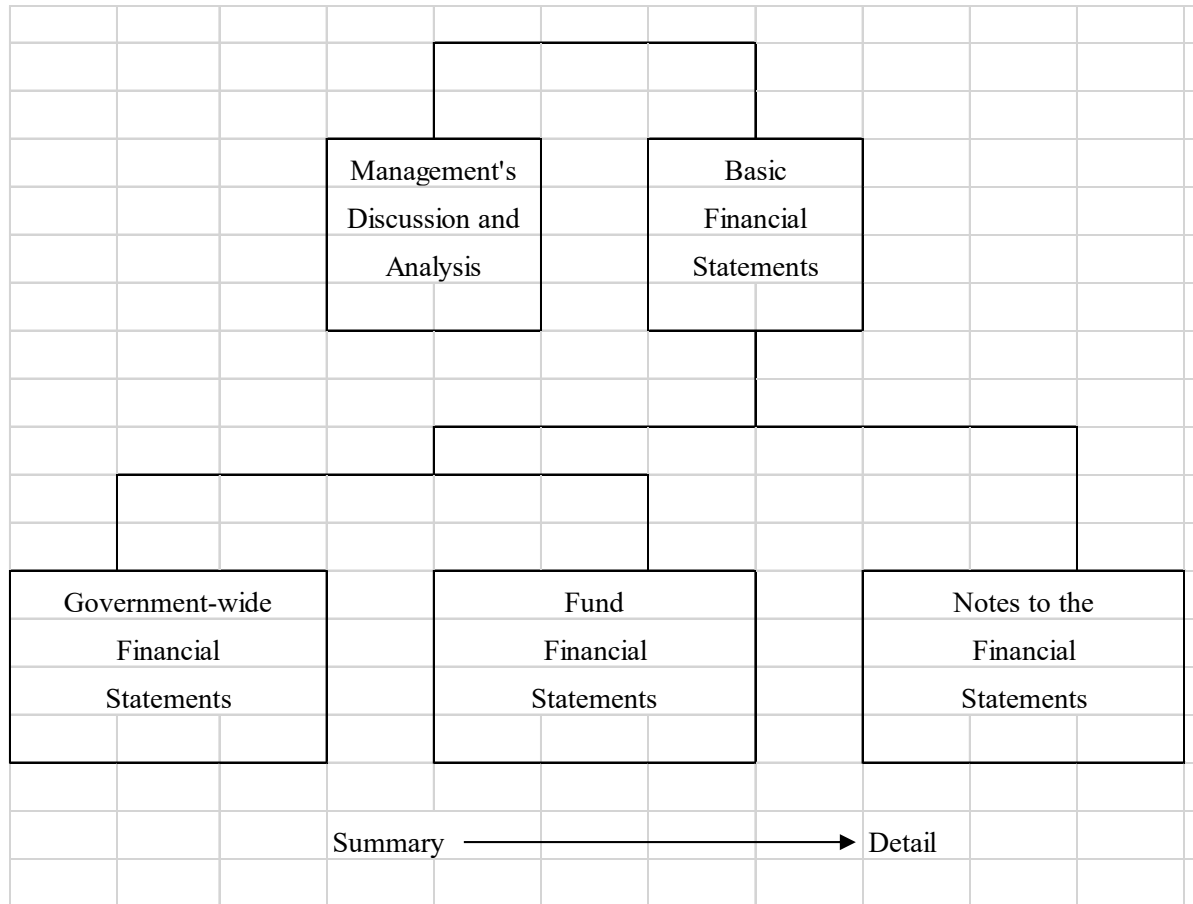
- The assets and deferred outflows of resources of the Town of Landis exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,363,745 (*net position*).
- The government's total net position increased by \$1,317,329 due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Landis's governmental funds reported combined ending fund balances of \$2,194,035 with a net increase of \$296,483 in fund balance. Approximately 39.86% of this total amount or \$874,515 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,095,817, or 27.85% of total general fund expenditures (\$3,935,299) for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements, and 4) the fiduciary fund statements. The Town of Landis has no fiduciary funds, so this part of the Fund Financial Statements is omitted.

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

Government-wide Financial Statements

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

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

Government-wide Financial Statements - Continued

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, transportation and general administration. Property taxes and various state-collected taxes finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include electric, water and sewer services offered by the Town. The Town has no component units, so this part of the government-wide statements is omitted.

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

Fund Financial Statements

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

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

The Town of Landis 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 of Aldermen about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board of Aldermen; 2) the final budget as amended by the Board of Aldermen; 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 Landis has one type of proprietary fund, 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 an enterprise fund to account for its electric, water and sewer activity. This fund is the same as the functions shown in the business-type activities in the Statement of Net Position and Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Landis's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 65 of this report.

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

Government-Wide Financial Analysis

Town of Landis's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,391,546	\$ 2,061,106	\$ 3,316,054	\$ 2,214,464	\$ 5,707,600	\$ 4,275,570
Capital assets	4,264,075	4,281,034	13,233,054	13,930,201	17,497,129	18,211,235
Deferred outflows of resources	281,762	294,507	220,376	248,915	502,138	543,422
Total assets and deferred outflows of resources	6,937,383	6,636,647	16,769,484	16,393,580	23,706,867	23,030,227
Long-term liabilities outstanding	1,099,680	2,447,097	4,801,168	5,718,757	5,900,848	8,165,854
Other liabilities	1,242,768	66,551	1,191,359	648,119	2,434,127	714,670
Deferred inflows of resources	6,407	10,272	1,740	4,222	8,147	14,494
Total liabilities and deferred inflows of resources	2,348,855	2,523,920	5,994,267	6,371,098	8,343,122	8,895,018
Net position:						
Net investment in capital assets	2,648,798	2,239,815	8,290,695	8,629,647	10,939,493	10,869,462
Restricted						
Stabilization by State Statute	305,483	597,090			305,483	597,090
Capital projects		23,506			-	23,506
Streets	261,747	504,027			261,747	504,027
Park construction	212,191	210,981			212,191	210,981
USDA loan reserve	75,619	75,550		161,958	75,619	237,508
Unrestricted	1,084,690	461,758	2,484,522	1,230,877	3,569,212	1,692,635
Total net position	\$ 4,588,528	\$ 4,112,727	\$ 10,775,217	\$ 10,022,482	\$ 15,363,745	\$ 14,135,209

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Landis exceeded liabilities and deferred inflows of resources by \$15,363,745 as of June 30, 2020. The Town's net position increased \$1,317,329 for the fiscal year ended June 30, 2020. However, the largest portion, \$10,939,493 (71.2%) reflects the Town's investment in capital assets (e.g. land, buildings, infrastructure, furniture, computers and equipment). The Town of Landis uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Landis's net position, \$855,040, or 5.56%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,569,212 is unrestricted.

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

- Overall prior maintenance of fixed assets.
- Non-essential employee positions are not being filled if vacated.
- Insurance proceeds.

Town of Landis's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 426,732	\$ 407,476	\$ 9,197,641	\$ 9,355,519	\$ 9,624,373	\$ 9,762,995
Operating grants and contributions	230,284	260,928			230,284	260,928
Capital grants and contributions	-	43,265			-	43,265
General revenues:						
Property taxes	1,768,330	1,492,069			1,768,330	1,492,069
Stormwater fees	110,040	106,687			110,040	106,687
Grants and contributions unrestricted to specific programs	-	-			-	-
Other	1,048,529	1,055,997	10,451	2,007	1,048,529	1,055,997
	80,326	426,049			90,777	428,056
Total revenues	3,664,241	3,792,471	9,208,092	9,357,526	12,872,333	13,149,997
Expenses:						
General government	485,619	351,713			485,619	351,713
Public safety	1,902,051	1,646,703			1,902,051	1,646,703
Transportation	650,417	646,311			650,417	646,311
Environmental protection	330,413	258,938			330,413	258,938
Cultural and recreational	309,198	468,553			309,198	468,553
Interest on long-term debt	71,949	83,133	173,722	181,482	245,671	264,615
Water	-	-	934,437	766,855	934,437	766,855
Sewer	-	-	1,150,621	1,335,394	1,150,621	1,335,394
Light	-	-	5,546,578	6,466,229	5,546,578	6,466,229
Total expenses	3,749,647	3,455,351	7,805,358	8,749,960	11,555,005	12,205,311
Increase(decrease) in net position before transfers	(85,406)	337,120	1,402,734	607,566	1,317,328	944,686
Transfers	650,000		(650,000)			
Increase (decrease) in net position	564,594		752,734		1,317,328	
Net position, beginning	4,112,727	3,775,607	10,022,483	9,414,917	14,135,210	13,190,524
Prior period adjustment	(88,793)		-			
Net position, beginning, restated	4,023,934		10,022,483			
Net position, June 30	\$ 4,588,528	\$ 4,112,727	\$10,775,217	\$10,022,483	\$15,452,538	\$14,135,210

Governmental Activities: Governmental activities decreased the Town's net assets by \$85,406. Key elements of this decrease are as follows:

- Increased expenses, mainly in public safety.
- Increased expenses in the general operations of the Town due to staff and legal issues in the prior year.

Business-type activities: Business-type activities increased the Town's net position by \$1,402,734, accounting for 224.02% of the total increase in the government's net position.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Landis. At the end of the current fiscal year, Town of Landis's fund balance available in the General Fund was \$1,950,858, while total fund balance was \$2,194,035. The Town currently has an available fund balance of 27.85% of general fund expenditures, while total fund balance represents 55.75% of the same amount.

At June 30, 2020, the governmental funds of Town of Landis reported a combined fund balance of \$2,194,035 with a net increase in fund balance of \$296,483. Included in this change in fund balance are increases in fund balance in the General Fund and Stormwater Fund a decrease in fund balance in the Capital Projects Fund.

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.

There were several reasons the Town revised its budget throughout the year. The Town amended its budget in the General Fund in General Government, Public Safety, Transportation and Cultural and Recreational departments to account for unexpected expenditures.

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 Funds at the end of the fiscal year amounted to \$1,572,493 and (\$266,527), respectively, and for the Electric Fund, \$1,178,555. The total change in net position for the Water and Sewer Funds was \$175,699 and (\$25,293), respectively. The total change in net position for the Electric Fund was \$602,329. The change in net position in the Water Fund is a result of an increase in water revenue and a decrease in distribution expenditures. The change in net position in the Sewer Fund is a result of an increase in sewer charges and a decrease in capital outlay expenditures and the change in net position in the Electric Fund is a result of an increase in changes as well as a decrease in capital outlay expenditures.

Capital Asset and Debt Administration

Capital Assets. The Town of Landis's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$17,497,127 (net of accumulated depreciation). These assets include buildings, land, infrastructure, furniture, machinery and equipment and park facilities and vehicles.

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

General Fund equipment and construction	\$	16,000
Public safety		145,943
Land acquisition		45,000

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

cFigure 4

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and construction in progress	\$ 2,081,793	\$ 2,036,793	\$ 38,511	\$ 38,511	\$ 2,120,304	\$ 2,075,304
Buildings and systems	\$ 940,999	971,155	\$ 117,147	129,876	1,058,146	1,101,031
Infrastructure	131,469	111,525	11,810,860	12,282,880	11,942,329	12,394,405
Stormwater improvements		29,986		-	-	29,986
Stormwater equipment		32,389		-	-	32,389
Machinery and equipment	502,963	398,585	1,252,709	1,459,696	1,755,672	1,858,281
Vehicles and motorized equipment	606,850	700,601	13,826	19,238	620,676	719,839
Total	\$ 4,264,074	\$ 4,281,034	\$ 13,233,053	\$ 13,930,201	\$ 17,497,127	\$ 18,211,235

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

Town of Landis' Outstanding Debt

The Town of Landis total debt decreased by \$624,819. The key factors in this decrease were principal payments of notes payable of \$711,194, principal payments on general obligation bonds of \$73,000, an increase of \$95,685 in compensated absences, an increase in Law Enforcement Separation Allowance (LEOSSA) of \$19,694 and an increase of \$172,154 in net pension liability (LGERS).

Additional information regarding the Town's long-term debt can be found in Note III.B.4 of the Basic Financial Statements.

Financial Highlights and Procedural Growth for the Fiscal Year Ending June 30, 2020

Financial:

- Decreased notes payable by paying off 4 loans in the amount of \$464,595 in 2020: fire truck, AMI Meters, bucket truck and a chipper.
- Received rebate from Electricities in the amount of \$464,595 for \$709,801. \$650,000 of the rebate was transferred to the General Fund.
- Increased Fund Balance and Retained Earnings in all funds except Sewer:
 - General Fund \$276,761
 - Water Fund \$175,699
 - Stormwater Fund \$43,228
 - Electric Fund \$602,329

- Sewer Fund (\$25,293)
- Cash balances improved from \$2,372,572 to \$3,526,989

Procedural and Operational Changes

- Brought all accounting back in-house.
- Reviewed all work flows and distributed responsibilities to be in compliance with the need for separation of duties
- Hired a part-time CPA to assist with financial statement portion of the audit that can no longer be completed by the same auditor as completes the audit. Having her on staff also allows us to have enough people for proper separation of duties.
- Reconciled all accounts in the ledger and added new accounts for better financial tracking
- Produced monthly financial statements for the Board
- Eliminated late fee payments for debt and payables by going to weekly check run along with documenting and checking all vendors that should receive monthly payments.
- Established consistent billing schedule for utilities
- Updated codes in the Utility Billing System to correct posting in the ledger
- Debt Set-off for delinquent collection re-established after 3 years.
- Developed a cleaner understanding of the financial impact of depreciation to financial statements. Will yield a significant benefit in upcoming budgets.
- Added a Human Resources Officer position in the 2021 budget to allow for further separation of duties between finance, payroll and human resources. This position will also allow for expertise in the personnel area of government and ensure we are in compliance with all current regulations.

Economic Factors and Next Year's Budgets and Rates

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

- The biggest potential impact to revenue is the unknown economic impact of COVID-19. Revenues have been budgeted conservatively in anticipation of a dip in sales tax and potentially the collection rate for taxes.
- The Old Beatty Ford interstate interchange has opened. While much of the direct area around the interchange has been annexed by the City of Kannapolis, this interchange is expected to have a significant impact on traffic along with commercial and industrial business growth for the Town.
- Residential growth is healthy and manageable. The Oaks of Landis subdivision will be completed this year. The Town is also in discussion about Irish Creek with the City of Kannapolis and Lennar Homes. Both developments will add to the tax base and utility revenue.
- The Town is maintaining its tax rate of \$.53 and all utility rates remain the same.
- Parkdale Mill Textile Plant 23 is scheduled to close its manufacturing doors. They purchase power from Duke Energy. Because we purchase both our water and sewer, the net revenue impact to the Town will not be significant. The tax base gen from the facility could change some based on what they do with the equipment inside the building.
- The Old Corriher Mill, now known as 501 South Main Street, has been sold to Jiangsu Royal Home USA, Inc. and is now operating.
- Increasing Fund Balance and Retained Earnings continues to be a focus for the upcoming budget.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

The 2020-21 budget maintains a conservative approach to both revenue and expenses. The overall goal is to improve the Town's financial position by reducing debt and increasing Fund Balance (General Fund and Stormwater) and Retained Earnings. (Enterprise Funds). It will take a number of years to get the Town back to where it should be in respect to Fund Balance and Retained Earnings. We are currently in compliance with the Local Government Commission's (LGC) minimum requirement. However, that is not nearly enough for a Town our size. Moving forward, it will be the Town's goal to purchase most capital equipment under \$100,000 and on a replacement schedule. This will be a much better approach that large loans with full fleet replacements.

We are fortunate to be receiving a \$950,000 rebate from Electricities. \$550,000 of the rebate will be transferred to the General Fund and \$400,000 will remain in the Electric Fund. We do not anticipate these rebates to continue. While we are striving not to be dependent on the rebates, we are taking advantage of these funds to position ourselves for year when they are not available.

Debt Service is one of the only expense areas that is increasing in the General Fund. \$568,327 is being appropriated to pay off two balloon payments – Pool Renovation (\$98,474) and the Corriher Wilderness Park project (\$285,690). Paying off these loans will improve annual cash flow by \$75,000.

Requests for Information

This report is designed to provide an overview of the Town of Landis's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager or the Finance Director, Town of Landis, P.O. Box 8165, Landis, NC 28088-8165.

BASIC FINANCIAL STATEMENTS

TOWN OF LANDIS, NORTH CAROLINA

*Statement of Net Position**June 30, 2020*

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,342,665	\$ 1,591,829	2,934,494
Taxes receivables (net)	138,296	-	138,296
Sales tax receivable	229,580	17,507	247,087
Accounts receivable	72,060	1,467,164	1,539,224
Prepays	59,388	96,616	156,004
Restricted cash and cash equivalents	549,557	142,938	692,495
	<u>2,391,546</u>	<u>3,316,054</u>	<u>5,707,600</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	2,081,794	38,511	2,120,305
Other capital assets, net of depreciation	2,182,281	13,194,543	15,376,824
Total capital assets	<u>4,264,075</u>	<u>13,233,054</u>	<u>17,497,129</u>
Total assets	<u>6,655,621</u>	<u>16,549,108</u>	<u>23,204,729</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals - LEO	33,255	-	33,255
Pension deferrals - LGERS	248,507	220,376	468,883
Total deferred outflows of resources	<u>281,762</u>	<u>220,376</u>	<u>502,138</u>
LIABILITIES			
Current liabilities:			
Accounts payable	86,023	476,191	562,214
Due within one year	515,597	141,191	656,788
Payable from restricted assets	-	142,938	142,938
Long-term debt:			
Net pension liability	430,598	381,851	812,449
LEO separation allowance	149,558	-	149,558
Compensated absences	60,992	49,188	110,180
Due in more than one year	1,099,680	4,801,168	5,900,848
Total liabilities	<u>2,342,448</u>	<u>5,992,527</u>	<u>8,334,975</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals - LGERS	1,962	1,740	3,702
Pension deferrals - LEO	4,445	-	4,445
Total deferred inflows of resources	<u>6,407</u>	<u>1,740</u>	<u>8,147</u>
NET POSITION			
Net investment in capital assets	2,648,798	8,290,695	10,939,493
Restricted for:			
Stabilization by State Statute	305,483	-	305,483
Streets	261,747	-	261,747
Park construction	212,191	-	212,191
USDA loan reserve	75,619	-	75,619
Unrestricted	1,084,690	2,484,522	3,569,212
Total net position	<u>\$ 4,588,528</u>	<u>\$ 10,775,217</u>	<u>\$ 15,363,745</u>

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

TOWN OF LANDIS, NORTH CAROLINA

Statement of Activities
For the Fiscal Year Ended June 30, 2020

Function / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 485,619	\$ 10,065	\$ -	\$ -
Public safety	1,902,051	35,144	129,045	-
Transportation	650,417	-	97,970	-
Environmental protection	330,413	285,082	3,269	-
Cultural and recreational	309,198	96,441	-	-
Interest on long-term debt	71,949	-	-	-
Total governmental activities	<u>3,749,647</u>	<u>426,732</u>	<u>230,284</u>	<u>-</u>
Business-type activities				
Light	5,546,578	6,799,630	-	-
Water	934,437	1,229,536	-	-
Sewer	1,150,621	1,168,476	-	-
Total business-type activities	<u>7,631,636</u>	<u>9,197,642</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,381,283</u>	<u>\$ 9,624,374</u>	<u>\$ 230,284</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes levied for general purposes

Storm water fees

Unrestricted investment earnings

Unrestricted intergovernmental revenues

Other revenue

Insurance Proceeds

Sale of Fixed Asset

Transfers

Total general government revenues and transfers

Change in net position

Net position, beginning

Prior period adjustment - See Note

Net position, beginning, restated

Net position ending

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (475,554)	\$ -	\$ (475,554)
(1,737,862)	-	(1,737,862)
(552,447)	-	(552,447)
(42,062)	-	(42,062)
(212,757)	-	(212,757)
(71,949)	(173,722)	(245,671)
<u>(3,092,631)</u>	<u>(173,722)</u>	<u>(3,266,353)</u>
-	1,253,052	1,253,052
-	295,099	295,099
-	17,855	17,855
<u>-</u>	<u>1,566,006</u>	<u>1,566,006</u>
(3,092,631)	1,392,284	(1,700,347)
1,768,330	-	1,768,330
110,040	-	110,040
24,727	10,451	35,178
1,048,529	-	1,048,529
27,923	-	27,923
25,176	-	25,176
2,500	-	2,500
650,000	(650,000)	-
<u>3,657,225</u>	<u>(639,549)</u>	<u>3,017,676</u>
564,594	752,735	1,317,329
4,112,727	10,022,482	14,135,209
(88,793)	-	(88,793)
<u>4,023,934</u>	<u>10,022,482</u>	<u>14,046,416</u>
<u>\$ 4,588,528</u>	<u>\$ 10,775,217</u>	<u>\$ 15,363,745</u>

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

TOWN OF LANDIS, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds		Non-major	Total Governmental
	General Fund	Storm Water	Capital Projects	
ASSETS				
Cash - unrestricted	\$ 1,119,686	\$ 222,979	\$ -	\$ 1,342,665
Cash - restricted	549,557	-	-	549,557
Receivables (net)				
Property taxes receivable (net)	138,297	-	-	138,297
Accounts	52,585	19,475	-	72,060
Sales	229,580	-	-	229,580
Prepays	58,620	768	-	59,388
Due from other government	-	-	-	-
	<u>\$ 2,148,325</u>	<u>\$ 243,222</u>	<u>\$ -</u>	<u>\$ 2,391,547</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 82,623	\$ 45	\$ -	\$ 82,668
Escheats payable	3,352	-	-	3,352
	<u>85,975</u>	<u>45</u>	<u>-</u>	<u>86,020</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	111,492	-	-	111,492
Total deferred inflows of resources	<u>111,492</u>	<u>-</u>	<u>-</u>	<u>111,492</u>
Fund balances:				
Restricted:				
Stabilization by State Statute	305,483	19,475	-	324,958
Capital project	-	-	-	-
Streets	261,747	-	-	261,747
Park construction	212,191	-	-	212,191
USDA loan reserve	75,619	-	-	75,619
Assigned:				
Storm water	-	223,702	-	223,702
Unassigned	1,095,816	-	-	1,095,818
Total fund balances	<u>1,950,858</u>	<u>243,177</u>	<u>-</u>	<u>2,194,035</u>
Total liabilities and fund balances	<u>\$ 2,148,325</u>	<u>\$ 243,222</u>	<u>\$ -</u>	<u>\$ 2,391,547</u>

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

TOWN OF LANDIS, NORTH CAROLINA
*Reconciliation of Balance Sheet of
 Governmental Funds to the Statement of Net Position
 June 30, 2020*

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

Total fund balances governmental funds	\$	2,194,035
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	7,160,419
Accumulated depreciation		(2,896,345)
		4,264,074
Deferred outflows of resources related to pensions are not reported in the funds		281,762
Liabilities for earned revenues considered deferred inflows of resources in fund statements		111,492
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Accrued compensated absences		(60,992)
General obligation bonds and notes payable		(1,615,277)
LEO separation allowance		(149,558)
Net pension liability		(430,598)
Deferred inflows of resources related to pensions are not reported in the funds		(6,408)
Net position of the governmental activities	\$	4,588,528

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

TOWN OF LANDIS, NORTH CAROLINA
Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Funds
June 30, 2020

	Major		Non-Major	Total Governmental
	General Fund	Storm Water	Capital Projects	
Revenues:				
Ad Valorem taxes	\$ 1,753,842	\$ -	\$ -	\$ 1,753,842
Storm water fees	-	110,040	3,269	113,309
Unrestricted intergovernmental revenues	1,048,529	-	-	1,048,529
Restricted intergovernmental revenues	227,015	-	-	227,015
Sales and services	426,732	-	-	426,732
Investment earnings	23,537	1,139	51	24,727
Miscellaneous	55,579	20	-	55,599
	<u>3,535,234</u>	<u>111,199</u>	<u>3,320</u>	<u>3,649,753</u>
Expenditures:				
Current				
General government	459,677	-	-	459,677
Public safety	1,694,926	-	-	1,694,926
Transportation	731,393	-	-	731,393
Environmental protection	224,446	67,971	-	292,417
Cultural and recreational	326,969	-	-	326,969
Debt service				
Principal	441,066	-	-	441,066
Interest	56,822	-	-	56,822
	<u>3,935,299</u>	<u>67,971</u>	<u>-</u>	<u>4,003,270</u>
Revenues over (under) expenditures	<u>(400,065)</u>	<u>43,228</u>	<u>3,320</u>	<u>(353,517)</u>
Other Financing Sources (Uses):				
Proceeds from borrowings	-	-	-	-
Insurance proceeds - theft	-	-	-	-
Transfer to (from) general fund	676,826	-	(26,826)	650,000
	<u>676,826</u>	<u>-</u>	<u>(26,826)</u>	<u>650,000</u>
Total other financing sources (uses)	<u>676,826</u>	<u>-</u>	<u>(26,826)</u>	<u>650,000</u>
Net change in fund balance	276,761	43,228	(23,506)	296,483
Beginning of year, July 1	<u>1,674,097</u>	<u>199,949</u>	<u>23,506</u>	<u>1,897,552</u>
End of year, June 30	<u>\$ 1,950,858</u>	<u>\$ 243,177</u>	<u>\$ (0)</u>	<u>\$ 2,194,035</u>

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

TOWN OF LANDIS, NORTH CAROLINA

*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities of Governmental Funds
For the Fiscal Year Ended June 30, 2020*

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

Net changes in fund balances - total governmental funds	\$	296,483
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation for the current period.</p>		
Capital outlay expenditures which were capitalized		206,943
Depreciation expense for governmental assets		(223,902)
Loss on disposal of assets		-
<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		14,488
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any affect 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		425,940
<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>		
Change in compensated absences		(31,575)
Change in LGERS pension expense:		
Changes in deferred outflows		(25,295)
Changes in net pension liability		(95,208)
Changes in deferred inflows		2,683
Change in LEO separation allowance expense		
Change in deferred outflows		12,550
(Increase) decrease in liability		(19,695)
Change in deferred inflows		1,182
		1,182
Total changes in net position of governmental activities	\$	564,594

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

TOWN OF LANDIS, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget		Actual	Variance with Final budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad Valorem taxes	\$ 1,697,500	\$ 1,805,639	\$ 1,753,842	\$ (51,797)
Unrestricted intergovernmental	1,033,800	1,019,300	1,048,529	29,229
Restricted intergovernmental	225,000	254,045	227,015	(27,030)
Sales and services	434,500	450,500	426,732	(23,768)
Investment earnings		22,000	23,537	1,537
Miscellaneous	232,300	64,100	55,579	(8,521)
	<u>3,623,100</u>	<u>3,615,584</u>	<u>3,535,234</u>	<u>(80,350)</u>
Expenditures:				
Current				
General government	681,750	901,950	459,677	442,273
Public safety	1,718,550	1,786,950	1,694,926	92,024
Transportation	747,950	772,350	731,393	40,957
Environmental protection	238,250	234,250	224,446	9,804
Cultural and recreational	362,600	412,600	326,969	85,631
Debt service				
Principal	274,000	451,000	441,066	9,934
Interest		59,000	56,822	2,178
	<u>4,023,100</u>	<u>4,618,100</u>	<u>3,935,299</u>	<u>682,801</u>
Revenues over (under) expenditures	(400,000)	(1,002,516)	(400,065)	602,451
Other financing sources (uses):				
Transfer (to)/from other funds	150,000	676,826	676,826	-
Total other financing sources (uses)	<u>150,000</u>	<u>676,826</u>	<u>676,826</u>	<u>-</u>
Fund Balance Appropriated	250,000	325,690	-	(325,690)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	276,761	<u>\$ 276,761</u>
Beginning of year, July 1			1,674,097	
End of year, June 30			<u>\$ 1,950,858</u>	

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

TOWN OF LANDIS, NORTH CAROLINA

Stormwater Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget		Actual	Variance with Final budget Favorable (Unfavorable)
	Original	Final		(Unfavorable)
Revenues:				
Ad Valorem taxes	\$ -	\$ -	\$ -	\$ -
Storm water fees	105,000	105,000	110,040	5,040
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	500	500	1,139	639
Miscellaneous	-	-	20	20
	<u>105,500</u>	<u>105,500</u>	<u>111,199</u>	<u>5,699</u>
Expenditures:				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Environmental protection	105,500	105,500	67,971	37,529
Cultural and recreational	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>105,500</u>	<u>105,500</u>	<u>67,971</u>	<u>37,529</u>
Revenues over (under) expenditures	-	-	43,228	43,228
Other financing sources (uses):				
Proceeds from borrowing/lease	-	-	-	-
Appropriated fund balance	-	-	-	-
Transfer from light fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>43,228</u>	<u>\$ 43,228</u>
Beginning of year, July 1			<u>199,949</u>	
End of year, June 30			<u>\$ 243,177</u>	

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

TOWN OF LANDIS, NORTH CAROLINA
Proprietary Funds
Statement of Fund Net Position
For the Fiscal Year Ended June 30, 2020

	Major Enterprise Funds			Total
	Light Fund	Water Fund	Sewer Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 504,815	\$ 947,751	\$ 139,263	\$ 1,591,829
Accounts receivable (net)	1,106,826	180,798	179,539	1,467,163
Sales tax receivable	12,107	3,638	1,762	17,507
Prepays	92,709	2,725	1,182	96,616
Due from (to) other funds		478,848		478,848
Cash and cash equivalents - restricted	122,305	20,633		142,938
Total current assets	<u>1,838,762</u>	<u>1,634,393</u>	<u>321,746</u>	<u>3,794,901</u>
Noncurrent assets:				
Capital assets:				
Land, CIP, and other non-depreciable assets	1	35,510	3,000	38,511
Capital assets, net of depreciation	<u>2,307,020</u>	<u>6,817,937</u>	<u>4,069,586</u>	<u>13,194,543</u>
Total capital assets	<u>2,307,021</u>	<u>6,853,447</u>	<u>4,072,586</u>	<u>13,233,054</u>
Total noncurrent assets	<u>2,307,021</u>	<u>6,853,447</u>	<u>4,072,586</u>	<u>13,233,054</u>
Total assets	<u>4,145,783</u>	<u>8,487,840</u>	<u>4,394,332</u>	<u>17,027,955</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	<u>178,504</u>	<u>15,427</u>	<u>26,445</u>	<u>220,376</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	362,085	25,482	88,624	476,191
General obligation bonds-current	-	53,000	22,000	75,000
Installment purchase-current	-	10,635	55,556	66,191
Due to other funds	-	-	478,848	478,848
Liabilities payable from restricted assets:	-	-	-	-
Customer deposits	122,305	20,633	-	142,938
Total current liabilities	<u>484,390</u>	<u>109,750</u>	<u>645,028</u>	<u>1,239,168</u>
Noncurrent liabilities:				
Net pension liability	309,299	26,730	45,822	381,851
Compensated absences-noncurrent	43,613	4,360	1,215	49,188
General obligation bonds	-	3,070,000	1,358,000	4,428,000
Installment purchase-noncurrent	-	159,520	213,648	373,168
Total noncurrent liabilities	<u>352,912</u>	<u>3,260,610</u>	<u>1,618,685</u>	<u>5,232,207</u>
Total liabilities	<u>837,302</u>	<u>3,370,360</u>	<u>2,263,713</u>	<u>6,471,375</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	<u>1,409</u>	<u>122</u>	<u>209</u>	<u>1,740</u>
NET POSITION				
Net investment in capital assets	2,307,021	3,560,292	2,423,382	8,290,695
Unrestricted	<u>1,178,555</u>	<u>1,572,493</u>	<u>(266,527)</u>	<u>2,484,521</u>
Total net position	<u>\$ 3,485,576</u>	<u>\$ 5,132,785</u>	<u>\$ 2,156,855</u>	<u>\$ 10,775,216</u>

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

TOWN OF LANDIS, NORTH CAROLINA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2020

	Major Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Operating revenues				
Charges for services	\$ 5,980,619	\$ 1,106,359	\$ 1,059,776	\$ 8,146,754
Water and sewer taps		122,650	108,700	231,350
Rebate from Electricities	709,801			
Fines and penalties	97,552			97,552
Other operating revenues	11,658	527		12,185
Total operating revenues	<u>6,799,630</u>	<u>1,229,536</u>	<u>1,168,476</u>	<u>8,487,841</u>
Operating expenses				
Personal services	1,113,203	204,767	23,007	1,340,977
Operational cost	520,480	105,557	77,104	703,141
Purchased resources - Electric, Water, and Wastewater treatment	3,750,636	289,825	829,425	4,869,886
Depreciation	162,259	334,288	221,085	717,632
Total operating expenses	<u>5,546,578</u>	<u>934,437</u>	<u>1,150,621</u>	<u>7,631,636</u>
Operating income (loss)	<u>1,253,052</u>	<u>295,099</u>	<u>17,855</u>	<u>1,566,006</u>
Nonoperating revenues (expenses)				
Investment earnings	7,011	2,906	534	10,451
Interest paid - debt	(7,734)	(107,806)	(58,182)	(173,722)
Total nonoperating revenues (expenses)	<u>(723)</u>	<u>(104,900)</u>	<u>(57,648)</u>	<u>(163,271)</u>
Income (loss) before contributions and transfers	1,252,329	190,199	(39,793)	1,402,735
Capital contributions	-	-	-	-
Transfer from (to) other funds	(650,000)	(14,500)	14,500	(650,000)
Change in net position	602,329	175,699	(25,293)	752,735
Total net position, beginning	<u>2,883,247</u>	<u>4,957,086</u>	<u>2,182,148</u>	<u>10,022,482</u>
Total net position, ending	<u>\$ 3,485,576</u>	<u>\$ 5,132,785</u>	<u>\$ 2,156,855</u>	<u>\$ 10,775,216</u>

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

TOWN OF LANDIS, NORTH CAROLINA
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

	Major Enterprise Funds			Total
	Light Fund	Water Fund	Sewer Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 6,583,356	\$ 1,193,621	\$ 1,151,406	\$ 8,928,383
Cash paid for goods and services	(4,396,185)	(407,228)	(908,389)	(5,711,802)
Cash paid to employees	(1,087,663)	(197,876)	(9,881)	(1,295,420)
Net Cash Provided (Used) By Operating Activities	1,099,508	588,517	233,136	1,921,161
Cash flows from noncapital financial activities:				
Transfers (from) to other funds	(650,000)	(14,500)	14,500	(650,000)
	<u>(650,000)</u>	<u>(14,500)</u>	<u>14,500</u>	<u>(650,000)</u>
Cash from capital and related financing activities:				
Acquisition and construction of capital assets	(20,486)	-	-	(20,486)
Principal paid on debt	(219,003)	(61,635)	(77,559)	(358,197)
Proceeds from interfund (to) receivable	(72,820)	129,986	-	57,166
Grants received	-	-	-	-
Interest paid on installment purchase loan	(7,734)	(107,806)	(58,182)	(173,722)
Net Cash Used by Capital and Related Financing Activities	(320,043)	(39,455)	(135,741)	(495,239)
Cash flows from investing activities:				
Interest on investments	7,011	2,906	534	10,451
Net Cash Provided by Investment Activities	7,011	2,906	534	10,451
Net increase (decrease) in cash and cash equivalents	136,476	537,468	112,430	786,373
Cash and cash equivalents at beginning of year	490,644	430,916	26,833	948,393
Cash and cash equivalents at end of year	\$ 627,120	\$ 968,384	\$ 139,263	\$ 1,734,767

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

TOWN OF LANDIS, NORTH CAROLINA
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

Reconciliation of operating income to net cash
provided by operating activities:

Operating income (loss)	\$ 1,253,052	\$ 295,099	\$ 17,855	\$ 1,566,006
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	162,259	334,288	221,085	717,632
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(221,324)	(37,370)	(17,070)	(275,764)
(Increase) decrease in prepaid expenses	(92,709)	(2,725)	(1,182)	(96,616)
(Increase) decrease in deferred outflows - pensions	34,630	(6,352)	261	28,539
Increase (decrease) in net pension liability	48,224	15,614	13,109	76,947
Increase (decrease) in deferred inflows - pensions	(2,206)	(32)	(244)	(2,482)
Increase (decrease) in accounts payable	(32,360)	(9,121)	5,987	(35,494)
Increase (decrease) in accrued vacation	(55,108)	(2,338)	(6,665)	(64,111)
Increase (decrease) in customer deposits	5,050	1,455		6,505
Total adjustments	(153,544)	293,419	215,281	355,156
Net cash provided (used in) operating activities	<u>\$ 1,099,508</u>	<u>\$ 588,518</u>	<u>\$ 233,136</u>	<u>\$ 1,921,162</u>
Interest paid	<u>\$ 7,734</u>	<u>\$ 107,806</u>	<u>\$ 58,182</u>	<u>\$ 173,722</u>

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

TOWN OF LANDIS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2020

DESCRIPTION OF THE UNIT

The Town of Landis is located in Rowan County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 3,156. The Town provides electric, water and sewer services to its residents.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Landis 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 Landis, North Carolina, in Union County, is a municipal corporation that is governed by an elected mayor and a four-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present the Town, which has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the activities of the overall government. The statements distinguish between the *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or 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 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 the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Other non-operating revenues are ancillary activities such as investment earnings.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

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, sales tax and various other taxes and licenses. The primary expenditures are for the general government, public safety, street maintenance and construction and sanitation services.

Stormwater Fund. This fund is used to account for the storm water income and expenses.

General Capital Projects Fund. This fund is used to account for the general capital projects.

The Town reports the following major enterprise funds:

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

Water Fund. This fund is used to account for the Town's water operations.

Sewer Fund. This fund is used to account for the Town's sewer operations.

C. Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus and Basis of Accounting (continued)

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Amendments may be made within a department without limitation and without a report required being required. These changes should not result in increased recurring obligations such as salaries. Transfer in amount not to exceed \$5,000 between department, including contingency appropriations, within the same fund, only in exigent necessity. An official report on such transfers are required at the next meeting of the Governing Board. No transfer made be made in any amount between funds unless approved by the governing boards. During the year, several 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 inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State Law (G.S. 159-31). The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (continued)

3. Restricted Assets

The unexpended proceeds for park construction are classified as restricted assets for the general fund because their use is completely restricted to the purpose for which the proceeds are originally collected. USDA loan reserves are restricted to meet the requirements of the USDA loan. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Landis Restricted Cash

General Fund	
Streets	\$ 261,747
Park construction	212,191
USDA loan reserve	75,619
Total governmental activities	<u>549,557</u>
Business-type Activities	
Water Fund	
Customer deposits	20,633
Light Fund	
Customer deposits	122,305
Total business-type activities	<u>142,938</u>
Total Restricted Cash	<u>\$ 692,495</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. No allowance for doubtful accounts was required as of June 30, 2020.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Life</u>
Infrastructure	30 years
Buildings	50
Improvements	25
Vehicles	10-20
Furniture and equipment	5-10
Computer equipment	5

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (continued)

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town of Landis has two items that meet the criterion for this category – property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary 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 statements 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 premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In fund financial statements, the governmental fund type recognizes bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

10. Compensated Absences

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

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

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

- Prepaid Expenditures – portion of fund balance that is not an available resource because it represents prepaid expenditures that are not in spendable form.

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 governments 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 non-spendable. 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.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

11. Net Position/Fund Balances (Continued)

Restricted Fund Balance (continued)

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 Park Construction – Portion of fund balance that is restricted by revenue source for the construction of the Town Park. This amount represents the balance of the total unexpended funds.

Restricted for USDA Loan Reserve – Portion of fund balance that is restricted by revenue source for the annual USDA debt payment. This amount represents the balance of the monthly deposits of 10% of the annual payment.

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

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

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

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

12. Pensions

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 Landis's employer contributions are recognized when due and the Town of Landis 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.

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

11. Pensions (Continued)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Total Governmental Fund Columns

In the accompanying financial statements, the "Total Governmental Funds" columns are not the equivalent of consolidated totals and do not represent consolidated financial information. These columns are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America. Inter-fund eliminations have not been made in the aggregation of this data. However the reconciliations to net position are reflective of inter-fund eliminations and reflect financial position.

II. 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

None

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town of Landis are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these unit's 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, these deposits are considered to be held by the Town'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 under the Pooling Method, the potential exists for under-collateralization and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$1,667,821 and a bank balance of \$1,953,566. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$1,445.

2. Investments

At June 30, 2020, the Town of Landis had \$1,252,772 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's and \$704,950 invested with the NCCMT Term Portfolio. The Town has no policy regarding credit risk.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

A. Assets

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	(Decreases)	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,131,434	\$ 45,000	\$ -	\$ 1,176,434
Construction in progress	905,359	-	-	905,359
Subtotal	<u>2,036,793</u>	<u>45,000</u>	<u>-</u>	<u>2,081,793</u>
Capital assets being depreciated:				
Buildings	1,701,899	16,000	-	1,717,899
Infrastructure	241,865	-	-	241,865
Equipment	1,103,830	117,351	(102,067)	1,119,114
Vehicles and motorized equipment	1,971,156	28,592	-	1,999,748
Total capital assets being depreciated:	<u>5,018,750</u>	<u>161,943</u>	<u>(102,067)</u>	<u>5,078,626</u>
Less, accumulated depreciation for:				
Buildings	730,745	46,155	-	776,900
Infrastructure	202,424	10,042	(102,070)	110,396
Equipment	672,855	45,362	(102,066)	616,151
Vehicles and motorized equipment	1,168,486	224,412	-	1,392,898
Total accumulated depreciation	<u>2,774,510</u>	<u>\$ 325,971</u>	<u>\$ (204,136)</u>	<u>2,896,345</u>
Total capital assets being depreciated, net	<u>2,244,240</u>	*	*	<u>2,182,281</u>
Governmental activity capital assets, net	<u>\$ 4,281,033</u>			<u>\$ 4,264,074</u>

* Actual increase to accumulated depreciation was \$223,902. The balance of \$102,069 and the total of decreases to assets and accumulated depreciation represent reclasses only during FYE June 30, 2020 to more properly reflect correct asset class and related accumulated depreciation at June 30, 2020.

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

General government	\$ 11,804
Public safety	132,930
Environmental protection	38,394
Cultural and recreational	40,774
	<u>\$223,902</u>

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

A. Assets

3. Capital Assets (continued)

Business-type activities

Capital asset activity for the Business-type activities for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	(Decreases)	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Total not being depreciated	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Capital assets being depreciated:				
Buildings and other assets	599,310	-	-	599,310
Motor vehicles	369,293	-	-	369,293
Equipment	1,006,839	-	-	1,006,839
Electrical system	4,306,353	20,486	-	4,326,839
Total capital assets being depreciated:	<u>6,281,795</u>	<u>20,486</u>	<u>-</u>	<u>6,302,281</u>
Less, accumulated depreciation for:				
Buildings and other assets	575,244	5,172	-	580,416
Motor vehicles	369,281	-	-	369,281
Equipment	487,992	66,194	-	554,186
Electrical system	2,400,482	90,904	-	2,491,386
Total accumulated depreciation	<u>3,832,999</u>	<u>\$ 162,270</u>	<u>\$ -</u>	<u>3,995,269</u>
Total capital assets being depreciated, net	<u>2,448,796</u>			<u>2,307,012</u>
Electric fund capital assets, net	<u>\$ 2,448,797</u>			<u>\$ 2,307,013</u>

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

A. Assets

3. Capital Assets (continued)

Business-type activities (Continued)

Water Fund

Capital assets not being depreciated

Land	\$ 35,510	\$ -	\$ -	\$ 35,510
Construction in progress	-	-	-	-
Total not being depreciated	<u>35,510</u>	<u>-</u>	<u>-</u>	<u>35,510</u>

Capital assets being depreciated:

Buildings	185,109	-	-	185,109
Motor vehicles	91,758	-	-	91,758
Equipment	991,978	-	-	991,978
Water system	11,755,400	-	-	11,755,400

Total capital assets being depreciated:	<u>13,024,245</u>	<u>-</u>	<u>-</u>	<u>13,024,245</u>
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Less, accumulated depreciation for:

Buildings	79,301	7,557	-	86,858
Motor vehicles	72,532	5,412	-	77,944
Equipment	415,689	93,699	-	509,388
Water system	5,304,492	227,620	-	5,532,112
Total accumulated depreciation	<u>5,872,014</u>	<u>334,288</u>	<u>-</u>	<u>6,206,302</u>

Total capital assets being depreciated, net	<u>7,152,231</u>			<u>6,817,943</u>
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Water fund capital assets, net	<u>\$ 7,187,741</u>			<u>\$ 6,853,453</u>
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TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

A. Assets

3. Capital Assets (continued)

Business-type activities (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities (continued):				
Sewer Fund				
Capital assets not being depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Construction in progress	-	-	-	-
Total not being depreciated	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Capital assets being depreciated:				
Buildings	33,963	-	-	33,963
Equipment	519,024	-	-	519,024
Sewer system	6,959,650	-	-	6,959,650
Total capital assets being depreciated:	<u>7,512,637</u>	<u>-</u>	<u>-</u>	<u>7,512,637</u>
Less, accumulated depreciation for:				
Buildings	33,961	-	-	33,961
Equipment	154,464	47,094	-	201,558
Sewer system	3,033,540	173,991	-	3,207,531
Total accumulated depreciation	<u>3,221,965</u>	<u>\$ 221,085</u>	<u>\$ -</u>	<u>3,443,050</u>
Total capital assets being depreciated, net	<u>4,290,672</u>			<u>4,069,587</u>
Sewer fund capital assets, net	<u>4,293,672</u>			<u>4,072,587</u>
Business-type activities capital assets, net	<u><u>\$ 13,930,210</u></u>			<u><u>\$ 13,233,036</u></u>

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description.

The Town of Landis 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 Government 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 or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible 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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Landis employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System (continued)

The Town of Landis's contractually required contribution rate for the year ended June 30, 2020, was 9.70% for law enforcement officers and 8.95% 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 Landis were \$156,185 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$812,449 for its proportionate share of the net pension liability. The net pension liability was measured as of **June 30, 2019**. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of **June 30, 2019**, 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, 2020, the Town's proportion was 0.02975%, which was an increase of .00276% from its proportion measured at **June 30, 2019**.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System (continued)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$377,011. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 139,112	\$ -
Changes of assumptions	132,416	-
Net difference between projected and actual earnings on pension plan investments	19,817	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	21,352	3,702
Town contributions subsequent to the measurement date	156,185	-
Total	<u>\$ 468,882</u>	<u>\$ 3,702</u>

\$156,185 reported as deferred outflows of resources related to pensions resulting from Town of Landis contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 151,383
2022	47,495
2023	83,216
2024	26,902
Thereafter	-
	<u>\$ 308,996</u>

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System (continued)

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

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System (continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System (continued)

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,858,220	\$ 812,449	\$ (56,798)

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

b. Law Enforcement Officers' Special Allowance

1. Plan Description

The Town 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. The Separation Allowance is equal to .85% 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 GS 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, 2019, the Separation Allowance's membership consisted of the following:

Retirees receiving benefits	1
Active plan members	<u>10</u>
	11

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

b. Law Enforcement Officers' Special Allowance

2. Summary of significant accounting policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 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, 2018.

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

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$6,994 as benefits came due for the reported period.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

b. Law Enforcement Officers' Special Allowance (Continued)

4. Contributions (Continued)

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

At June 30, 2020, the Town reported a total pension liability of \$149,558. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$20,305.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,863	\$ -
Changes of assumptions	9,398	4,445
Benefit payments and plan administrative expense made subsequent to the measurement date	6,994	-
Total	<u>\$ 33,255</u>	<u>\$ 4,445</u>

\$6,994 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2021	\$ 14,838	\$ 1,182	\$ 13,656
2022	7,281	1,182	6,099
2023	5,278	1,182	4,096
2024	4,593	899	3,694
2025	1,265	-	1,265
Thereafter	-	-	-
Total	<u>\$ 33,255</u>	<u>\$ 4,445</u>	<u>\$ 28,810</u>

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

b. Law Enforcement Officers' Special Allowance (Continued)

4. Contributions (Continued)

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 3.26 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 (2.26%) or 1 percentage point higher (4.26%) than the current rate.

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 166,158	\$ 149,558	\$ 134,516

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

	<u>2020</u>
Beginning balance (Restated)	\$ 129,864
Service Cost	8,688
Interest on the total pension liability	4,600
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	7,503
Changes of assumptions or other inputs	5,897
Benefit payments	(6,994)
Other changes	-
Ending balance of the total pension liability	<u>\$ 149,558</u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2014.

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TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

Plan Description. The Town employees contribute 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 is established in conformity with section 401(k) of the Internal Revenue Code of 1986 as amended. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of GS 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. The Town made contributions of \$24,179 for the reporting year. No amounts were forfeited.

The Town has elected to contribute an amount equal to five percent of other employees' salaries, and all amounts contributed are vested immediately. Also, the other employees may make voluntary contributions to the plan. The Town made contributions of \$71,039. No amounts were forfeited.

d. Other Employment Benefits

The Town of Landis has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employee's Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

B. Liabilities

1. Pension Plan and Post-employment Obligations

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 377,011	\$ 20,305	\$ 397,316
Pension Liability	812,449	149,558	962,007
Proportionate share of the net pension liability	0.02975%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	139,112	16,863	155,975
Changes of assumptions	132,416	9,398	141,814
Net difference between projected and actual earnings on plan investments	19,817	-	19,817
Changes in proportion and differences between contributions and proportionate share of contributions	21,352	-	21,352
Benefit payments and administrative costs paid subsequent to the measurement date	156,185	6,994	163,179
Deferred of Inflows of Resources			
Differences between expected and actual experience	3,315	-	3,315
Changes of assumptions	-	4,445	4,445
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,702	-	3,702

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Differences between expected and actual experience	\$ 155,975
Changes of assumptions	141,814
Net difference between projected and actual earnings on pension plan investments	19,817
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,352
Employer contributions subsequent to the measurement date*	163,179
Total	<u>\$ 502,137</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable, less penalties (General Fund)	-	111,492
Changes in assumptions	4,445	-
Differences between expected and actual experience	3,315	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,702	-
Total	<u>\$ 11,462</u>	<u>\$ 111,492</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through this pool, the Town obtains worker's compensation coverage up to the statutory limits. The pool is reinsured through commercial companies for single occurrence claims in excess of \$300,000 statutory limit.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries no flood insurance for the year because the Town of Landis is not considered to be in a flood area, therefore the cost of this type insurance would outweigh the benefit.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town has a \$76,000 fidelity bond on the Finance Officer and a blanket bond of \$100,000 for all other employees.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

4. Long Term Obligations

a. Operating Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as operating leases for accounting purposes.

- The first agreement was executed on May 6, 2015 to lease a line truck for the Electric Fund and requires 84 monthly payments of \$2,224.
- The second agreement was executed on May 6, 2015 to lease a bucket truck for the Electric Fund and required 60 monthly payments of \$1,483. The lease was paid off on July 1, 2020 in the amount of \$54,590.
- The third agreement was executed on July 1, 2015 to lease a tree truck for the Electric Fund and required 60 monthly payments of \$1,130. The lease was paid off July 1, 2020 in the amount of \$20,000.
- The fourth agreement was executed on September 1, 2015 to lease a line truck for the Electric Fund and requires 60 monthly payments of \$2,077. This lease will expire on August 31, 2020 and was paid off on September 1, 2020 in the amount of \$65,000.
- The fifth agreement was executed on March 1, 2016 to lease a line truck for the Electric Fund and requires 84 monthly payments of \$2,573.

In all five agreements, the Town may terminate the lease agreements by giving at least 90 days prior written notice. If no such prior written notice is given at the end of the lease term, the terms of the leases will be automatically extended.

The future minimum rental payments as of June 30, 2020 were as follows:

<u>Year Ending June 30,</u>	
2021	199,717
2022	55,339
2023	23,157
2024	-
Total Future minimum rental payments	<u>\$ 278,213</u>

The minimum lease payments do not include applicable sales taxes or property taxes which will be billed separately.

Total rental payments including fees and taxes for the year totaled \$123,583.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

4. Long Term Obligations

b. Installment Purchases

General Fund

On October 2, 2006, the Town entered into an installment purchase contract with the United States Department of Agriculture-Rural Development to purchase a new fire truck. The financing contract was for \$350,000 with an interest rate of 4.375%. The first twenty payments of \$26,618 were due on October 2, 2007 and \$26,618 is due each year thereafter. The final payment is due on October 2, 2026.

The future minimum payments of the installment purchase as of June 30, 2020, including \$28,547 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2021	19,726	6,892	26,618
2022	20,589	6,029	26,618
2023	21,490	5,128	26,618
2024	22,430	4,188	26,618
2025	23,412	3,206	26,618
2026-2027	50,080	3,104	53,184
	<u>\$ 157,727</u>	<u>\$ 28,547</u>	<u>\$ 186,274</u>

In September 2006, the Town entered into a financing agreement with the Bank of the Carolinas, Landis, North Carolina to advance up to \$913,951 for the construction and renovation of their municipal building with the financing to be paid off by September 14, 2007. At June 30, 2007, the amount borrowed from the Bank of the Carolinas was \$816,181. At the same time, the Town entered into an agreement with the United States Department of Agriculture-Rural Development to furnish the long-term financing for the construction project. On July 19, 2007, the Town entered into two instalment purchase contracts with the United States Department of Agriculture-Rural Development. One contract was for \$580,000 with an interest rate of 4.125%. The first of forty payments of \$29,853 was due on July 19, 2008 and \$29,853 is due each year thereafter. The final payment is due on July 19, 2047. The other contract was for \$363,950 with an interest rate of 4.25%. The first of forty payments of \$19,078 was due on July 19, 2008 and \$19,078 is due each year thereafter.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

4. Long Term Obligations

b. Installment Purchases (Continued)

General Fund

The future minimum payments of the installment purchase as of June 30, 2020, including \$571,492 of interest are as follows:

Year Ending June 30	Principal	Interest	Total
2021	15,578	33,353	48,931
2022	16,227	32,704	48,931
2023	16,905	32,026	48,931
2024	17,340	31,591	48,931
2025	18,345	30,586	48,931
2026-2030	103,767	140,888	244,655
2031-2035	127,425	117,230	244,655
2036-2040	156,328	88,327	244,655
2041-2045	191,787	52,868	244,655
2046-2047	134,874	11,919	146,793
	<u>\$ 798,576</u>	<u>\$ 571,492</u>	<u>\$1,370,068</u>

On September 24, 2015, the Town entered into an installment purchase contract with the Bank of the Ozarks to purchase a new garbage truck. The financing contract was for \$126,900. Eighty-four monthly consecutive interest payments, beginning October 25, 2016, with interest calculated on the unpaid principal balances using an interest rate of 3.625% per annum based on a year of 360 days; 6 annual consecutive principal payments of \$18,129 each, beginning September 25, 2016, during which interest continues to accrue on the unpaid principal balances using an interest rate of 3.625% per annum based on a year of 360 days; and one principal and interest payment of \$18,047 on September 25, 2022.

The future minimum payments as of June 30, 2020, including \$2,486 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2021	18,129	1,495	19,624
2022	18,129	827	18,956
2023	17,930	164	18,094
	<u>\$ 54,188</u>	<u>\$ 2,486</u>	<u>\$ 56,674</u>

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

4. Long Term Obligations

b. Installment Purchases (Continued)

General Fund

On June 15, 2016, the Town entered into an installment purchase contract with the Bank of the Ozarks to renovate the municipal pool. The financing contract was for \$300,000. Sixty monthly consecutive interest payments beginning July 20, 2016, with interest calculated on the unpaid principal balances using a variable interest rate of 4.00% per annum based on a year of 360 days; 5 annual consecutive principal payments of \$39,991 each, beginning October 20, 2016, during which interest continues to accrue on the unpaid principal balance using a variable interest rate of 4.00% per annum based on a year of 360 days; and one principal and interest payment on June 20, 2021.

The future minimum payments of the installment purchase as of June 30, 2020, including \$4,466 of interest, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	140,036	4,466	144,502
	<u>\$ 140,036</u>	<u>\$ 4,466</u>	<u>\$ 144,502</u>

In June 2015, the Town entered into a financing agreement with the Bank of the Ozarks, Landis, North Carolina for the construction improvements of their Lake Corriher Wilderness area. The financing contract was for \$399,984. Repayment terms include four annual principal payments of \$27,670 beginning September 5, 2016 amortized over 20 years, with the outstanding principal and interest due in full on the fifth year. Interest will accrue on the outstanding principal balance at a fixed rate of 3.625% for five years.

The future minimum payments of the installment purchase as of June 30, 2020, including \$3,446 of interest, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2021	284,828	3,446	288,274
	<u>\$ 284,828</u>	<u>\$ 3,446</u>	<u>\$ 288,274</u>

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

4. Long Term Obligations

b. Installment Purchases (Continued)

General Fund

On December 28, 2017, the Town entered into a financing agreement with F & M Bank, Salisbury, North Carolina to purchase police cars in the amount of \$254,522. Repayment terms include six annual principal payments of \$37,300 plus accrued interest beginning October 1, 2018 with the outstanding principal and interest due in full on October 1, 2024. Interest will accrue on the outstanding principal balance at a fixed rate of 3.25% for seven years.

The future minimum payments of the installment purchase as of June 30, 2020, including \$14,191 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2021	37,300	5,241	42,541
2022	37,300	4,029	41,329
2023	37,300	2,817	40,117
2024	37,300	1,605	38,905
2025	30,721	499	31,220
	<u>\$ 179,921</u>	<u>\$ 14,191</u>	<u>\$ 194,112</u>

Proprietary Funds

On May 1, 2016, the Town entered into an installment purchase contract with the North Carolina Department of Environmental Quality (DEQ) for the purchase of Advanced Metering Infrastructure (AMI) for the Water Fund. The financial contract was for \$212,693 and requires twenty annual consecutive principal payments of \$10,635 beginning May 1, 2017 at 0% interest.

The future minimum payments of the installment purchase as of June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 10,635	\$ -	\$ 10,635
2022	10,635	-	10,635
2023	10,635	-	10,635
2024	10,635	-	10,635
2025	10,635	-	10,635
2026-2030	53,175	-	53,175
2031-2035	53,175	-	53,175
2036	10,635	-	10,635
	<u>\$ 170,160</u>	<u>\$ -</u>	<u>\$ 170,160</u>

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

4. Long Term Obligations

b. Installment Purchases (Continued)

Proprietary Funds

In October 2017, the Town entered into an installment purchase contract with F & M Bank, Salisbury, North Carolina for the purchase of sewer equipment. The financing contract was for \$380,319 and includes seven annual principal payments of \$55,557 plus accrued interest beginning October 1, 2018 with the outstanding principal and interest due in full on October 1, 2024. Interest will accrue on the outstanding principal balance at a fixed rate of 3.25% for seven years.

The future minimum payments of the installment purchase as of June 30, 2020, including \$31,707 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2021	55,557	10,058	65,615
2022	55,557	8,210	63,767
2023	55,557	6,363	61,920
2024	55,557	4,515	60,072
2025	46,978	2,561	49,539
	<u>\$ 269,206</u>	<u>\$ 31,707</u>	<u>\$ 300,913</u>

c. General Obligation Indebtedness

The Town's general obligation bonds serviced by the proprietary funds were issued for the acquisition of water system improvements. Those general obligation bonds issued to finance the improvements utilized in the operations of the water system and which are being retired by its resources are reported as long-term debt in the Water Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

4. Long Term Obligations

c. General Obligation Indebtedness

Bonds payable at June 30, 2020, are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water Fund

\$2,896,000, USDA – General Obligation Water Bond, Series 2013A bonds due in Annual installments of interest only through June 1, 2016 and principal plus Interest from June 1, 2016 through June 1, 2053; interest is at 3.5%.	\$2,693,000
\$470,000, USDA – General Obligation Water Bond, Series 2013B bonds due in Annual installments of interest only through June 1, 2016 and principal plus Interest from June 1, 2016 through June 1, 2053; interest is at 2.75%.	<u>430,000</u>
	<u>\$3,123,000</u>

Year Ending June 30	Principal	Interest	Total
2021	53,000	106,080	159,080
2022	55,000	104,285	159,285
2023	57,000	102,428	159,428
2024	59,000	100,500	159,500
2025	60,000	98,503	158,503
2026-2030	336,000	460,350	1,256,700
2031-2035	396,000	399,500	795,500
2036-2040	469,000	327,540	1,124,080
2041-2045	553,000	242,498	795,498
2046-2050	653,000	141,858	794,858
2051-2053	432,000	29,365	461,365
	<u>\$3,123,000</u>	<u>\$2,112,907</u>	<u>\$6,023,797</u>

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

4. Long Term Obligations

c. General Obligation Indebtedness (continued)

Serviced by the Sewer Fund

\$1,446,000 Sewer Notes issued on October 28, 2014 by Wells Fargo at .90% interest due July 22, 2016 for sewer system improvements. The notes were assumed by two USDA bond offerings on July 20, 2016. Both bonds are due in annual installments of interest only through June 1, 2017 and principal plus interest from June 1, 2019 through June 1, 2055; Bond Series 2015A interest at 3.625% and Bond Series 2015B interest at 2.875%.

Year Ending June 30	Principal	Interest	Total
2021	22,000	46,260	68,260
2022	23,000	45,530	68,530
2023	23,000	44,764	67,764
2024	25,000	43,998	68,998
2025	25,000	43,166	68,166
2026-2030	138,000	202,769	340,769
2031-2035	164,000	178,030	342,030
2036-2040	192,000	148,829	340,829
2041-2045	226,000	114,449	340,449
2046-2050	267,000	73,855	340,855
2051-2055	275,000	25,919	300,919
	<u>\$1,380,000</u>	<u>\$ 967,569</u>	<u>\$2,347,569</u>

Serviced by the Electric Fund

In July 2017, the Town entered into an installment purchase contract with Bank of the Ozarks, Landis North Carolina for the purchase of electrical equipment. The financing contract was for \$359,003 and includes five annual principal payments of \$70,000 plus accrued interest beginning October 20, 2018 with the outstanding principal and interest due in full on October 20, 2022. Interest will accrue on the outstanding principal balance at a fixed rate of 4.175% for five years. The Town paid this loan in full on May 21, 2020.

-Continued-

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

4. Long Term Obligations

d. Changes in Long-Term Liabilities

	Balance			Balance	Current Portion
	June 30, 2019	Increases	Decreases	June 30, 2020	of Balance
Governmental activities:					
Compensated Absences	\$ 29,417	\$ 31,575		\$ 60,992	\$ -
LEO separation allowance *	129,864	26,688	6,994	149,558	-
Net pension liability (LGERS)	335,390	95,208	-	430,598	-
Installment purchases	2,041,217	-	425,940	1,615,277	515,597
Total Governmental activities	<u>\$ 2,535,888</u>	<u>\$ 153,471</u>	<u>.</u>	<u>\$ 2,256,427</u>	<u>\$ 515,597</u>
Business-type activities:					
Compensated Absences	\$ 113,298		\$ 64,110	\$ 49,188	\$ -
Net pension liability (LGERS)	304,905	76,946	-	381,851	-
General obligation bonds	4,576,000	-	73,000	4,503,000	75,000
Installment purchases	724,554	-	285,194	439,360	55,557
Total Business activities	<u>\$ 5,718,757</u>	<u>\$ 76,946</u>	<u>\$ 422,304</u>	<u>\$ 5,373,399</u>	<u>\$ 130,557</u>

Compensated absences typically have been liquidated in the General Fund.

At June 30, 2020, the Town of Landis had no authorized but unissued bonds and a legal debt margin of \$15,203,872.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

5. **Interfund Balances and Activity**

Interfund balances at June 30, 2020 consist of the following:

Sewer Fund	Due to Water Fund	\$478,848
Water Fund	Due from Sewer Fund	\$478,848

The interfund balances resulted from 2 loans made by the Water Fund to the Sewer Fund totaling \$478,848; \$447,214 in fiscal year 2018 and \$31,634 in fiscal year 2019. The Town recognizes the loans need to be repaid and is working on a plan to resolve this issue.

Transfers to/from other funds at June 30, 2020 consisted of the following:

Governmental activities:

From Electric Fund to General Fund	\$ 650,000
From Capital Projects to General Fund	26,826
To General Capital Projects from General Fund	<u>(26,826)</u>
Total Governmental Activities	<u>\$ 650,000</u>

Business-type activities:

To Sewer Fund from Water Fund	\$14,500
From Water Fund to Sewer Fund	(14,500)
To General Fund from Electric Fund	<u>(650,000)</u>
Total Business-type Activities	<u>\$ (650,000)</u>

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

6. **On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2020, the Town of Landis has recognized on-behalf payments for pension contributions made by the Firemen's Relief Fund as a revenue and expenditure of \$1,420 for twelve (12) volunteer firemen who perform firefighting duties for the Town's fire department. The volunteers elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income and State appropriation.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

III. DETAIL NOTES ON ALL FUNDS

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 5,169,434	\$ 13,233,036
less: long-term debt	1,615,277	4,942,360
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 3,554,157</u>	<u>\$ 8,290,676</u>

D. Fund Balance

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

<u>Total fund balance - General Fund</u>	<u>\$ 1,947,371</u>
Less:	
Stabilization by State Statute	305,483
Streets - Powell Bill	261,747
Park Construction	212,191
USDA Loan Reserve	75,619
Remaining Fund Balance	<u>\$ 1,092,331</u>

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

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

TOWN OF LANDIS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2020

IV. Jointly Governed Organization

The Town, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate and maintain general and transmission facilities. Each participating government appoints one commissioner to the electric Agency's governing board. The twenty-one members who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2020 were \$3,750,636.

V. Joint Ventures

The Town and the members of the Town's fire department each appoint Town members to the five-member local board of trustees for the firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lighting insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the Board of Trustees. During the fiscal year ended June 30, 2020, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

VI. Prior Period Adjustment

During the fiscal year ended June 30, 2020, it was discovered that the Law Enforcement Special Separation Allowance liability as reported on June 30, 2019 was understated. The liability was erroneously reported at \$41,071. The actual liability as prepared and confirmed by Cavanaugh Macdonald Consulting, LLC, who performed the actuarial study for the Town was \$129,864 at June 30, 2019. The Town recorded a prior period adjustment for the difference of \$88,793.

TOWN OF LANDIS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020*

VII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VIII. Date of Management's Review

Management has evaluated subsequent events through February 18, 2021 the date which the financial statements were available to be issued.

Subsequent events that came to our attention after the audit that had a positive affect on the Town was the receipt of Sales Tax Paid Refunds for years ending 2017, 2018, and 2019 totaling \$84,424.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Town of Landis's Proportionate Share of Net Pension Liability (Asset)
- Town of Landis's Contributions
- Schedule of Changes in Total Pension Liability –
Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll –
Law Enforcement Officers' Special Separation Allowance

TOWN OF LANDIS, NORTH CAROLINA

*Town of Landis's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years**

Local Governmental Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Landis' proportion of the net pension liability (asset) (%)	0.02975%	0.02699%	0.02802%	0.03002%	0.02699%	0.02546%	0.02610%
Landis' proportion of the net pension liability (asset) (\$)	\$ 812,449	\$ 640,295	\$ 428,068	\$ 637,125	\$ 121,130	\$ (150,149)	\$ 306,722
Landis' covered-employee payroll	\$ 1,750,045	\$ 1,856,613	\$ 1,795,308	\$ 1,822,279	\$ 1,710,393	\$ 1,509,543	\$ 1,421,446
Landis' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.42%	34.49%	23.84%	34.96%	7.08%	(9.95%)	21.58%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

Note: Amounts for additional fiscal years up to ten (10) years will be displayed as they become available.

TOWN OF LANDIS, NORTH CAROLINA

*Town of Landis's Contributions
Required Supplementary Information
Last Seven Fiscal Years*

Local Governmental Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 156,185	\$ 153,709	\$ 145,517	\$ 139,325	\$ 150,919	\$ 125,022	\$ 109,705
Contributions in relation to the contractually required contribution	156,185	153,709	145,517	139,325	150,919	125,022	109,705
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Landis' covered-employee payroll	\$ 1,750,045	\$ 1,896,331	\$ 1,856,613	\$ 1,795,308	\$ 1,822,279	\$ 1,710,393	\$ 1,509,543
Contributions as a percentage of covered-employee payroll	8.92%	8.11%	7.84%	7.76%	8.28%	7.31%	7.27%

TOWN OF LANDIS, NORTH CAROLINA

*Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2020*

Schedule of Changes in Total Pension Liability

	2020	2019	2018	2017
Beginning balance	\$ 129,864	\$ 115,435	\$ 100,225	\$ 5,716
Service Cost Interest on total pension liability	8,688	8,274	6,203	16,079
Interest	4,600	3,537	3,734	15,031
Differences between expected and actual experience in the measurement of the total pension liability	7,503	16,421	-	-
Changes of assumptions or other inputs	5,897	(6,809)	12,267	(25,394)
Benefit payments	(6,994)	(6,994)	(6,994)	-
Other changes (prior period adjustment*)	-	-	-	88,793
Ending balance of the total pension liability	<u>\$ 149,558</u>	<u>\$ 129,864</u>	<u>\$ 115,435</u>	<u>\$ 100,225</u>

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

* Prior period adjustment made to net position during FYE June 30, 2020 for cumulative effect of understatement of total pension liability prior to years ended June 30, 2020. Tables above and below have been restated to reflect correct ending balances coming forward each year since 2017. See Notes to Financial Statements, Note

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2020	2019	2018	2017
Total pension liability	\$ 149,558	\$ 129,864	\$ 115,435	\$ 100,225
Covered payroll	477,445	440,034	421,270	439,541
Total pension liability as a percentage of covered payroll	31.32%	29.51%	27.40%	22.80%

Notes to the schedules:

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

SUPPLEMENTAL STATEMENTS

TOWN OF LANDIS, NORTH CAROLINA

General Fund

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020*

			Variance
			Favorable
	Budget	Actual	(Unfavorable)
Revenues:			
Ad valorem taxes (net of refunds):			
Taxes	\$ 1,540,000	\$ 1,424,457	\$ 115,543
Taxes - motor vehicles	132,839	174,729	(41,890)
Vehicle tag fee	90,000	97,049	(7,049)
Delinquent Taxes	36,300	54,434	(18,134)
Penalties and interest	6,500	3,173	3,174
	\$ 1,805,639	1,753,842	\$ 51,644
Unrestricted intergovernmental revenues:			
Local option sales tax	698,000	792,630	(94,630)
Telecommunications sales tax	17,000	14,684	2,316
Franchise tax on electric power	265,000	206,232	58,768
Piped natural gas sales tax	12,000	9,305	2,695
Beer and wine tax	11,000	13,660	(2,660)
Video franchise fee	14,000	9,615	4,385
Solid waster disposal tax	2,300	2,403	(103)
	1,019,300	1,048,529	(29,229)
Restricted intergovernmental revenues:			
Powell Bill allocation	100,000	97,970	2,030
School resource officer	129,045	129,045	-
On behalf payments - Fire	-	-	-
Other grants	-	-	-
Police grant	25,000		25,000
	254,045	227,015	27,030
Sales and services:			
Garbage collection fees	289,000	285,082	3,918
Officer fees	35,000	33,418	1,582
Other Police income	2,500	1,726	774
Building Rental fees	7,000	6,900	100
Planning and zoning fees	3,000	3,165	(165)
Recreation program user fees	114,000	96,441	17,559
	450,500	426,732	23,768
Interest earnings:			
Investment earnings	17,000	18,854	(1,854)
Investment earnings - Powell	5,000	4,683	317
	22,000	23,537	1,537
Miscellaneous:			
ABC profit distribution	23,000	14,204	8,796
Fire income	6,500	1,490	5,010
Insurance Proceeds	25,100	25,176	(76)
Sale of fixed assets	-	2,500	(2,500)
Other	9,500	12,209	(2,709)
	64,100	55,579	(8,521)
Total revenues	3,615,584	3,535,234	66,229

TOWN OF LANDIS, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

			Variance
			Favorable
	Budget	Actual	(Unfavorable)
Expenditures			
General government			
Governing body:			
Mayor and alderman fees	\$ 8,500	\$ 6,563	\$ 1,937
	8,500	6,563	1,937
Administrative and general:			
Salaries	288,555	147,862	140,693
Social security	12,000	11,443	557
Retirement	11,500	9,529	1,971
401k	6,250	5,194	1,056
Health Insurance	22,500	13,681	8,819
Insurance - other	26,100	25,093	1,007
Motor vehicle expense	1,000	-	1,000
Fuel	2,000	-	2,000
Supplies	600	240	360
Office supplies	9,000	8,465	535
Tax collection fees	41,900	41,559	341
Bank service charges	2,000	1,880	120
Telephone	12,500	7,355	5,145
Utilities	17,000	14,039	2,961
Radio Maintenance	1,700	1,658	42
Furniture and equipment	5,200	5,117	83
Materials	600	511	89
Maintenance and repairs	250	187	63
Equipment maintenance	500	366	134
Building maintenance	27,000	21,345	5,655
Dues and Subscriptions	8,000	7,614	386
Professional fees	115,000	104,157	10,843
Planning and zoning fees	750	1,061	(311)
Debris removal	3,000	200	2,800
Election expense	3,500	3,254	246
Postage	650	513	137
Special Projects	775	653	122
Food	700	291	409
Purchased services	25	25	-
Travel	440	856	(416)
Training/education	7,250	1,070	6,180
Cash (over)/short	300	293	7
Contingencies	232,405		
Service contracts	11,500	11,532	
Internet services	5,500	3,600	1,900
Miscellaneous	-	-	-
Computer tech support	7,000	2,471	4,529
Capital outlay	8,500	-	8,500
	893,450	453,114	207,963
Total general government	901,950	459,677	209,900

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

TOWN OF LANDIS, NORTH CAROLINA
General Fund
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020*

			Variance
			Favorable
	Budget	Actual	(Unfavorable)
Public safety			
Police:			
Salaries	\$ 623,000	\$ 620,919	\$ 2,081
Social security	47,050	46,717	333
Retirement	49,500	52,950	(3,450)
401k	24,100	23,826	274
Health Insurance	92,250	84,163	8,087
Insurance - other	47,000	46,535	465
Motor vehicle expense	10,500	9,844	656
Fuel	20,100	19,894	206
Uniforms	12,320	11,757	563
Supplies	3,830	1,526	2,304
Office supplies	2,500	1,642	858
Telephone	1,000	926	74
Utilities	7,000	6,445	555
Radio Maintence	16,000	15,276	724
Furniture and equipment	200	6,169	(5,969)
Facility improvements	15,500	15,094	406
Materials	3,000	2,811	189
Maintenance and repairs	500	305	195
Equipment maintenace	2,450	2,426	24
Building maintenace	13,500	12,557	943
Dues and subscriptions	7,000	6,935	65
Professional fees	70	1,815	(1,745)
Postage	500	302	198
Special projects	500	488	12
Food	300	97	203
Purchased services	880	872	8
Training/education	5,000	4,628	372
Service contracts	10,150	10,121	29
Internet services	2,600	2,300	300
Computer tech support	23,700	21,666	2,034
Grant expenditures	25,000	-	25,000
Capital outlay - vehicles and equipment	6,500	-	6,500
Miscellaneous	-	-	-
	\$ 1,073,500	\$ 1,031,006	\$ 42,494

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

TOWN OF LANDIS, NORTH CAROLINA
General Fund
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020*

				Variance
				Favorable
	Budget	Actual		(Unfavorable)
Fire department:				
Salaries	288,750	284,890		3,860
Social security	22,000	21,465		535
Retirement	22,750	21,576		1,174
401k	12,500	10,677		1,823
Health Insurance	57,300	50,481		6,819
Insurance - other	35,500	31,749		3,751
Motor vehicle expense	41,000	39,489		1,511
Fuel	9,000	8,248		752
Uniforms	55,000	54,366		634
Supplies	30,500	30,292		208
Office supplies	200	26		174
Telephone	1,000	683		317
Utilities	19,500	19,162		338
Radio maintenace	1,200	1,210		(10)
Furnitire and equipment	2,500	13,222		(10,722)
Maintenance and repairs	1,000	6,769		(5,769)
Equipment maintenace	10,150	9,944		206
Building maintenace	6,200	5,998		202
EMS utilites	500	548		(48)
Professional fees	400			400
Special projects	4,000	1,785		2,215
Food	3,000	1,173		1,827
Purchased services	3,000	1,035		1,965
Training/education	3,000	399		2,601
Serive contracts	7,350	7,125		225
Internet services	2,750	2,250		500
Computer tech support	7,620	390		7,230
Public education materials	1,000	731		269
Capital outlay	64,750	38,237		26,513
Firefighters expense	30	-		30
	713,450	663,920		49,530
Total public safety	1,786,950	1,694,926		92,024
Transportation				
Street department:				
Salaries	\$ 153,500	\$ 152,202		\$ 1,298
Social security	13,000	11,333		1,667
Retirement	11,950	12,812		(862)
401k	6,650	6,447		203
Health Insurance	38,200	30,994		7,206
Insurance - other	6,400	6,379		21
Motor vehicle expense	9,500	8,972		528
Supplies	2,000	1,610		390
Safety	3,000	280		2,720
Utilities	60,000	56,917		3,083
Radio maintenace	1,000	526		474
Materials	500	420		80
Equipment maintenance	6,000	3,699		2,301
Professional fees	3,200	2,777		423
Powell Bill:				-
Repairs	350,000	338,656		11,344
Capital outlay	-	-		-
Special projects	4,600	180		4,420
Purchased services	3,450	2,075		1,375
Capital outlay - equipment	99,400	95,114		4,286
Total transportation	\$ 772,350	731,393		\$ 40,957

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

TOWN OF LANDIS, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Environmental protection			
Sanitation and maintenance department:			
Landfill	15,000	13,017	1,983
Purchased services	28,500	28,500	-
Service contract	190,750	182,929	7,821
Total environmental protection	234,250	224,446	9,804
Cultural and recreational			
Recreation department:			
Salaries	\$ 112,000	\$ 110,077	\$ 1,923
Social security	8,700	8,420	280
Retirement	3,500	3,828	(328)
401k	2,000	1,849	151
Health insurance	9,550	8,652	898
Insurance - other	15,000	14,561	439
Motor vehicle expense	1,500	939	561
Fuel	2,000	1,514	486
Uniform	-	110	(110)
Supplies	10,000	7,267	2,733
Office supplies	300	(185)	485
Purchase for resale	20,000	17,978	2,022
Special events	18,750	16,182	2,568
Telephone	1,500	926	574
Utilities	40,000	33,060	6,940
Radio maintenace	700	663	37
Furniture and equipment	5,800	5,884	(84)
Facility improvements	5,000	4,813	187
Maintenance and repairs	5,000	4,681	319
Equipment and supplies	3,500	1,996	1,504
Building maintenace	4,000	2,592	1,408
Professional fees	11,100	(31,269)	42,369
Dues and memberships	500	100	400
Training and education	500	-	500
Service contracts	55,000	37,229	17,771
Miscellaneous	-	-	-
Internet services	1,800	1,510	290
Computer Tech/Software	500	-	500
Pool contract	-	-	-
Capital outlay	74,400	73,592	808
Total cultural and recreational	\$ 412,600	326,969	85,631
Debt service:			
Principal retirement	451,000	441,066	9,934
Interest	59,000	56,822	2,178
Total debt service	510,000	497,888	12,112
Total expenditures	4,618,100	3,935,299	450,428
Revenues over (under) expenditures	(1,002,516)	(400,065)	516,657
Other financing sources (uses)			
Proceeds from borrowing / lease	-	-	-
Insurance proceeds - theft			
Operating transfers - in (out)			
Transfer (to) from General Capital Projects	26,826	26,826	-
Transfer (to) from Light Fund	650,000	650,000	-
Total other financing sources (uses)	676,826	676,826	-
Fund Balance Appropriated	325,690	-	(325,690)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	276,761	\$ 190,967
Fund balances			
Fund balances, beginning		1,674,097	
Fund balances, end of year		\$ 1,950,858	

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

TOWN OF LANDIS, NORTH CAROLINA

Stormwater Fund

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Storm water fees	\$ 105,000	\$ 110,040	\$ (5,040)
Investment earnings	500	1,139	(639)
Miscellaneous	-	20	(20)
Total revenues	<u>\$ 105,500</u>	<u>111,199</u>	<u>\$ (5,699)</u>
Expenditures:			
Salaries	40,000	39,523	477
Social security	4,500	2,815	1,685
Retirement	6,500	5,812	688
401k	2,475	1,728	747
Health Insurance	8,700	7,169	1,531
Insurance - other	250	250	-
Permit fees	2,000	960	1,040
Radio maintenance	1,000	659	341
Maintenance and repairs	10,000	-	10,000
Professional fees	12,000	9,055	2,945
Training/education	300	-	300
Miscellaneous	1,000	-	1,000
Safety			
Contingencies	5,275	-	5,275
Capital Outlay	11,500	-	11,500
Total expenditures	<u>105,500</u>	<u>67,971</u>	<u>37,529</u>
Appropriated fund balance	<u>-</u>		
Revenues over (under) expenditures	<u>\$ -</u>	43,228	<u>\$ 43,228</u>
Fund balances, beginning		199,949	
Fund balances, ending		<u>\$ 243,177</u>	

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

TOWN OF LANDIS, NORTH CAROLINA
 General Capital Projects Fund
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 From Inception and for the fiscal year ended June 30, 2020*

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental:					
PARTF Grant	\$ 402,269	\$ 556,184	\$ 3,269	\$ 559,453	\$ 157,184
Investment earnings	-	75	51	126	126
Total revenues	<u>402,269</u>	<u>556,259</u>	<u>3,320</u>	<u>559,579</u>	<u>157,310</u>
Expenditures:					
Engineering fees	56,000	173,744	-	173,744	(117,744)
Improvements	713,538	725,879	-	725,879	(12,341)
Miscellaneous	35,000	5,737	-	5,737	29,263
Total expenditures	<u>804,538</u>	<u>905,360</u>	<u>-</u>	<u>905,360</u>	<u>(100,822)</u>
Revenues over expenditures	<u>(402,269)</u>	<u>(349,101)</u>	<u>3,320</u>	<u>(345,781)</u>	<u>56,488</u>
Other financing sources (uses):					
Proceeds from borrowings	402,269	399,984	-	399,984	(2,285)
Transfer from (to) operating fund	-	(27,377)	(26,826)	(54,203)	(54,203)
Total other financing sources	<u>402,269</u>	<u>372,607</u>	<u>(26,826)</u>	<u>345,781</u>	<u>(56,488)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 23,506</u>	<u>(23,506)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>23,506</u>		
Fund Balance, ending			<u>-</u>		

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

TOWN OF LANDIS, NORTH CAROLINA

Electric Fund

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for services			
Residential and commercial	\$ 5,800,275	\$ 5,980,619	\$ 180,344
Fines and penalties	133,725	97,552	(36,173)
Rebate from Electricities	709,801	709,801	-
Insurance proceeds	-	1,532	1,532
Other operating revenues	<u>21,199</u>	<u>10,126</u>	<u>(11,073)</u>
Total operating revenues	<u>6,665,000</u>	<u>6,799,630</u>	<u>134,630</u>
Nonoperating revenues			
Investment earnings	<u>5,000</u>	<u>7,011</u>	<u>2,011</u>
Total nonoperating revenues	<u>5,000</u>	<u>7,011</u>	<u>2,011</u>
Total revenues	<u>6,670,000</u>	<u>6,806,641</u>	<u>136,641</u>
Expenditures:			
Electrical operations			
Salaries	733,250	788,096	(54,846)
Social security	60,000	59,095	905
Retirement	57,500	57,736	(236)
401k	31,250	29,913	1,337
Health Insurance	137,000	115,422	21,578
Insurance - other	40,000	37,401	2,599
Motor vehicle expense	22,000	11,800	10,200
Fuel	31,000	30,999	1
Uniforms	12,000	11,102	898
Supplies	2,500	1,829	671
Office supplies	25,000	2,324	22,676
Utility equipment	40,000	38,492	1,508
Bank service fees	8,095	6,627	1,468
Safety	2,000	817	1,183
Telephone	10,000	7,392	2,608
Utilities	17,000	14,273	2,727
Radio maintenance	20,000	10,262	9,738
Furniture and equipment	2,500	2,280	220
Materials	47,005	46,323	682
Maintenance and repairs	49,297	53,639	(4,342)
Equipment maintenance	11,975	10,622	1,353
Building maintenance	10,500	10,163	337
Dues and subscriptions	100	25	75
Professional fees	54,000	52,830	1,170
Postage	17,000	14,505	2,495
Special projects	500	322	178
Food	2,500	2,111	389
Purchased services	13,200	12,468	732
Training and education	5,000	296	4,704
Cash (over)/short	1,000	885	115
Contingencies	348,500	-	348,500
Service contracts	13,025	12,682	343
Internet services	5,500	2,700	2,800
Computer tech/software	40,000	39,129	871
Lease payments	<u>123,600</u>	<u>123,583</u>	<u>17</u>
Total electrical operations	<u>1,993,797</u>	<u>1,608,143</u>	<u>385,654</u>

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

TOWN OF LANDIS, NORTH CAROLINA

Electric Fund

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020*

	Budget	Actual	Variance Favorable (Unfavorable)
Purchased resources - Electricity	3,751,000	3,750,636	364
Debt Service			
Principal retirement	219,003	219,003	-
Interest	14,700	7,734	6,966
Total debt service	233,703	226,737	6,966
Capital outlay			
Capital outlay	41,500	20,486	21,014
Total expenditures	6,020,000	5,606,002	413,998
Revenues over (under) expenditures	650,000	1,200,639	550,639
Other financing sources (uses)			
Transfer (to) General Fund	(650,000)	(650,000)	-
Total other financing sources (uses)	(650,000)	(650,000)	-
Fund Balance Appropriated	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 550,639	\$ 550,639
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over (under) expenditures		\$ 550,639	
Reconciling items:			
Capital outlay		20,486	
Compensated absences		55,108	
Principal retirement		219,003	
Retirement expense		(80,648)	
Depreciation		(162,259)	
Total reconciling items		51,690	
Change in net position		\$ 602,329	

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

TOWN OF LANDIS, NORTH CAROLINA

Sewer Fund

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for services			
Sewer charges	\$ 1,051,250	\$ 1,059,776	\$ (8,526)
Sewer taps	92,500	108,700	(16,200)
Total operating revenues	<u>\$ 1,143,750</u>	<u>1,168,476</u>	<u>\$ 24,726</u>
Nonoperating revenues			
Investment earnings	500	534	(34)
Total nonoperating revenues	<u>500</u>	<u>534</u>	<u>34</u>
Total revenues	<u>1,144,250</u>	<u>1,169,010</u>	<u>24,760</u>
Expenditures:			
Salaries	-	-	-
Social security	-	-	-
Retirement	-	16	(16)
Health Insurance	6,500	6,440	60
Insurance - other	10,200	10,091	109
Motor vehicle expense	5,000	-	5,000
Fuel	4,000	-	4,000
Supplies	1,200	451	749
Permit fees	1,820	1,310	510
Bank service fees	250	(27)	277
Utilities	28,500	28,293	207
Radio maintenance	1,500	663	837
Furniture and equipment	4,000	3,269	731
Materials	100	5	95
Maintenance/repairs	120,880	43,089	77,791
Equipment maintenance	1,000	-	1,000
Professional fees	5,000	-	5,000
Training/education	100	50	50
Miscellaneous	-	-	-
Purchased - sewage treatment	822,000	829,425	(7,425)
Total waste collection and treatment	<u>1,012,050</u>	<u>923,075</u>	<u>88,975</u>
Debit service			
Principal	77,915	77,872	43
Interest	61,285	58,183	3,102
Total debt service	<u>139,200</u>	<u>136,055</u>	<u>3,145</u>

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

TOWN OF LANDIS, NORTH CAROLINA

Sewer Fund

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Capital outlay			
Capital outlay	\$ 7,500	\$ -	\$ 7,500
Total capital outlay	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 7,500</u>
Total expenditures	<u>1,158,750</u>	<u>1,059,130</u>	<u>99,620</u>
Revenues over (under) expenditures	<u>(14,500)</u>	<u>109,880</u>	<u>124,380</u>
Other financing sources (uses)			
Transfers from water fund	<u>14,500</u>	<u>14,500</u>	<u>-</u>
Total other financing sources (uses)	<u>14,500</u>	<u>14,500</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 124,380</u>	<u>\$ 124,380</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures and other uses		\$ 124,380	
Reconciling items:			
Interest earned by capital project		-	
Pension expense		(13,126)	
Capital outlay		-	
Principal retirement		77,872	
Compensated absences		6,664	
Depreciation		<u>(221,085)</u>	
Total reconciling items		<u>(149,675)</u>	
Change in net position		<u>\$ (25,293)</u>	

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

TOWN OF LANDIS, NORTH CAROLINA

Water Fund

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for services			
Water sales	\$ 1,035,000	\$ 1,106,359	\$ (71,359)
Water taps	80,000	122,650	(42,650)
Fines and penalties	-	-	-
Other operating revenues	-	527	(527)
Total operating revenues	<u>\$ 1,115,000</u>	<u>1,229,536</u>	<u>(114,536)</u>
Nonoperating revenues			
Investment earnings	-	2,906	(2,906)
Total nonoperating revenues	<u>-</u>	<u>2,906</u>	<u>2,906</u>
Total revenues	<u>1,115,000</u>	<u>1,232,442</u>	<u>(111,630)</u>
Expenditures:			
Water distribution			
Salaries	163,500	148,313	15,187
Social security	12,500	10,896	1,604
Retirement	22,000	15,970	6,030
Insurance - employee	27,000	13,722	13,278
Insurance - other	9,000	8,974	26
Motor vehicle expense	9,000	7,937	1,063
Chemicals	1,500	148	1,352
Lab fees	4,500	4,730	(230)
Telephone	2,500	-	2,500
Utilities	4,500	4,412	88
System maintenance	75,500	61,680	13,820
Dues and subscriptions	2,200	1,721	479
Professional fees	7,500	7,060	440
Permits	2,750	-	2,750
Postage	500	146	354
Water purchases	423,070	289,825	133,245
Contingencies	55,750	-	55,750
Training and education	3,000	643	2,357
Miscellaneous	4,430	2,741	1,689
Computer technical support	17,000	10,298	6,702
Water tank maintenance	4,800	4,040	760
Total water distribution	<u>852,500</u>	<u>593,256</u>	<u>259,244</u>

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

TOWN OF LANDIS, NORTH CAROLINA

Water Fund

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debit service			
Principal	91,750	61,635	30,115
Interest	110,500	107,806	2,694
Total debt service	<u>202,250</u>	<u>169,441</u>	<u>32,809</u>
Capital outlay			
Capital outlay	\$ 45,750	-	45,750
Total capital outlay	<u>45,750</u>	<u>-</u>	<u>45,750</u>
Total expenditures	<u>1,100,500</u>	<u>762,699</u>	<u>337,801</u>
Revenues over (under) expenditures	<u>14,500</u>	<u>469,743</u>	<u>226,171</u>
Other financing sources (uses)			
Transfers (to) from sewer fund	<u>(14,500)</u>	<u>(14,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(14,500)</u>	<u>(14,500)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 455,243</u>	<u>\$ 226,171</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures and other uses		\$ 455,243	
Reconciling items:			
Pension expense		(9,230)	
Capital outlay		-	
Principal retirement		61,634	
Compensated absences		2,338	
Depreciation		<u>(334,288)</u>	
Total reconciling items		<u>(279,546)</u>	
Change in net position		<u>\$ 175,699</u>	

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

OTHER SCHEDULES

This section contains additional information required on property taxes.

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

TOWN OF LANDIS, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020		1,629,307	1,581,010	\$ 48,297
2018-2019	\$ 57,252		35,928	21,324
2017-2018	18,674		4,251	14,423
2016-2017	10,803		528	10,275
2015-2016	7,497		159	7,338
2014-2015	3,283		289	2,994
2013-2014	2,562		16	2,546
2012-2013	1,937		49	1,888
2011-2012	1,539		68	1,471
2010-2011	940		4	936
2009-2010	1,013		1,013	-
2007-2009	1,265		1,265	-
	<u>\$ 106,765</u>	<u>\$ 1,629,307</u>	<u>\$ 1,623,315</u>	<u>\$ 111,492</u>
Ad valorem taxes receivable - net				<u>\$ 111,492</u>
Reconciliation to revenues:				
Ad valorem taxes - General Fund				\$ 1,753,842
Reconciling items				
Special district property taxes received				(27,838)
Vehicle tag fees				(97,049)
Writeoffs				2,278
Other adjustments				(3,829)
Interest and penalties				(4,089)
Total collections and credits				<u>\$ 1,623,315</u>

TOWN OF LANDIS, NORTH CAROLINA

*Analysis of Current Tax Levy
June 30, 2020*

	Town - Wide		Tax Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes- Landis	272,018,868	\$ 0.5300	1,441,700	1,441,700	
Motor Vehicles - Landis			170,936		170,936
Late Listing Penalties			916	916	
Total	272,018,868		1,613,552	1,442,616	170,936
Discoveries					
Current year taxes - Landis	5,315,579	0.5300	28,173	28,173	-
Penalties	-		-	-	-
Total	5,315,579		28,173	28,173	-
Abatements - Landis	(2,343,019)	0.5300	(12,418)	(12,418)	
Total property valuation	\$ 2,972,560				
Net levy			1,629,307	1,458,371	170,936
Uncollected taxes at June 30, 2020			(48,297)	(48,297)	-
Current year's taxes collected			\$ 1,581,010	\$ 1,410,074	\$ 170,936
Current levy collection percentage			97.04%	96.69%	100.00%

COMPLIANCE SECTION

ANN R. CRAVEN, CPA, PLLC
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GREENSBORO, NORTH CAROLINA 27405
(336) 632-0060

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Landis, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Landis, North Carolina's basic financial statements, and have issued our report thereon dated February 18, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ann R. Craven, CPA, PLLC

*Ann R. Craven, CPA, PLLC
Greensboro, North Carolina*

February 18, 2021

*Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020*

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

MATERIAL WEAKNESS

None reported.

SIGNIFICANT DEFICIENCIES

None reported.

NON-COMPLIANCE

None reported.

*Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2020*

No unresolved audit findings.