

TOWN OF LOUISBURG

NORTH CAROLINA

ANNUAL FINANCIAL REPORT

Town Council Members

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

Administrative and Financial Staff

Jonathan Franklin, Town Administrator
Sean Medlin, Finance Director

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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FINANCIAL SECTION

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Louisburg ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Louisburg, North Carolina as of June 30, 2020, and the respective changes in financial position and, where appropriate, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021 on our consideration of Town of Louisburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Louisburg's internal control over financial reporting and compliance.

May & Place, PA

Louisburg, NC

January 11, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Louisburg, we offer readers of the Town of Louisburg's financial statements this narrative overview and analysis of the financial activities of the Town of Louisburg for the fiscal year ended June 30, 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

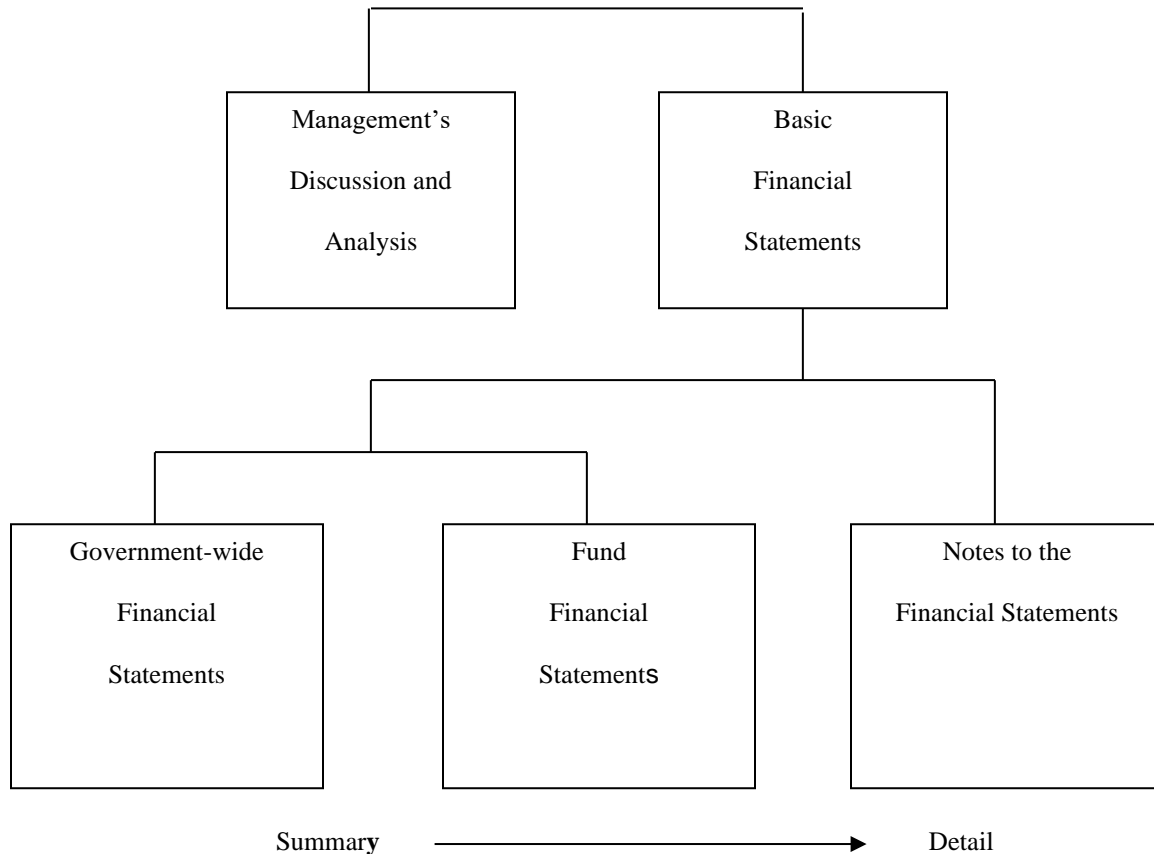
- The assets and deferred outflows of resources of the Town of Louisburg exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,698,576 (*net position*).
- The government's total net position decreased by \$136,013, primarily due to decreases in business-type activities net position.
- As of the close of the current fiscal year, the Town of Louisburg's governmental funds reported combined ending fund balances of \$2,551,319 with a net increase of \$98,029 in fund balance. Approximately 60 percent of this total amount, or \$1,517,207, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$692,567, or 16 percent of total general fund expenditures for the fiscal year.
- A portion of the Town's General Fund has been committed for future LEO Special Separation Allowance payments. The June 30, 2020 assigned amount for this purpose was \$341,545.
- The Town of Louisburg's total debt increased by \$162,199 or 2 percent during the current fiscal year even though the town paid \$369,790 in principal debt service payments. New debt consisted of \$500,000 for a Pierce Fire engine.
- The Town of Louisburg maintains a Baa/BBB bond rating or a North Carolina Municipal Council rating of 76.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, planning, sanitation and streets, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water, sewer, and electric services offered by the Town of Louisburg. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. This importance is acknowledged by the Town exercising control over appointments to the Board by requiring the Board to distribute its profits to the Town.

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

Fund Financial Statements

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

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

The Town of Louisburg adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Louisburg has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Louisburg uses enterprise funds to account for its water and sewer activities and for its electric distribution operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 30 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Louisburg's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 62 of this report.

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

Government-Wide Financial Analysis

Town of Louisburg's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2 679 258	\$ 2 575 029	\$ 4 605 806	\$ 5 309 766	\$ 7 285 064	\$ 7 884 795
Capital assets	6 717 774	6 207 929	18 696 312	18 466 500	25 414 086	24 674 429
Deferred outflows of resources	540 530	572 563	415 517	467 085	956 047	1 039 648
Total assets and deferred outflows of resources	<u>9 937 562</u>	<u>9 355 521</u>	<u>23 717 635</u>	<u>24 243 351</u>	<u>33 655 197</u>	<u>33 598 872</u>
Long-term liabilities outstanding	3 028 651	2 599 050	4 916 168	5 183 570	7 944 819	7 782 620
Other liabilities	83 011	81 762	593 234	738 789	676 245	820 551
Deferred inflows of resources	<u>175 776</u>	<u>88 045</u>	<u>159 781</u>	<u>73 067</u>	<u>335 557</u>	<u>161 112</u>
Total liabilities and deferred inflows of resources	<u>3 287 438</u>	<u>2 768 857</u>	<u>5 669 183</u>	<u>5 995 426</u>	<u>8 956 621</u>	<u>8 764 283</u>
Net position:						
Net investment in capital assets	5 688 984	5 531 343	15 166 298	14 714 491	20 855 282	20 245 834
Restricted	1 517 207	1 291 352	308 937	716 901	1 826 144	2 008 253
Unrestricted	<u>(556 067)</u>	<u>(236 031)</u>	<u>2 573 217</u>	<u>2 816 533</u>	<u>2 017 150</u>	<u>2 580 502</u>
Total net position	<u>\$ 6 650 124</u>	<u>\$ 6 586 664</u>	<u>\$ 18 048 452</u>	<u>\$ 18 247 925</u>	<u>\$ 24 698 576</u>	<u>\$ 24 834 589</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Louisburg exceeded liabilities and deferred inflows by \$24,698,576 as of June 30, 2020. The Town's net position decreased by \$136,013. This decrease is a result of higher deferred inflows of Other Post-Employment Benefits resources and higher debt. The largest portion (84.4% or \$20,855,282) of the Town's net position is reflected by the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Louisburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Louisburg's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Louisburg's net position, \$1,826,144 (7.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,017,150 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.79%, which is comparable to the statewide average of 98.65% for electric municipalities of similar size. Franklin County collects taxes for the Town of Louisburg, so collection rates reflect their efforts.
- Continued low cost of debt due to the Town's high bond rating.

Town of Louisburg Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 444 060	\$ 464 256	\$ 9 338 343	\$ 9 729 895	\$ 9 782 403	\$ 10 194 151
Operating grants & contributions	599 793	522 741	-	-	599 793	522 741
Capital grants & contributions	185 653	348 652	274 278	92 650	459 931	441 302
General Revenues						
Property taxes	1 301 161	1 294 482	-	-	1 301 161	1 294 482
Other taxes	23 810	12	-	-	23 810	12
Grants & contributions not restricted to specific programs	1 069 229	961 817	-	-	1 069 229	961 817
Other	123 288	100 841	106 337	59 282	229 625	160 123
Total revenues	<u>3 746 994</u>	<u>3 692 801</u>	<u>9 718 958</u>	<u>9 881 827</u>	<u>13 465 952</u>	<u>13 574 628</u>
Expenses						
General government	579 965	389 850	-	-	579 965	389 850
Public Safety	2 209 803	2 105 143	-	-	2 209 803	2 105 143
Streets and sanitation	918 377	1 049 732	-	-	918 377	1 049 732
Culture and recreation	223 808	261 411	-	-	223 808	261 411
Interest on long-term debt	19 809	18 875	-	-	19 809	18 875
Water and sewer	-	-	3 043 073	2 908 682	3 043 073	2 908 682
Electric	-	-	6 607 130	6 691 411	6 607 130	6 691 411
Total expenses	<u>3 951 762</u>	<u>3 825 011</u>	<u>9 650 203</u>	<u>9 600 093</u>	<u>13 601 965</u>	<u>13 425 104</u>
Increase (decrease) in net position before transfers and extraordinary item	(204 768)	(132 210)	68 755	281 734	(136 013)	149 524
Transfers	268 228	367 305	(268 228)	(367 305)	-	-
Increase (decrease) in net position	63 460	235 095	(199 473)	(85 571)	(136 013)	149 524
Beginning net position)	6 586 664	6 351 569	18 247 925	18 333 496	24 834 589	24 685 065
Net position, June 30	<u>\$ 6 650 124</u>	<u>\$ 6 586 664</u>	<u>\$ 18 048 452</u>	<u>\$ 18 247 925</u>	<u>\$ 24 698 576</u>	<u>\$ 24 834 589</u>

Governmental activities: The net position of the governmental activities increased by \$63,460. A portion of this increase was due to the net transfer of \$268,228 from the Electric Fund to the General Fund, of which \$51,831 was for payments in lieu of taxes for physical plant of electric operations. General and tax revenues were more than the previous year totals by over \$54,000 because of slight increases in many revenue sources.

Business-type activities: The net position of the business-type activities for the Town of Louisburg decreased by \$199,473. Electric revenues were lower (1.2%) due to COVID-19 related events and with no increase in utility rates. The decrease in net position for business type activities was due also to increases in water and sewer operating expenses.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Louisburg. At the end of the current fiscal year, Town of Louisburg's total fund balance unassigned in the General Fund was \$692,567 while total fund balance was \$2,171,109. The Town currently has available fund balance of 15.71% of total general fund expenditures, while total fund balance represents 49.2% of the same amount.

At June 30, 2020, the governmental funds of Town of Louisburg reported a combined fund balance of \$2,551,319 with a net increase in fund balance of \$98,029.

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

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

Proprietary Funds. The Town of Louisburg's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,222,388 and those for the Electric Fund amounted to \$1,350,829. The total change in net position for both funds was a reduction of \$203,934 in the Electric Fund and an increase of \$4,461 in the Water and Sewer Fund.

Capital Asset and Debt Administration

Capital assets. The Town of Louisburg's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$25,414,086 (net of accumulated depreciation). These assets include buildings, streets and sidewalks, land, machinery and equipment, park facilities, and vehicles.

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

- Acquisition of 2019 Pierce Fire Engine with a cost of \$639,244
- Purchase of three Dodge Durango police vehicles and one Ford F150 police vehicle for total of \$180,532
- Purchase of 2019 Toyota 4Runner for town administrator office costing \$34,688
- Bought a printer/copier for planning department for \$6,451
- Received used Street Sweeper from the City of Raleigh for \$25,000
- Purchase pressure washer for solid waste department to clean truck (\$2,600)
- Installed Nash Street and Tar River bridge lighting/transformer/electrical lines updates \$245,943
- Purchased new equipment for the water system including portable flushing hydrant, chlorine analyzer, and spectrometer for \$17,00
- Other equipment purchased for the water and sewer departments included
 - Used sewer vacuum truck - \$37,000
 - Asphalt roller - \$13,000
 - Wastewater treatment plant wireless real time alarm - \$21,097
 - F250 truck - \$42,022
- Installed new sewer line for Nash and Johnston streets at a cost of \$216,710
- Invested \$180,968 in clarifier replacement and \$93,310 on sewer influent system improvements

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1 885 320	\$ 1 885 320	\$ 570 459	\$ 570 459	\$ 2 455 779	\$ 2 455 779
Buildings and improvements	438 387	465 714	6 949 688	7 253 502	7 388 075	7 719 216
Revitalization	-	-	177 640	195 292	177 640	195 292
Machinery and equipment	1 257 531	728 623	1 553 898	1 569 232	2 811 429	2 297 855
Infrastructure	1 031 031	1 056 440	-	-	1 031 031	1 056 440
Construction in progress	2 105 505	2 071 832	1 000 294	577 259	3 105 799	2 649 091
Electric, water, sewer Lines, lift stations	-	-	8 444 333	8 300 756	8 444 333	8 300 756
Total	\$ 6 717 774	\$ 6 207 929	\$ 18 696 312	\$ 18 466 500	\$ 25 414 086	\$ 24 674 429

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

Long-term Debt. As of June 30, 2020, the Town of Louisburg had total debt outstanding of \$4,558,803. This total debt is debt backed by the full faith and credit of the Town.

Town of Louisburg's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment debt	\$ 1 028 789	\$ 676 586	\$ 1 321 014	\$ 1 508 008	\$ 2 349 803	\$ 2 184 594
Revenue bond	-	-	2 209 000	2 244 000	2 209 000	2 244 000
Total	\$ 1 028 789	\$ 676 586	\$ 3 530 014	\$ 3 752 008	\$ 4 558 803	\$ 4 428 594

Town of Louisburg's Outstanding Debt

The Town of Louisburg's total debt increased by \$130,209 during the past fiscal year. During the year, the Town incurred installment debit of \$500,000 for a Pierce Fire Engine, while making principal payments for all debt in the amount of \$416,791.

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

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Louisburg is \$23,294,000 based upon total assessed value of \$291.1 million.

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

Economic Factors and Next Year's Budgets and Rates

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

- Louisburg has a population estimated of 3,530 as of July 2019.
- Major transportation networks include US Highway 401 and NC Highways 39, 56, 561, and 581; freight rail service provided by CSX Transportation; and Raleigh-Durham International Airport is 35 miles southwest of the Town along with a local county airport.

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

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The Town's General Fund budget reflects a 7.8% increase. Ad Valorem taxes are projected to rise slightly by 7.1% with the property tax rate remaining at \$0.45 per \$100.00 assessed valuation. Sales taxes are expected to increase 2.7% even though COVID-19 restrictions may affect this projection. The residential sanitation rate remains at \$26.70 per household while the commercial rate remains at \$48.63 per month. The budget includes funding of one additional economic development coordinator position in the town administrator's office. Other revenues in the General Fund were budgeted with little or no growth for the 2021 fiscal year. In addition, the 2020-2021 budget includes a transfer of \$391,723 from the Electric Fund to the General Fund. Loan proceeds of \$100,000 are expected for three new police vehicles. Budgeted expenditures in the General Fund will increase with a 2.8% cost-of-living adjustment effective July 1, 2020. All other line-item expenditures are expected to remain at the same levels as the prior year.

Business-type Activities: Although the Town's Electric Fund budget has no increases in electric rates, the budget is 4.9% higher than the previous year. This is mainly due to the transfer of \$415,000 from the Electric Fund to the Industrial Park Fund. While projecting water and sewer sales to remain constant, the FY2021 budget reflects a change in the rate structure for sewer usage (residential and bulk users) to allow the Town to be more competitive to receive additional grant funds for public works projects. The total water and sewer budget increases over 11% because of transfers for economic development. Using business-type activities funding, the Town will continue to focus on downtown revitalization and economic or community development. To augment this, the Town will transfer \$415,000 from the water and sewer funds to the Industrial Park Fund to facilitate expansion of this endeavor. The Town is also expected to fund the purchase of a new public works backhoe using installment loan proceeds.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Town of Louisburg, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Louisburg ABC Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1 493 843	\$ 2 917 155	\$ 4 410 998	\$ 386 011
Taxes receivables (net)	41 806	-	41 806	-
Accrued interest receivable on taxes	3 122	-	3 122	-
Accounts receivable (net)	179 940	1 000 093	1 180 033	-
Due from other governments	462 637	246 106	708 743	-
Internal balances	50 000	(50 000)	-	-
Inventories	-	17 183	17 183	200 825
Prepaid items	-	-	-	6 411
Restricted cash and cash equivalents	447 910	475 269	923 179	-
Total current assets	2 679 258	4 605 806	7 285 064	593 247
Non-Current Assets:				
Capital Assets				
Land, non-depreciable				
improvements, and construction in progress	3 990 826	1 570 753	5 561 579	3 792
Other capital assets, net of depreciation	2 726 948	17 125 559	19 852 507	28 392
Total capital assets	6 717 774	18 696 312	25 414 086	32 184
Total assets	9 397 032	23 302 118	32 699 150	625 431
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	500 245	374 367	874 612	30 882
OPEB deferrals	40 285	41 150	81 435	-
Total deferred outflows of resource	540 530	415 517	956 047	30 882
LIABILITIES				
Current Liabilities				
Accounts payable	83 011	426 902	509 913	294 020
Customer deposits	-	166 332	166 332	-
Current portion of long-term liabilities	172 607	223 578	396 185	-
Total current liabilities	255 618	816 812	1 072 430	294 020
Long-term liabilities:				
Net pension liability (LGRS)	687 329	605 489	1 292 818	26 217
Total Pension liability (LEOSSA)	567 171	-	567 171	-
Net OPEB Liability	629 272	642 756	1 272 028	-
Due in more than one year	972 272	3 444 345	4 416 617	-
Total liabilities	3 111 662	5 509 402	8 621 064	320 237
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals (LGRS)	17 150	17 362	34 512	-
Pension deferrals (LEOSSA)	19 194	-	19 194	-
OPEB deferrals	139 432	142 419	281 851	-
Total deferred outflows of resource	175 776	159 781	335 557	-
NET POSITION				
Net investment in capital assets	5 688 984	15 166 298	20 855 282	32 184
Restricted for:				
Capital projects	-	-	-	120 000
Rate stabilization	-	308 937	308 937	-
Stabilization by State Statute	1 069 297	-	1 069 297	-
Other functions	447 910	-	447 910	63 582
Unrestricted	(556 067)	2 573 217	2 017 150	120 310
Total net position	\$ 6 650 124	\$ 18 048 452	\$ 24 698 576	\$ 336 076

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

Town of Louisburg, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Louisburg ABC Board
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 579 965	\$ 9 250	\$ -	\$ 23 608	\$ (547 107)	\$ -	\$ (547 107)	\$ -
Public safety	2 209 803	1 980	503 084	100 000	(1 604 739)	-	(1 604 739)	-
Streets and sanitation	918 377	386 185	96 709	62 045	(373 438)	-	(373 438)	-
Cultural and recreation	223 808	46 645	-	-	(177 163)	-	(177 163)	-
Interest on long term debt	19 809	-	-	-	(19 809)	-	(19 809)	-
Total governmental activities	3 951 762	444 060	599 793	185 653	(2 722 256)	-	(2 722 256)	-
Business-type activities:								
Water and sewer	3 043 073	2 750 571	-	274 278	-	(18 224)	(18 224)	-
Electric	6 607 130	6 587 772	-	-	-	(19 358)	(19 358)	-
Total business-type activities	9 650 203	9 338 343	-	274 278	-	(37 582)	(37 582)	-
Total primary government	\$ 13 601 965	\$ 9 782 403	\$ 599 793	\$ 459 931	(2 722 256)	(37 582)	(2 759 838)	-
Component units:								
ABC Board	\$ 2 128 493	\$ 2 138 493	\$ -	\$ -	-	-	-	10 000
Total component units	\$ 2 128 493	\$ 2 138 493	\$ -	\$ -	-	-	-	10 000
General revenues								
Taxes:								
Property taxes, levied for general purpose					1 301 161	-	1 301 161	-
Other taxes					23 810	-	23 810	-
Grants and contributions not restricted to specific programs					1 069 229	-	1 069 229	-
Net unrestricted investment earnings					31 400	59 537	90 937	-
Miscellaneous					81 948	24 742	106 690	-
Insurance recovery					9 940	22 058	31 998	-
Total general revenues, not including transfers					2 517 488	106 337	2 623 825	-
Transfers								
Transfers from other funds					377 370	109 142	486 512	-
Transfers to other funds					(109 142)	(377 370)	(486 512)	-
Total general revenues and transfers					2 785 716	(161 871)	2 623 825	-
Change in net position					63 460	(199 473)	(136 013)	10 000
Net position – beginning previously reported					6 586 664	18 247 925	24 834 589	326 076
Net position ending					\$ 6 650 124	\$ 18 048 452	\$ 24 698 576	\$ 336 076

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

**Town of Louisburg
Balance Sheet
Governmental Funds
June 30, 2020**

	<div>Major Funds</div>		
	General Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1 495 820	\$ -	\$ 1 495 820
Restricted cash	67 700	378 233	445 933
Receivables, net:			
Taxes	41 806	-	41 806
Accounts	179 940	-	179 940
Due from other governments	352 818	109 819	462 637
Due from other funds	536 539	394 281	930 820
Total Assets	2 674 623	882 333	3 556 956
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	67 427	15 584	83 011
Due to other funds	394 281	486 539	880 820
Total liabilities	461 708	502 123	963 831
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	41 806	-	41 806
Total deferred inflows of resources	41 806	-	41 806
FUND BALANCES			
Restricted			
Stabilization by State Statute	1 069 297	-	1 069 297
Streets	67 700	57 397	125 097
Economic development	-	322 813	322 813
Assigned			
LEO Supplement	341 545	-	341 545
Unassigned	692 567	-	692 567
Total fund balances	2 171 109	380 210	2 551 319
Total liabilities, deferred inflows of resources and fund balances	\$ 2 674 623	\$ 882 333	\$ 3 556 956

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

**Town of Louisburg
Balance Sheet
Governmental Funds
June 30, 2020**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		2 551 319
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 13 172 594	
Accumulated depreciation	<u>(6 454 820)</u>	6 717 774
Deferred outflows of resources related to pensions are not reported in the funds		
		500 245
Deferred outflows of resources related to OPEB are not reported in the funds		
		40 285
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds		
		3 122
Earned revenues considered deferred inflows of resources in fund statements.		
		41 806
Long term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)		
		(1 028 790)
Net pension liability (LGERS)		(687 329)
Total pension liability (LEOSSA)		(567 171)
OPEB liability		(629 272)
Deferred inflows of resources related to pensions are not reported in the funds		
		(36 344)
Deferred inflows of resources related to OPEB are not reported in the funds		
		(139 432)
Other long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds		
		(116 089)
Net position of governmental activities	\$	<u><u>6 650 124</u></u>

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

Town of Louisburg
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 1 296 210	\$ -	\$ 1 296 210
Other taxes and licenses	23 810	-	23 810
Unrestricted intergovernmental	1 069 229	-	1 069 229
Restricted intergovernmental	435 536	62 045	497 581
Permits and fees	1 950	-	1 950
Sales and services	442 110	-	442 110
Investment earnings	31 400	-	31 400
Miscellaneous	172 448	8 500	180 948
Total revenues	<u>3 472 693</u>	<u>70 545</u>	<u>3 543 238</u>
EXPENDITURES			
Current:			
General government	277 862	-	277 862
Public safety	2 080 670	-	2 080 670
Streets and sanitation	848 727	-	848 727
Culture and recreation	168 983	-	168 983
Debt service:			
Principal	147 796	-	147 796
Interest and other charges	19 809	-	19 809
Capital Outlay	864 102	177 993	1 042 095
Total expenditures	<u>4 407 949</u>	<u>177 993</u>	<u>4 585 942</u>
Excess (deficiency) of revenues over expenditures	<u>(935 256)</u>	<u>(107 448)</u>	<u>(1 042 704)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	377 370	96 346	473 716
Transfers to other funds	(205 488)	-	(205 488)
Sale of capital assets	49 500	159 427	208 927
Insurance recovery	39 321	-	39 321
Grant proceeds	124 257	-	124 257
Loan proceeds	500 000	-	500 000
Total other financing sources (uses)	<u>884 960</u>	<u>255 773</u>	<u>1 140 733</u>
Net change in fund balance	(50 296)	148 325	98 029
Fund balances, beginning	2 221 405	231 885	2 453 290
Fund balances, ending	<u>\$ 2 171 109</u>	<u>\$ 380 210</u>	<u>\$ 2 551 319</u>

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

Town of Louisburg
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

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

Net changes in fund balances -total governmental funds	\$	98 029
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 1 042 095	
Depreciation expense for governmental assets	(358 549)	
Reduction in accumulated depreciation for property sold	264 758	
Reduction in capital assets due to property sold	<u>(438 459)</u>	509 845

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	152 531
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Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities	1 894
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	21 954
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax sources	5 308
Decrease in accrued interest receivable	(356)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt	(500 000)
Principal payments on long-term debt	147 796

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(2 744)
Pension expense LGRS	(289 001)
Pension expense-LEOSSA	(43 852)
OPEB plan expense	(37 944)

Total changes in net position of governmental activities	\$	<u>63 460</u>
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The notes to the financial statements are an integral part of this statement.

**Town of Louisburg
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2020**

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1 281 968	\$ 1 300 968	\$ 1 296 210	\$ (4 758)
Other taxes and licenses	30 000	30 000	23 810	(6 190)
Unrestricted intergovernmental	942 450	1 086 050	1 069 229	(16 821)
Restricted intergovernmental	405 744	434 444	435 536	1 092
Permits and fees	1 500	1 500	1 950	450
Sales and services	427 000	450 300	442 110	(8 190)
Investment earnings	35 000	27 800	31 400	3 600
Miscellaneous	155 000	172 000	172 448	448
Total revenues	<u>3 278 662</u>	<u>3 503 062</u>	<u>3 472 693</u>	<u>(30 369)</u>
Expenditures				
Current:				
General government	256 663	296 252	288 147	8 105
Public safety	2 203 091	2 348 590	2 906 887	(558 297)
Streets and sanitation	969 915	890 715	876 327	14 388
Cultural and recreation	219 152	185 253	168 983	16 270
Debt service:				
Principal retirement	157 211	163 722	147 796	15 926
Interest and other charges	-	-	19 809	(19 809)
Total expenditures	<u>3 806 032</u>	<u>3 884 532</u>	<u>4 407 949</u>	<u>(523 417)</u>
Revenues over (under) expenditures	<u>(527 370)</u>	<u>(381 470)</u>	<u>(935 256)</u>	<u>(553 786)</u>
Other financing sources (uses):				
Transfers from other funds	377 370	377 370	377 370	-
Transfers to other funds	-	(109 200)	(205 488)	(96 288)
Sale of capital assets	-	49 500	49 500	-
Insurance recovery	-	39 500	39 321	(179)
Grant proceeds	-	24 300	124 257	99 957
Loan proceeds	150 000	-	500 000	500 000
Total other financing sources (uses)	<u>527 370</u>	<u>381 470</u>	<u>884 960</u>	<u>503 490</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ (50 296)	\$ <u>(50 296)</u>
Fund balances, beginning			2 221 405	
Fund balances, ending			<u>\$ 2 171 109</u>	

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

**Town of Louisburg
Statement of Net Position
Proprietary Funds
June 30, 2020**

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1 510 387	\$ 1 406 768	\$ 2 917 155
Restricted cash and cash equivalents	429 974	45 295	475 269
Accounts receivable (net)	683 359	316 734	1 000 093
Due from other governments	-	246 106	246 106
Inventories	-	17 183	17 183
Total current assets	<u>2 623 720</u>	<u>2 032 086</u>	<u>4 655 806</u>
Noncurrent assets:			
Capital assets			
Land and construction in progress	854 042	716 711	1 570 753
Other capital assets, net of depreciation	2 972 224	14 153 335	17 125 559
Capital assets (net)	<u>3 826 266</u>	<u>14 870 046</u>	<u>18 696 312</u>
Total noncurrent assets	<u>3 826 266</u>	<u>14 870 046</u>	<u>18 696 312</u>
Total assets	<u>6 449 986</u>	<u>16 902 132</u>	<u>23 352 118</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	163 245	211 122	374 367
OPEB deferrals	17 069	24 081	41 150
Total deferred outflows of resources	<u>180 314</u>	<u>235 203</u>	<u>415 517</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	371 089	55 813	426 902
Customer deposits	121 037	45 295	166 332
Due to other funds	-	50 000	50 000
Revenue bond payable - current	-	36 000	36 000
Installment purchase - current	57 593	129 985	187 578
Total current liabilities	<u>549 719</u>	<u>317 093</u>	<u>866 812</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	65 947	71 962	137 909
Total OPEB liability	266 617	376 139	642 756
Net pension liability	253 954	351 535	605 489
Installment notes	172 785	960 651	1 133 436
Revenue bonds payable	-	2 173 000	2 173 000
Total noncurrent liabilities	<u>759 303</u>	<u>3 933 287</u>	<u>4 692 590</u>
Total liabilities	<u>1 309 022</u>	<u>4 250 380</u>	<u>5 559 402</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	6 548	10 814	17 362
OPEB deferrals	59 076	83 343	142 419
Total deferred inflows of resources	<u>65 624</u>	<u>94 157</u>	<u>159 781</u>
NET POSITION			
Net investment in capital assets	3 595 888	11 570 410	15 166 298
Restricted for:			
Rate stabilization	308 937	-	308 937
Unrestricted	1 350 829	1 222 388	2 573 217
Total net position	<u>\$ 5 255 654</u>	<u>\$ 12 792 798</u>	<u>\$ 18 048 452</u>

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

Town of Louisburg
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 6 514 785	\$ 2 714 477	\$ 9 229 262
Water and sewer connections	-	9 000	9 000
Other operating revenues	72 987	27 094	100 081
Total operating revenues	6 587 772	2 750 571	9 338 343
OPERATING EXPENSES			
Governing body	28 737	9 855	38 592
Administration	491 541	168 746	660 287
Business office	173 146	173 035	346 181
Electric operations	1 566 562	-	1 566 562
Electric power purchases	4 099 796	-	4 099 796
Water treatment and distribution	-	989 454	989 454
Waste collection and treatment	-	1 015 466	1 015 466
Depreciation	236 152	584 323	820 475
Total operating expenses	6 595 934	2 940 879	9 536 813
Operating income (loss)	(8 162)	(190 308)	(198 470)
NONOPERATING REVENUES (EXPENSES)			
Net investment earnings	43 512	16 025	59 537
Interest and other charges	(11 196)	(102 194)	(113 390)
Sale of fixed assets	8 100	6 660	14 760
Capital gain on sale of economic development project	9 982	-	9 982
Total nonoperating revenue (expenses)	50 398	(79 509)	(29 111)
Income (loss) before contributions and transfers	42 236	(269 817)	(227 581)
Capital contributions	-	274 278	274 278
Insurance recovery	22 058	-	22 058
Transfers from other funds	109 142	-	109 142
Transfers to other funds	(377 370)	-	(377 370)
Changes in net position	(203 934)	4 461	(199 473)
Total net position, previously reported	5 459 588	12 788 337	18 247 925
Total net position, ending	\$ 5 255 654	\$ 12 792 798	\$ 18 048 452

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

**Town of Louisburg
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020**

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6 575 496	\$ 2 693 567	\$ 9 269 063
Cash paid for goods and services	(5 147 632)	(994 753)	(6 142 385)
Cash paid to or on behalf of employees for services	(1 198 070)	(1 374 840)	(2 572 910)
Net customer deposits	(3 587)	701	(2 886)
Other operating revenues	72 987	27 094	100 081
Net cash provided (used) by operating activities	299 194	351 769	650 963
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	109 142	-	109 142
Transfers to other funds	(377 370)	-	(377 370)
Total cash flows from noncapital financing activities	(268 228)	-	(268 228)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(405 288)	(674 689)	(1 079 977)
Principal paid on bond maturities and equipment contracts	(107 593)	(164 401)	(271 994)
Interest paid on bond maturities and equipment contracts	(11 196)	(102 194)	(113 390)
Insurance recovery	22 058	-	22 058
Sale of fixed assets	8 100	6 660	14 760
Capital contributions - grants	-	274 278	274 278
Net cash provided (used) by capital and related financing activities	(493 919)	(660 346)	(1 154 265)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	43 512	16 025	59 537
Net increase (decrease) in cash and cash equivalents	(419 441)	(292 552)	(711 993)
Balances – beginning of the year	2 359 802	1 744 615	4 104 417
Balances – end of the year	\$ 1 940 361	\$ 1 452 063	\$ 3 392 424
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (8 162)	\$ (190 308)	\$ (198 470)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	236 152	584 323	820 475
Changes in assets, deferred outflows and inflows, and liabilities:			
(Increase) decrease in accounts receivable	60 711	(29 910)	30 801
(Increase) decrease in inventory	-	837	837
(Increase) decrease in deferred outflows of resources-pensions	20 497	26 715	47 212
(Increase) decrease in deferred outflows of resources-OPEB	1 807	2 549	4 356
Increase (decrease) in net pension liability	46 767	49 210	95 977
Increase (decrease) in deferred inflows of resources-pensions	(8 239)	(8 044)	(16 283)
Increase (decrease) in deferred inflows of resources-OPEB	42 724	60 273	102 997
Increase (decrease) in accounts payable and accrued liabilities	(56 247)	(86 422)	(142 669)
Increase (decrease) in customer deposits	(3 587)	701	(2 886)
Increase (decrease) in OPEB liability	(37 756)	(53 264)	(91 020)
Increase (decrease) in accrued vacation pay	4 527	(4 891)	(364)
Total adjustments	307 356	542 077	849 433
Net cash provided by operating activities	\$ 299 194	\$ 351 769	\$ 650 963

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

Town of Louisburg
Statement of Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

Assets	Agency Fund
	<hr/>
Cash and cash equivalents	\$ 2 205
	<hr/>
 Liabilities	
Liabilities:	
Intergovernmental payable	<hr/> 2 205
	<hr/>
Total liabilities	\$ <hr/> 2 205

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

Notes to the Financial Statements

Town of Louisburg, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Louisburg and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Town of Louisburg ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Louisburg ABC Board, Bickett Blvd, Louisburg, NC 27549.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary fund. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric fund operations. An Electric Rate Stabilization Fund has been consolidated into the Electric Fund for financial reporting purposes. The budgetary comparison for the Electric Rate Stabilization Fund has been included in the supplemental information.

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The Water and Sewer Capital Projects Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

The Town reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, the Enterprise Fund Capital Project Funds, and the Electric Rate Stabilization Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S.] 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. The NCCMT Government Portfolio, a SEC registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund with no rating and is measured at fair value. As of June 30, 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 investment with a maturity of less than 6 months.

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

Town of Louisburg Restricted Cash

Governmental Activities		
General Fund	Streets	\$ 67 700
Non-major Governmental Funds	Economic development	322 813
	Streets	<u>57 397</u>
Total governmental activities		<u>447 910</u>
Business-type Activities		
Electric Fund	Rate Stabilization	308 937
	Customer deposits	121 037
Water and Sewer Fund	Customer deposits	<u>45 295</u>
Total business-type activities		<u>475 269</u>
Total Restricted Cash		\$ <u>923 179</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$200; buildings, improvements, substations, lines, and other plant and distribution systems, \$25,000; infrastructure, \$25,000; furniture and equipment, \$1,000; and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General fund infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

8. Deferred outflows/inflows of resources

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

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

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

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

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

For the Town of Louisburg, the greater was five percent (5%) (\$357,692) of gross annual revenues (\$7,153,849) for the year ending June 30, 2019. For expenditures that were not direct and indirect costs of operating the electric system as defined by the statute, the Town transferred \$377,370 from the Electric Fund to the General Fund and \$113,998 to the North Church Street capital project revitalization fund. The total of these transfers exceeded the allowed amount by \$133,676.

We recommend the Town of Louisburg comply with N.C.G.S. 159B-39. The Town should reimburse the electric fund a total of \$133,676.

Correction Plan: See Schedule of Findings and Responses in the back this report.

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

None.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the Town's general fund exceeded the authorized appropriations made by the governing board for Public Safety by \$558,297. The over-expenditure occurred because of an error in budgeting for a new fire truck. In addition, transfers from the general fund to capital projects exceeded authorized appropriations by \$96,346 as a result of not amending the budget. Also, total expenditures in the Joyner Park Grant Project exceeded the project authorization by \$15,298 as a result of not amending the budget. Total expenditures in the North Church Street Capital Project exceeded the Project Authorization by \$61,700 as a result of not amending the budget. Total transfers from the electric fund to capital project funds exceeded authorized appropriations by \$133,775 as a result of not budgeting for the transfers.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$898,057 and a bank balance of \$1,021,389. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered held under the pooling method. The carrying amount of deposits for the ABC Board was \$386,011 and the bank balance was \$416,845. All the bank balance was covered by federal depository insurance except for \$136,011 which was collateralized by institutions using the pooling method.. On June 30, 2020, the Town's petty cash fund totaled \$400.

2. Investments

At June 30, 2020 the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/20	Maturity	Rating
US Government Treasuries	Fair Value Level 1	\$ 2 016 501	Up to 3 years	AAA
US Government Agencies	Fair Value Level 1	250 278	Up to 3 years	AAA
NC Capital Management Trust Government Portfolio	Fair Value 1	2 171 146	N/A	AAAm
Total		\$ <u>4 437 925</u>		

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

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

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

Credit risk. The Town has no formal investment policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of N.C.G.S 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020.

Concentration of Credit Risk. The Town places no limit on the amount that the Town may invest in any one issuer. Of the Town's total investments, US Government Treasuries are 45.44%, US Government Agencies are 5.64%, and NC Capital Management Trust are 48.92%.

3. Receivables – Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amounts of \$3,122.

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

	6/30/20
General Fund:	
Taxes receivable	\$ 6 499
Accounts receivable	9 348
Total General Fund	<u>15 847</u>
Enterprise Funds	70 338
Total	\$ <u>86 185</u>

4. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1 885 320	\$ -	\$ -	\$ 1 885 320
Construction in progress	2 071 832	177 993	144 320	2 105 505
Total capital assets not being depreciated	<u>3 957 152</u>	<u>177 993</u>	<u>144 320</u>	<u>3 990 825</u>
Capital assets being depreciated:				
Buildings and improvements	1 325 652	-	-	1 325 652
Equipment	4 997 477	864 102	294 139	5 567 440
Revitalization	353 519	-	-	353 519
Infrastructure	1 935 158	-	-	1 935 158
Total capital assets being depreciated	<u>8 611 806</u>	<u>864 102</u>	<u>294 139</u>	<u>9 181 769</u>
Less accumulated depreciation for:				
Buildings and improvements	859 938	27 327	-	887 265
Equipment	4 268 854	305 813	264 758	4 309 909
Revitalization	353 519	-	-	353 519
Infrastructure	878 718	25 409	-	904 127
Total accumulated depreciation	<u>6 361 029</u>	<u>\$ 358 549</u>	<u>\$ 264 758</u>	<u>6 454 820</u>
Total capital assets being depreciated, net	<u>2 250 777</u>			<u>2 726 949</u>
Governmental activity capital assets, net	<u>\$ 6 207 929</u>			<u>\$ 6 717 774</u>

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

General government	\$ 2 150
Public safety	191 296
Streets and sanitation	106 914
Culture and recreation	58 189
Total depreciation expense	<u>\$ 358 549</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Electric fund				
Capital assets not being depreciated:				
Land	\$ 554 974	\$ -	\$ -	\$ 554 974
Construction in progress	150 311	503 927	355 170	299 068
Total capital assets not being depreciated:	<u>705 285</u>	<u>503 927</u>	<u>355 170</u>	<u>854 042</u>
Capital assets being depreciated:				
Electric lines and transformers	5 463 857	244 595	-	5 708 452
Buildings	2 669 804	-	-	2 669 804
Equipment	2 308 916	21 918	23 246	2 307 588
Load management switches	114 253	-	-	114 253
Total capital assets being depreciated	<u>10 556 830</u>	<u>266 513</u>	<u>23 246</u>	<u>10 800 097</u>
Less accumulated depreciation for:				
Electric lines and transformers	4 730 377	109 634	-	4 840 011
Buildings	822 935	69 390	-	892 325
Equipment	1 963 944	55 082	23 246	1 995 780
Load management switches	97 711	2 046	-	99 757
Total accumulated depreciation	<u>7 614 967</u>	<u>\$ 236 152</u>	<u>\$ 23 246</u>	<u>7 827 873</u>
Total capital assets being depreciated, net	<u>2 941 863</u>			<u>2 972 224</u>
Electric fund capital assets, net	<u>\$ 3 647 148</u>			<u>\$ 3 826 266</u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 15 485	\$ -	\$ -	\$ 15 485
Construction in progress	426 948	274 278	-	701 226
Total capital assets not being depreciated	<u>442 433</u>	<u>274 278</u>	<u>-</u>	<u>716 711</u>
Capital assets being depreciated:				
Building	834 343	-	-	834 343
Water lines	2 186 469	-	-	2 186 469
Filtration plant	1 832 024	-	-	1 832 024
Water equipment	2 006 570	41 886	10 531	2 037 925
Building public works	12 788	-	-	12 788
Revitalization	441 306	-	-	441 306
Sewer lines	9 649 393	216 710	-	9 866 103
Disposal plant	2 739 936	-	-	2 739 936
Weir dam	742 203	-	-	742 203
Sewer equipment	1 013 054	102 142	10 531	1 104 665
Lift stations	181 598	-	-	181 598
Water treatment plant	6 667 063	-	-	6 667 063
Total capital assets being depreciated	<u>28 306 747</u>	<u>360 738</u>	<u>21 062</u>	<u>28 646 423</u>
Less accumulated depreciation for:				
Building	166 868	20 859	-	187 727
Water lines	2 036 053	81 390	-	2 117 443
Filtration plant	1 658 069	45 332	-	1 703 401
Water equipment	904 073	71 191	10 531	964 733
Building public works	12 788	-	-	12 788
Revitalization	246 014	17 652	-	263 666
Sewer lines	2 291 438	122 725	-	2 414 163
Disposal plant	919 688	1 422	-	921 110
Weir dam	742 203	-	-	742 203
Sewer equipment	907 833	52 961	10 531	950 263
Lift stations	122 693	3 980	-	126 673
Water treatment plant	3 922 108	166 811	-	4 088 919
Total accumulated depreciation	<u>13 929 828</u>	<u>\$ 584 323</u>	<u>\$ 21 062</u>	<u>14 493 089</u>
Total capital assets being depreciated, net	<u>14 376 919</u>			<u>14 153 334</u>
Water and Sewer fund capital assets, net	<u>14 819 352</u>			<u>14 870 045</u>
Business-type activities capital assets, net	<u>\$ 18 466 500</u>			<u>\$ 18 696 311</u>

Construction commitments

The government has active construction projects as of June 30, 2020. At year-end the government's commitments with contractors are as follows:

Project	Spent to date	Remaining Commitment
Sidewalk Construction	\$ 989 153	\$ 386 347
Downtown revitalization	1 318 286	426 749
Recreation improvements	515 298	-
Electric system improvements	92 538	166 876
Water & Sewer Improvements	701 226	548 774
Total	<u>\$ 3 616 501</u>	<u>\$ 1 528 748</u>

Discretely Presented component unit

Activity for the ABC Board for the year ended June 30, 2020 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	3 792	\$ -	\$ -	\$ 3 792
Total capital assets not being depreciated	<u>3 792</u>	<u>-</u>	<u>-</u>	<u>3 792</u>
Capital assets being depreciated:				
Building improvements	62 161	-	-	62 161
Paving	24 924	-	-	24 924
Store Equipment	70 911	13 587	-	84 498
Furniture and fixtures	19 330	-	-	19 330
Total capital assets being depreciated	<u>177 326</u>	<u>13 587</u>	<u>-</u>	<u>190 913</u>
Less accumulated depreciation for:				
Building improvements	56 011	30	-	56 041
Paving	22 827	839	-	23 666
Equipment	59 235	4 504	-	63 739
Furniture and fixtures	18 806	269	-	19 075
Total accumulated depreciation	<u>156 879</u>	<u>\$ 5 642</u>	<u>\$ -</u>	<u>162 521</u>
Total capital assets begin depreciated, net	<u>20 447</u>			<u>28 392</u>
ABC Board capital assets, net	<u>24 239</u>			<u>\$ 32 184</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employee's Retirement System

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

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Louisburg employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Louisburg's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation 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 Louisburg were \$304,482 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 \$1,292,818 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. On June 30, 2019 (measurement date), the Town's proportion was 0.04734%, which was an increase of 0.00095% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$567,718. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 221 363	\$ -
Changes of assumptions	210 708	-
Net difference between projected and actual earnings on pension plan investments	31 533	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	15 764	34 512
Town contributions subsequent to the measurement date	304 482	-
Total	\$ <u>783 850</u>	\$ <u>34 512</u>

The \$304,482 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2020	\$ 219 467
2021	57 720
2022	128 876
2023	38 795
2024	-
Thereafter	-

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

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

The actuarial assumptions used in the December 31, 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. 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	100.0%	

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.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2 956 912	\$ 1 292 818	\$ (90 381)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Louisburg administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018 the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>15</u>
Total	<u>17</u>

2. *Summary of Significant Accounting Policies:*

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

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

3. Actuarial Assumptions:

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.5 percent
Salary increases	3.5 to 7.35 percent, including inflation and productivity
	Factor
Discount rate	3.26 percent

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary of the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

4. Contributions:

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$16,250 as benefits came due for the reporting period.

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

On June 30, 2020, the Town reported a total pension liability of \$567,171. 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 \$43,853.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59 373	\$ 1 384
Changes of assumptions	29 634	17 810
Town contributions subsequent to the measurement date	1 895	-
Total	<u>\$ 90 902</u>	<u>\$ 19 194</u>

The \$1,895 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2021	\$ 5 925
2022	5 925
2023	4 761
2024	2 583
2025	-
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.26%) or one percentage point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 617 062	\$ 567 171	\$ 521 294

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

	2020
Beginning Balance	499 718
Service Cost	22 965
Interest on the total pension liability	17 894
Difference between expected and actual experience	24 947
Changes of assumptions or other inputs	17 897
Benefit payments	(16 250)
Ending balance of the total pension liability	<u>567 171</u>

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

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 567 718	\$ 43 853	\$ 611 571
Pension Liability	1 292 818	567 171	1 859 989
Proportionate share of the net pension liability	.04734%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	221 363	59 373	280 736
Changes of assumptions	210 708	29 634	240 342
Net difference between projected and actual earnings on plan investments	31 533	-	31 533
Changes in proportion and differences between contributions and proportionate share of contributions	15 764	-	15 764
Benefit payments and administrative costs paid subsequent to the measurement date	304 342	1 895	306 237
Deferred Inflows of Resources			
Differences between expected and actual experience	-	1 384	1 384
Changes of assumptions	-	17 810	17 810
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	34 512	-	34 512

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$60,815, which consisted of \$43,230 from the Town and \$17,585 from the law enforcement officers. No amounts were forfeited.

d. Supplemental Retirement Income Plan for General Employees

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

Funding Policy. The Town has elected to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the general employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$189,607, which consisted of \$120,761 from the Town and \$68,846 from the general employees.

e. Other Post-Employment Benefits

Healthcare Benefits

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

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

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

Membership of the Health Benefits Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	2	2
Terminated plan members entitled to but not receiving benefits	-	-
Active plan members	50	15
Total	52	17

Total OPEB Liability

The Town's total OPEB liability of \$1,272,028 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.5 percent
Healthcare cost trends Pre-Medicare	7.0% for 2019 decreasing to an ultimate rate of 4.50% by 2026

The discount rate is based on the Municipal bond Index Rate equal to the Bond Buyer General Obligation 20-year General Obligation Bond Index published on the last Thursday of June by the Bond Buyer and the Municipal bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 1 452 160
Changes for the year	
Service cost	54 458
Interest	55 158
Changes of benefit terms	-
Differences between expected and actual experience	(249 440)
Changes in assumptions or other inputs	28 771
Benefit payments	(69 079)
Net changes	(180 132)
Balance at June 30, 2020	\$ 1 272 028

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 mortality tables with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015..

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increase used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2019 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 1 371 906	\$ 1 272 028	\$ 1 180 657

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 1 159 522	\$ 1 272 028	\$ 1 401 980

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$76,702. At June 30, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11 904	\$ 218 861
Changes in assumptions and other inputs	25 152	62 990
Benefit payments and administrative costs made subsequent to the measurement date	44 379	-
Total	\$ 81 435	\$ 281 851

The \$44,379 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 pension will be recognized in the pension expense as follows:

Year ended June 30:	
2020	\$ (39 091)
2021	(39 091)
2022	(39 091)
2023	(39 091)
2024	(33 721)
Thereafter	(54,710)

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple employer, State administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000.

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

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 304 342
Benefit payments and administrative expenses made for LEOSAA made subsequent to measurement date	1 895
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	44 379
Differences between expected and actual experience	292 640
Changes of assumptions	265 494
Net difference between projected and actual	31 533
Changes in proportion and differences between employer contributions and proportionate share of contributions	15 764
Total	<u>\$ 956 047</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivables, less penalties (General Fund)	\$ -	\$ 41 806
Changes in assumptions	80 800	-
Differences between expected and actual experience	220 245	-
Changes in proportion and differences between employer Contributions and proportionate share of contributions	34 512	-
Net difference between projected and actual investment earnings		-
Total	<u>\$ 335 557</u>	<u>\$ 41 806</u>

4. Risk Management

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

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

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

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

5. Claims, Judgments and Contingent Liabilities/Subsequent Events

On December 17, 2015, the Town of Louisburg executed the Ward Site Removal Action Release and Cash out Settlement Agreement and the Ward Operable Unit 2 Release and Cash out Settlement Agreement. The first agreement required the Town of Louisburg to pay the Ward Transformer Site Trust Fund \$46,914 within 30 days of December 17, 2015 and four subsequent payments of \$50,000 in December of 2016 through 2019. The second agreement required the Town of Louisburg to pay \$3,086 to the Ward Transfer Site Trust within thirty days of December 17, 2015. The final payment of \$50,000 is recorded in the June 30, 2020 Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position.

6. Long-term Obligations

a. Installment Purchases

General Fund

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

Annual debt service payments of the installment purchase as of June 30, 2020, including \$2,240 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 5 759	\$ 896
2022	5 759	672
2023	5 760	448
2024	5 760	224
Total	\$ 23 038	\$ 2 240

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

Annual debt service payments of the installment purchase as of June 30, 2020, including \$4,997 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 55 180	\$ 3 315
2022	56 814	1 682
Total	\$ 111 994	\$ 4 997

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

Annual debt service payments for the installment purchase as of June 30, 2020 including \$12,389 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 669	\$ 764
2022	689	744
2023	708	725
2024	728	705
2025	746	687
Thereafter	24 171	8 764
Total	<u>\$ 27 711</u>	<u>\$ 12 389</u>

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

Annual debt service payments of the installment purchase as of June 30, 2020, including \$9,476 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 17 091	\$ 3 095
2022	17 676	2 510
2023	18 273	1 913
2024	18 889	1 297
2025	19 529	661
Total	<u>\$ 91 458</u>	<u>\$ 9 476</u>

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

Annual debt service payments for the installment purchase as of June 30, 2020 including \$19,441 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 3 438	\$ 2 014
2022	3 533	1 919
2023	3 630	1 822
2024	3 725	1 727
2025	3 832	1 620
Thereafter	55 076	10 339
Total	<u>\$ 73 234</u>	<u>\$ 19 441</u>

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

Annual debt service payments for the installment purchase as of June 30, 2020 including \$11,650 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 53 964	\$ 5 480
2022	55 661	3 783
2023	57 411	2 032
2024	34 318	355
Total	<u>\$ 201 354</u>	<u>\$ 11 650</u>

In August 2019 the town entered into an installment purchase agreement with the United States Department of Agriculture in the amount of \$200,000 for the purchase of a 2019 Pierce Pumper Fire Engine. The financing contract requires 20 annual payments of \$14,074 and at an interest rate of 3.5%

Annual debt service payments for the installment purchase as of June 30, 2020 including \$81,532 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 7 055	\$ 7 019
2022	7 321	6 753
2023	7 577	6 497
2024	7 842	6 232
2025	8 101	5 973
Thereafter	162 104	49 058
Total	<u>\$ 200 000</u>	<u>\$ 81 532</u>

In August 2019 the town entered into an installment purchase agreement with Wake Electric Membership Corporation in the amount of \$300,000 for the purchase of a 2019 Pierce Pumper Fire Engine. The financing contract requires 10 annual payments of \$30,000 and at an interest rate of 0.0%

Annual debt service payments for the installment purchase as of June 30, 2020 including interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 30 000	\$ -
2022	30 000	-
2023	30 000	-
2024	30 000	-
2025	30 000	-
Thereafter	150 000	-
Total	<u>\$ 300 000</u>	<u>\$ -</u>

Electric Fund

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

Annual debt service payments of the installment purchase as of June 30, 2020, including \$22,404 of interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 57 593	\$ 8 962
2022	57 593	6 721
2023	57 594	4 481
2024	57 598	2 240
Total	\$ <u>230 378</u>	\$ <u>22 404</u>

Water and Sewer Fund

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

Annual debt service payments of the installment purchase as of June 30, 2020, including \$20,163 of interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 51 834	\$ 8 065
2022	51 834	6 049
2023	51 834	4 033
2024	51 834	2 016
Total	\$ <u>207 336</u>	\$ <u>20 163</u>

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

Annual debt service payments of the installment purchase as of June 30, 2020, including \$601 of interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 20 234	\$ 601
Total	\$ <u>20 234</u>	\$ <u>601</u>

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

Annual debt service payments on the loan as of June 30, 2020 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 9 751	\$ -
2022	9 751	-
2023	9 751	-
2024	9 751	-
2025	9 751	-
Thereafter	48 755	-
Total	<u>\$ 97 510</u>	<u>\$ -</u>

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 12 352	\$ -
2022	12 351	-
2023	12 352	-
2024	12 351	-
2025	12 351	-
Thereafter	98 811	-
Total	<u>\$ 160 568</u>	<u>\$ -</u>

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 10 278	\$ -
2022	10 278	-
2023	10 278	-
2024	10 278	-
2025	10 278	-
Thereafter	92 500	-
Total	<u>\$ 143 890</u>	<u>\$ -</u>

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 12 049	\$ -
2022	12 050	-
2023	12 049	-
2024	12 050	-
2025	12 049	-
Thereafter	144 593	-
Total	\$ 204 840	\$ -

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 13 487	\$ -
2022	13 488	-
2023	13 487	-
2024	13 487	-
2025	13 487	-
Thereafter	188 822	-
Total	\$ 256 258	\$ -

b. Revenue Bonds

Serviced by the Water and Sewer Fund:

\$1,873,000, Water and Sewer Revenue Bonds, Series 2011A, issued for water and sewer improvements, due in annual installments of various amounts plus interest from July 26, 2011 through July 26, 2051, interest is at 4.375% \$ 1 711 000

\$555,000, Water and Sewer Revenue Bonds, Series 2011B, issued for water and sewer improvements, due in annual installments of various amounts plus interest from July 26, 2001 through July 26, 2051; interest at 3.375 percent. 498 000

Total \$ 2,209,000

Annual debt service payments requirements to maturity for Series 2011A Water and Sewer Revenue Bonds as of June 30, 2020, including \$1,403,322 of interest are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 27 000	\$ 72 717
2022	29 000	71 570
2023	30 000	70 338
2024	31 000	69 062
2025	32 000	67 745
Thereafter	1 562 000	1 051 790
Total	\$ 1 711 000	\$ 1 403 322

Annual debt service payments requirements to maturity for Series 2011B Water and Sewer Revenue bonds as of June 30, 2020, including \$313,842 of interest are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 9 000	\$ 16 808
2022	10 000	16 504
2023	10 000	16 166
2024	10 000	15 829
2025	11 000	15 491
Thereafter	448 000	233 044
Total	\$ 498 000	\$ 313 842

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

Operating revenues	\$ 2 750 571
Operating expenses*	2 356 556
Operating income	394 015
Nonoperating revenues (expenses)**	11 425
Net revenue available for debt service	405 440
Debt service, principal and interest paid (Revenue bonds only)	\$ 125 934
Net revenue to debt service (Revenue bonds only)	322%
Debt service, principal and interest paid (Installment obligation financing for system improvements)	\$ 140 662
Net revenue to debt service (Installment obligation financing for system improvements)	288%

* Per rate covenants, this does not include the depreciation expense of \$584,323.

** Per rate covenants, this does not include revenue bond interest paid of \$90,934.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,428,000 in water and sewer system revenue bonds issued in July 2011. Proceeds from the bonds provided financing for the extension of water and sewer lines. The bonds are payable solely from water and sewer customer net revenues and are payable through 2051. Annual principal and interest payments on the bonds are detailed above. The total principal and interest remaining to be paid on the bonds is \$3,926,164. Principal and interest paid for the current year was \$35,000 and \$90,934, respectively.

c. Changes in Long-Term Liabilities

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment loans	\$ 676 585	\$ 500 000	\$ 147 795	\$ 1 028 790	\$ 172 607
Compensated absences	113 345	2 744	-	116 089	-
Total OPEB liability	718 384	-	89 112	629 272	-
Net pension liability (LGERS)	591 017	96 312	-	687 329	-
Total net pension liability (LEOSSA)	499 718	67 453	-	567 171	-
Governmental activities:					
Long – term liabilities	<u>\$ 2 599 049</u>	<u>\$ 666 509</u>	<u>\$ 236 907</u>	<u>\$ 3 028 651</u>	<u>\$ 172 607</u>
Business-type activities:					
Electric Fund					
Installment loans	\$ 287 971	\$ -	\$ 57 593	\$ 230 378	\$ 57 593
Compensated absences	61 420	4 527	-	65 947	-
Total OPEB liability	304 373	-	37 756	266 617	-
Net pension liability (LGERS)	207 187	46 767	-	253 954	-
Lawsuit settlement	50 000	-	50 000	-	-
Electric long-term liabilities	<u>\$ 910 951</u>	<u>\$ 51 294</u>	<u>\$ 145 349</u>	<u>\$ 816 896</u>	<u>\$ 57 593</u>
Water and Sewer Fund					
Installment loans	\$ 676 062	\$ -	\$ 94 723	\$ 581 339	\$ 95 307
Clean Water Revolving Loan	172 919	-	12 351	160 568	12 351
Systems Water Revolving Loan	154 167	-	10 277	143 890	10 278
Pollution Control Revolving Loan	216 890	-	12 051	204 839	12 049
Compensated absences	76 853	-	4 891	71 962	-
Total OPEB liability	429 403	-	53 264	376 139	-
Net pension liability (LGERS)	302 325	49 210	-	351 535	-
Revenue bonds	2 244 000	-	35 000	2 209 000	36 000
Water and Sewer long-term liabilities	<u>\$ 4 272 619</u>	<u>\$ 49 210</u>	<u>\$ 222 557</u>	<u>\$ 4 099 272</u>	<u>\$ 165 985</u>
Business type activities:					
Long – term liabilities	<u>\$ 5 183 570</u>	<u>\$ 100 504</u>	<u>\$ 367 906</u>	<u>\$ 4 916 168</u>	<u>\$ 223 578</u>

C. Interfund Balances and Activities

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to General Fund from Water/Sewer Fund	\$ 50 000
Due to General Fund from Total Non-major Funds	182 854
Due to General Fund from Joyner Park Capital Project	303 685
Due to Total Non-Major Funds from the General Fund	394 281
Total	<u>\$ 930 820</u>

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

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

From the Electric Fund to the Electric Load Management capital project fund	\$ 24 777
From the Electric Fund to the N. Church St. capital project	113 998
From the Electric Fund to the General Fund for return on investment as per NCGS 159B-39(c)	325 539
From the Electric Fund to the General Fund – payment in lieu of taxes	51 831
From the General Fund to the Electric Fund for prior year reimbursement	109 142
From the General Fund to the Joyner park capital project	73 283
From the General Fund to the North Main St. Sidewalk Project to fund the local match requirement by grant agreement	23 063
Total	<u>\$ 721 633</u>

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

D. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 2 171 109
Less:	
Stabilization by State Statute	1 069 297
Streets-Powell Bill	67 700
LEOSSA	341 545
Remaining Fund Balance	692 567

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

IV. Jointly Governed Organization

The Town, in conjunction with twenty other local governments, is a member of the North Carolina Eastern Municipal Power Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency governing board. The twenty members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchase of power for the fiscal year ended June 30, 2020 was \$4,099,796.

The Town, in conjunction with five counties and fourteen other municipalities established the Kerr-Tar Council of Governments (COG). The participating governments established the COG to coordinate various funding received from federal and State agencies. Each participating government appoints thirty-two members to the Council's governing board. The Town paid membership fees of \$2,150 to the COG during the fiscal year ended June 30, 2020.

V. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 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. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Louisburg's proportion of the net Pension liability (asset) (%)	.04734%	.04639%	.04565%	.05639%	0.0475%	(0.0472%)	0.0479%
Louisburg's proportion of the net pension liability (asset) (\$)	1 292 818	1 100 529	697 406	1 196 784	213 178	(278 655)	94 254
Louisburg's covered payroll (\$)	3 198 257	3 311 250	3 200 604	3 072 837	3 028 482	2 787 673	2 609 778
Louisburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.42%	33.24%	21.79%	38.95%	7.04%	(10.00%)	3.61%
Plan fiduciary net position as a percentage of total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government 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	\$	311 572	255 849	225 797	213 233	\$ 208 011	\$ 187 185	\$ 188 925
Contributions in relation to the contractually required contribution		<u>304 482</u>	<u>258 436</u>	<u>225 797</u>	<u>213 233</u>	<u>208 011</u>	<u>187 185</u>	<u>188 925</u>
Contribution deficiency (excess)	\$	<u><u>7 090</u></u>	<u><u>(2 587)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Louisburg's covered-employee payroll	\$	3 387 101	3 198 257	3 311 250	3 200 604	\$ 3 072 837	\$ 3 028 482	\$ 2 787 673
Contributions as a percentage of covered employee payroll		8.99%	8.08%	6.82%	6.67%	6.77%	6.18%	6.78%

Town of Louisburg, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	499 718	\$ 440 126	\$ 398 372	\$ 377 030
Service Cost	22 965	23 310	18 002	20 885
Interest on the total pension liability	17 894	13 651	15 016	13 429
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	24 947	59 909	(2 803)	-
in the measurement of total pension liability				
Changes of assumptions or other inputs	17 897	(21 028)	30 236	(11 212)
Benefits payments	(16 250)	(16 250)	(18 697)	(1 760)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>567 171</u>	<u>\$ 499 718</u>	<u>\$ 440 126</u>	<u>\$ 398 372</u>

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

Town of Louisburg, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 567 171	\$ 499 718	\$ 440 126	\$ 398 372
Covered payroll	836 348	748 400	688 629	775 763
Total pension liability as a percentage of covered payroll	67.82%	66.77%	63.91%	51.35%

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

Town of Louisburg
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

	<u>2020</u>		<u>2019</u>		<u>2018</u>
Total OPEB Liability					
Service Cost	\$ 54 458	\$	55 964	\$	59 903
Interest	55 159		51 145		44 806
Changes of benefit terms	-		-		-
Differences between expected and actual experience	(249 440)		(1 109)		20 592
Changes of assumptions	28 770		(36 602)		(63 462)
Benefits payments	(69 079)		(106 856)		(120 704)
Net change in total OPEB liability	<u>(180 132)</u>		<u>(37 458)</u>		<u>(58 865)</u>
Total OPEB liability – beginning	<u>1 452 160</u>		<u>1 489 618</u>		<u>1 548 483</u>
Total OPEB liability – ending	<u>\$ 1 272 028</u>	\$	<u>1 452 160</u>	\$	<u>1 489 618</u>
 Covered payroll	 \$ 3 192 563	 \$	 2 657 243	 \$	 2 657 243
Total OEPB liability as a percentage of covered payroll	39.84%		54.65%		56.06%

Notes to Schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

Individual Fund Statements and Schedules

**Town of Louisburg
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 1 292 905	\$ -
Penalties and interest	-	3 305	-
Total	<u>1 300 968</u>	<u>1 296 210</u>	<u>(4 758)</u>
Other taxes and licenses:			
Auto tags	-	23 810	-
Total	<u>30 000</u>	<u>23 810</u>	<u>(6 190)</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	536 339	-
Utility franchise tax	-	294 254	-
Gasoline sales tax refund	-	19 045	-
Beer and wine tax	-	14 989	-
ABC profit distribution	-	204 602	-
Total	<u>1 086 050</u>	<u>1 069 229</u>	<u>(16 821)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	94 086	-
Solid waste disposal tax	-	2 623	-
Central fire district	-	338 827	-
Total	<u>434 444</u>	<u>435 536</u>	<u>1 092</u>

(continued)

Town of Louisburg
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Permits and fees:			
Zoning permits	\$ -	\$ 1 950	\$ -
Total	<u>1 500</u>	<u>1 950</u>	<u>450</u>
Sales and services			
Sanitation and landfill	-	386 185	-
Recreation department fees	-	46 645	-
Police revenue	-	1 980	-
Cemetery revenue	-	7 300	-
Total	<u>450 300</u>	<u>442 110</u>	<u>(8 190)</u>
Investment earnings	<u>27 800</u>	<u>31 400</u>	<u>3 600</u>
Miscellaneous:			
Miscellaneous income	-	32 448	-
SRO-School contributions	-	140 000	-
Total	<u>172 000</u>	<u>172 448</u>	<u>448</u>
Total Revenues	<u>3 503 062</u>	<u>3 472 693</u>	<u>(30 369)</u>
Expenditures:			
General government:			
Governing council:			
Salaries and employee benefits	-	3 330	-
Other operating expenditures	-	13 088	-
Total	<u>18 154</u>	<u>16 418</u>	<u>1 736</u>
Administration:			
Salaries and employee benefits	-	117 077	-
Other operating expenditures	-	76 287	-
Capital outlay	-	8 672	-
Total	<u>206 333</u>	<u>202 036</u>	<u>4 297</u>
Planning:			
Salaries and employee benefits	-	38 661	-
Other operating expenditures	-	29 419	-
Capital outlay	-	1 613	-
Total	<u>71 765</u>	<u>69 693</u>	<u>2 072</u>
Total general government	<u>296 252</u>	<u>288 147</u>	<u>8 105</u>

(continued)

**Town of Louisburg
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police:			
Salaries and employee benefits	-	1 349 666	-
Other operating expenditures	-	179 780	-
Capital outlay	-	180 532	-
Total	<u>1 742 520</u>	<u>1 709 978</u>	<u>32 542</u>
Fire:			
Salaries and employee benefits	-	419 473	-
Other operating expenditures	-	131 751	-
Capital outlay	-	645 685	-
Total	<u>606 070</u>	<u>1 196 909</u>	<u>(590 839)</u>
Total public safety	<u>2 348 590</u>	<u>2 906 887</u>	<u>(558 297)</u>
Streets and sanitation:			
Streets:			
Salaries and employee benefits	-	394 795	-
Other operating expenditures	-	149 386	-
Capital outlay	-	25 000	-
Total	<u>571 341</u>	<u>569 181</u>	<u>2 160</u>
Solid Waste:			
Salaries and employee benefits	-	164 073	-
Sanitation	-	37 239	-
Landfill	-	53 589	-
Other operating expenditures	-	49 645	-
Capital outlay	-	2 600	-
Total	<u>319 374</u>	<u>307 146</u>	<u>12 228</u>
Total streets and sanitation	<u>890 715</u>	<u>876 327</u>	<u>14 388</u>

(continued)

**Town of Louisburg
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	89 033	-
Other operating expenditures	-	79 950	-
Total	<u>185 253</u>	<u>168 983</u>	<u>16 270</u>
Debt service:			
Principal retirement	-	147 796	-
Interest and other changes	-	19 809	-
Total debt service	<u>163 722</u>	<u>167 605</u>	<u>(3 883)</u>
Total expenditures	<u>3 884 532</u>	<u>4 407 949</u>	<u>(523 417)</u>
Revenues over (under) expenditures	(381 470)	(935 256)	(553 786)
Other financing sources (uses):			
Transfers from other funds:			
Electric Fund	377 370	377 370	-
Transfers to other funds:			
Capital Projects	-	(96 346)	(96 346)
Enterprise funds	(109 200)	(109 142)	58
Sale of assets	49 500	49 500	-
Insurance recovery	39 500	39 321	(179)
Grant proceeds	24 300	124 257	99 957
Loan proceeds	-	500 000	500 000
Total	<u>381 470</u>	<u>884 960</u>	<u>(503 490)</u>
Fund balance appropriated	-	-	-
Net change in fund balance	\$ <u>-</u>	(50 296)	\$ <u>(50 296)</u>
Fund balances:			
Beginning as previously reported		<u>2 221 405</u>	
Ending		\$ <u>2 171 109</u>	

Town of Louisburg
Capital Project Fund – Grant Project South Main Sidewalk
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Sidewalk Project:					
Restricted intergovernmental:					
DOT Grant	\$ 506 000	\$ 394 045	\$ -	\$ 394 045	\$ (111 955)
Total revenues	<u>506 000</u>	<u>394 045</u>	<u>-</u>	<u>394 045</u>	<u>(111 955)</u>
Expenditures:					
Revitalization:					
Legal/Admin/Fiscal	3 670	6 943	3 787	10 730	(7 060)
Construction	502 760	378 754	-	378 754	124 006
Engineering	36 790	44 471	-	44 471	(7 681)
Construction administration	23 400	39 698	-	39 698	(16 298)
Construction inspection	26 000	27 124	-	27 124	(1 124)
Contingency	39 880	-	-	-	39 880
Total expenditures	<u>632 500</u>	<u>496 990</u>	<u>3 787</u>	<u>500 777</u>	<u>131 723</u>
Other financing sources:					
Town contribution	126 500	116 442	-	116 442	(10 058)
Total other sources:	<u>126 500</u>	<u>116 442</u>	<u>-</u>	<u>116 442</u>	<u>(10 058)</u>
Revenues under expenditures over (under) expenditures	\$ -	\$ 13 497	(3 787)	\$ 9 710	\$ 9 710
Fund balance, beginning:			13 497		
Fund balance, ending			<u>\$ 9 710</u>		

Town of Louisburg
Special Revenue Fund – Grant Project Mineral Springs
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

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

Town of Louisburg
Capital Project Fund – Grant Project Joyner Park
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Sidewalk Project:					
Restricted intergovernmental:					
PARTF Grant proceeds	\$ 250 000	\$ 250 000	\$ -	\$ 250 000	\$ -
Total revenues	<u>250 000</u>	<u>250 000</u>	<u>-</u>	<u>250 000</u>	<u>-</u>
Expenditures:					
Revitalization:					
Construction	375 000	442 015	73 283	515 298	(140 298)
Engineering	100 000	-	-	-	100 000
Contingency	<u>25 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25 000</u>
Total expenditures	<u>500 000</u>	<u>442 015</u>	<u>73 283</u>	<u>515 298</u>	<u>(15 298)</u>
Other financing sources:					
Town contribution	<u>250 000</u>	<u>192 015</u>	<u>73 283</u>	<u>265 298</u>	<u>15 298</u>
Total other sources:	<u>250 000</u>	<u>192 015</u>	<u>73 283</u>	<u>265 298</u>	<u>15 298</u>
Revenues under expenditures over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning:			<u>-</u>		
Fund balance, ending			<u><u>-</u></u>		

Town of Louisburg
Capital Project Fund – USDA Parking Lot Project
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

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

Town of Louisburg
Capital Project Fund – Grant Project Sidewalk Bickett & Johnson
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

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

Town of Louisburg
Capital Project Fund – Downtown Revitalization
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Grant funds	\$ 899 000	\$ 600 000	\$ -	\$ 600 000	\$ (299 000)
Total revenues	<u>899 000</u>	<u>600 000</u>	<u>-</u>	<u>600 000</u>	<u>(299 000)</u>
Expenditures:					
Revitalization:					
Acquisition and renovation	<u>1 061 835</u>	<u>605 459</u>	<u>15 815</u>	<u>621 274</u>	<u>440 561</u>
Total expenditures	<u>1 061 835</u>	<u>605 459</u>	<u>15 815</u>	<u>621 274</u>	<u>440 561</u>
Other financing sources:					
Sale of building	162 835	162 835	159 427	322 262	159 427
Rental income	<u>-</u>	<u>13 324</u>	<u>8 500</u>	<u>21 824</u>	<u>21 824</u>
Total other sources	<u>162 835</u>	<u>176 159</u>	<u>167 927</u>	<u>344 086</u>	<u>181 251</u>
Revenues under expenditures over (under) expenditures	\$ <u>-</u>	\$ <u>170 700</u>	152 112	\$ <u>322 812</u>	\$ <u>322 812</u>
Fund balance, beginning:			<u>170 700</u>		
Fund balance, ending			\$ <u>322 812</u>		

Town of Louisburg
Capital Project Fund – Grant Project Sidewalk N. Main Street
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Sidewalk Project:					
Restricted intergovernmental:					
Grant proceeds	\$ <u>270 400</u>	\$ <u>9 144</u>	\$ <u>62 045</u>	\$ <u>71 189</u>	\$ <u>(199 211)</u>
Total revenues	<u>270 400</u>	<u>9 144</u>	<u>62 045</u>	<u>71 189</u>	<u>(199 211)</u>
Expenditures:					
Sidewalk Infrastructure:					
Construction	<u>338 000</u>	<u>9 144</u>	<u>85 108</u>	<u>94 252</u>	<u>243 748</u>
Total expenditures	<u>338 000</u>	<u>9 144</u>	<u>85 108</u>	<u>94 252</u>	<u>243 748</u>
Other financing sources:					
Town contribution	<u>67 600</u>	<u>-</u>	<u>23 063</u>	<u>23 063</u>	<u>(44 537)</u>
Total other sources:	<u>67 600</u>	<u>-</u>	<u>23 063</u>	<u>23 063</u>	<u>(44 537)</u>
Revenues under expenditures over (under) expenditures	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Fund balance, beginning:			<u>-</u>		
Fund balance, ending			\$ <u><u>-</u></u>		

**Town of Louisburg
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2020**

	Mineral Springs Project	S. Main Sidewalk Project	Joyner Park Project	USDA Parking Lot Project	Bickett Sidewalk Project	N. Main Sidewalk Project	Downtown Revitalization Project	Total
Assets								
Cash & cash equivalents	\$ 38 789	\$ -	\$ -	\$ 8 899	\$ -	\$ -	\$ 330 545	\$ 378 233
Due from general fund	-	54 920	265 298	-	51 000	23 063	-	394 281
Due from other govt	-	-	38 387	-	244	71 189	-	109 820
Total Assets	<u>38 789</u>	<u>54 920</u>	<u>303 685</u>	<u>8 899</u>	<u>51 244</u>	<u>94 252</u>	<u>330 545</u>	<u>882 334</u>
Liabilities & Fund Balances								
Liabilities								
Accounts payable and and accrued liabilities	-	-	-	-	-	7 852	7 733	15 585
Due to General Fund	-	45 210	303 685	-	51 244	86 400	-	486 539
Total liabilities	<u>-</u>	<u>45 210</u>	<u>303 685</u>	<u>-</u>	<u>51 244</u>	<u>94 252</u>	<u>7 733</u>	<u>502 124</u>
Fund balances:								
Restricted	<u>38 789</u>	<u>9 710</u>	<u>-</u>	<u>8 899</u>	<u>-</u>	<u>-</u>	<u>322 812</u>	<u>380 210</u>
Total liabilities and fund balances	\$ <u>38 789</u>	\$ <u>54 920</u>	\$ <u>303 685</u>	\$ <u>8 899</u>	\$ <u>51 244</u>	\$ <u>94 252</u>	\$ <u>330 545</u>	\$ <u>882 334</u>

Town of Louisburg
Combining State of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2020

	Mineral Springs Project	S. Main Sidewalk Project	Joyner Park Project	USDA Parking Lot Project	Bickett Sidewalk Project	N. Main Sidewalk Project	Downtown Revitalization Project	Total
Revenues:								
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62 045	\$ -	\$ 62 045
Project Income	-	-	-	-	-	-	8 500	8 500
Total revenue	-	-	-	-	-	62 045	8 500	70 545
Expenditures								
Revitalization	-	3 787	73 283	-	-	85 108	15 815	177 993
Total expenditures	-	3 787	73 283	-	-	85 108	15 815	177 993
Revenues over expenditures	-	(3 787)	(73,283)	-	-	(23 063)	(7 315)	(107 448)
Other financing sources(uses):								
Sale of fixed assets	-	-	-	-	-	-	159 427	159 427
Town contribution	-	-	73 283	-	-	23 063	-	96 346
Total other sources	-	-	73 283	-	-	23 063	159 427	255 773
Revenue over expenditures and other financing sources (uses)	-	(3 787)	-	-	-	-	152 112	148 325
Fund balance beginning	38 789	13 497	-	8 899	-	-	170 700	231 885
Fund balances ending	\$ 38 789	\$ 9 710	\$ -	\$ 8 899	\$ -	\$ -	\$ 322 812	\$ 380 210

**Town of Louisburg
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Electricity sales to customers	\$ -	\$ 6 514 785	\$ -
Total	<u>6 926 948</u>	<u>6 514 785</u>	<u>(412 163)</u>
Other operating revenues:	<u>91 710</u>	<u>72 987</u>	<u>(18 723)</u>
Total operating revenues	<u>7 018 658</u>	<u>6 587 772</u>	<u>(430 886)</u>
Nonoperating revenues:			
Interest (net of expenses)	<u>43 000</u>	<u>43 408</u>	<u>408</u>
Total Revenues	<u>7 061 658</u>	<u>6 631 180</u>	<u>(430 478)</u>
Expenditures:			
Governing body:			
Salaries and employee benefits		4 526	
Other operating expenditures		<u>24 211</u>	
Total	<u>42 636</u>	<u>28 737</u>	<u>13 899</u>
Administration:			
Salaries and employee benefits		261 481	
Supplies		6 627	
Other operating expenditures		103 351	
Capital outlay		<u>17 344</u>	
Total	<u>412 120</u>	<u>388 803</u>	<u>23 317</u>
Business office:			
Salaries and employee benefits		116 529	
Other operating expenditures		<u>65 507</u>	
Total	<u>191 062</u>	<u>182 036</u>	<u>9 026</u>
Electrical operations:			
Salaries and employee benefits		815 534	
Line maintenance		91 239	
Vehicle and equipment maintenance		92 217	
Other operating expenditures		185 416	
NC utilities tax		423 020	
Capital outlay		<u>249 169</u>	
Total	<u>1 956 294</u>	<u>1 856 595</u>	<u>99 699</u>
Electrical power purchases	<u>4 099 992</u>	<u>4 099 796</u>	<u>196</u>
			(continued)

**Town of Louisburg
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Payment on debt principal	-	107 593	-
Interest	-	11 196	-
Total	<u>121 526</u>	<u>118 789</u>	<u>2 737</u>
Total Expenditures	<u>6 823 630</u>	<u>6 674 756</u>	<u>148 874</u>
Revenues over (under) expenditures	238 028	(43 576)	(281 604)
Other financing (uses):			
Transfers from other funds:			
General Fund	109 142	109 142	-
Transfers to other funds:			
General Fund	(377 370)	(377 370)	-
Capital Project Fund	-	(138 775)	(138 775)
Sale of fixed assets	8 100	8 100	-
Insurance recovery	<u>22 100</u>	<u>22 058</u>	<u>(42)</u>
Total other financing sources (uses)	<u>(238 028)</u>	<u>(376 845)</u>	<u>(138 817)</u>
Appropriated fund balance	-	-	-
Revenues over (under) expenditures and other financing (uses)	<u>\$ -</u>	<u>(420 421)</u>	<u>\$ (420 421)</u>

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

Reconciling items:	
Principal retirement	\$ 107 593
Capital outlays	266 513
Depreciation	(236 152)
Interest income from Rate Stabilization Fund	104
(Increase) decrease in accrued vacation pay	(4 527)
Increase (decrease) in deferred outflows of resources- pensions	(20 497)
(Increase) decrease in net pension liability	(46 767)
(Increase) decrease in deferred inflows of resources-pensions	8 239
Increase (decrease) in deferred outflows of resources-OPEB	(1 807)
(Increase) decrease in deferred inflows of resources-OPEB	(42 724)
(Increase) decrease in accrued OPEB liability	37 756
Capital gain on sale of fixed assets	9 981
Capital grants/contributions	<u>138 775</u>
Total	<u>216 487</u>
Change in net position	<u>\$ (203 934)</u>

Town of Louisburg
Electric Rate Stabilization Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ -	\$ 104	\$ 104
Expenditures:			
Rate stabilization	-	-	-
Total expenditures	-	-	-
Other financing sources (uses):			
Transfers from other funds:			
Electric Operating Fund	-	-	-
Total other financing sources (uses)	-	-	-
Revenues over other financing sources (uses)	\$ -	104	\$ 104
Fund Balances:			
Beginning of year, July 1		308 833	
End of year, June 30		\$ 308 937	

Town of Louisburg
Electric Capital Project Fund – Load Management Project
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Sidewalk Infrastructure:					
Construction	\$ 259 414	67 761	24 777	92 538	\$ 166 876
Total expenditures	<u>259 414</u>	<u>67 761</u>	<u>24 777</u>	<u>92 538</u>	<u>166 876</u>
Other financing sources:					
Town electric fund contribution	259 414	67 761	24 777	92 538	(166 876)
Total other sources:	<u>259 414</u>	<u>67 761</u>	<u>24 777</u>	<u>92 538</u>	<u>(166 876)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning:			-		
Fund balance, ending			<u>\$ -</u>		

Town of Louisburg
Electric Capital Project Fund – N. Church St.
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – Sidewalk Project:					
Sale of materials	\$ -	\$ 434	\$ -	\$ 434	\$ 434
Sale of fixed assets	-	-	365 152	365 152	365 152
Total revenues	-	434	365 152	365 586	365 586
Expenditures:					
Construction	500 000	82 550	479 150	561 700	(61 700)
Total expenditures	500 000	82 550	479 150	561 700	(61 700)
Other financing sources:					
Town electric fund contribution	500 000	82 116	113 998	196 114	(303 886)
Total other sources:	500 000	82 116	113 998	196 114	(303 886)
Revenues and other sources over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning:			-		
Fund balance, ending			\$ -		

**Town of Louisburg
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for Services:			
Water sales		\$ 1 397 991	
Sewer sales		1 316 486	
Total	\$ 2 673 884	2 714 477	\$ 40 593
Water and sewer connections	8 000	9 000	1 000
Other operating revenues	30 000	27 094	(2 906)
Total operating revenues	2 711 884	2 750 571	38 687
Nonoperating revenues:			
Interest earnings – net of expenses	7 000	16 025	9 025
Total nonoperating revenues	7 000	16 025	9 025
 Total revenues	 2 718 884	 2 766 596	 47 712
Expenditures:			
Governing body:			
Salaries and employee benefits		3 368	
Other operating expenditures		6 487	
Total	13 124	9 855	3 269
Administration:			
Salaries and employee benefits		130 146	
Other operating expenditures		43 607	
Total	166 826	173 753	(6 927)
Business office:			
Salaries and employee benefits		126 053	
Other operating expenditures		58 521	
Total	188 250	184 574	3 676

(continued)

Town of Louisburg
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Water treatment and distribution:			
Water treatment plant:			
Salaries and employee benefits		318 522	
Chemicals		75 233	
Utilities		66 063	
Maintenance		85 579	
Other operating expenditures		38 127	
Total	<u>608 509</u>	<u>583 524</u>	<u>24 985</u>
Water distribution:			
Salaries and employee benefits		206 812	
Supplies		8 023	
Line maintenance and repairs		101 424	
Other operating expenditures		44 908	
Total	<u>379 203</u>	<u>361 167</u>	<u>18 036</u>
Total water treatment and distribution	<u>987 712</u>	<u>944 691</u>	<u>43 021</u>
Waste collection and treatment:			
Sewer collection system:			
Salaries and employee benefits		191 167	
Line maintenance and repairs		17 826	
Other operating expenditures		41 311	
Total	<u>263 278</u>	<u>250 304</u>	<u>12 964</u>
Waste treatment plant:			
Salaries and employee benefits		398 772	
Maintenance and repairs		41 830	
Sludge hauling		98 229	
Utilities		94 309	
Other operating expenditures		87 692	
Total	<u>703 483</u>	<u>720 832</u>	<u>(17 349)</u>
Total waste collection and treatment	<u>966 761</u>	<u>971 136</u>	<u>(4 375)</u>
Contingency	-		-
Debt service:			
Interest and other charges		102 193	
Principal retirement		164 401	
Total debt service	<u>267 315</u>	<u>266 594</u>	<u>721</u>
Capital outlay			
Water	42 520	47 102	(4 582)
Sewer	319 849	313 636	6 213
Total capital outlay	<u>362 369</u>	<u>360 738</u>	<u>1 631</u>
Total expenditures	<u>2 952 357</u>	<u>2 911 341</u>	<u>41 016</u>
Revenues over (under) expenditures	<u>(233 473)</u>	<u>(144 745)</u>	<u>88 728</u>
			(continued)

**Town of Louisburg
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Sale of fixed assets	\$ 3 360	\$ 6 660	\$ 3 300
Total other financing sources (uses)	<u>3 360</u>	<u>6 660</u>	<u>3 300</u>
Appropriated fund balance	<u>230 113</u>	<u>-</u>	<u>(230 113)</u>
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other uses	\$ <u>-</u>	<u>(138 085)</u>	\$ <u>(138 085)</u>

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

Reconciling items:

Principal retirement	164 401
Capital outlay	360 738
Decrease (increase) in accrued vacation pay	4 891
Increase (decrease) in deferred outflows of resources- pensions	(26 715)
Decrease (increase) in net pension liability	(49 210)
Decrease (increase) in deferred inflows of resources- pensions	8 044
Increase (decrease) in deferred outflows of resources OPEB	(2 549)
Decrease (increase) in deferred inflows of resources OPEB	(60 273)
Decrease (increase) in accrued OPEB liability	53 264
Depreciation	(584 323)
Capital grants/contributions	<u>274 278</u>
Total reconciling items	<u>142 546</u>
Change in net position	\$ <u>4 461</u>

Town of Louisburg, North Carolina
Water and Sewer Capital Project –Clarifier Replacement
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Grant Funds	\$ 500 000	\$ -	\$ 180 968	\$ 180 968	\$ (319 032)
Loan Funds	<u>200 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200 000)</u>
Total revenue	<u>700 000</u>	<u>-</u>	<u>180 968</u>	<u>180 968</u>	<u>(519 032)</u>
Expenditures:					
Legal/Admin/Engineering	111 000	-	-	-	111 000
Construction	407 000	-	180 968	180 968	226 032
Contingency	<u>182 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182 000</u>
Total expenditures	<u>700 000</u>	<u>-</u>	<u>180 968</u>	<u>180 968</u>	<u>519 032</u>
Revenues under expenditures	-	-	-	-	-
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Town of Louisburg, North Carolina
Water and Sewer Capital Project – Sewer Influent System Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Grant Funds	\$ 269 500	\$ 157 448	\$ 93 310	\$ 250 758	\$ (18 742)
Loan Funds	<u>269 500</u>	<u>269 500</u>	<u>-</u>	<u>269 500</u>	<u>-</u>
Total revenue	<u>539 000</u>	<u>426 948</u>	<u>93 310</u>	<u>520 258</u>	<u>(18 742)</u>
Expenditures:					
Legal/Admin	49 260	24 552	-	24 552	24 708
Engineering	47 200	35 000	-	35 000	12 200
Construction Admin	99 000	18 000	19 000	37 000	62 000
Construction	322 240	349 396	74 310	423 706	(101 466)
Contingency	<u>32 300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32 300</u>
Total expenditures	<u>550 000</u>	<u>426 948</u>	<u>93 310</u>	<u>520 258</u>	<u>29 742</u>
Other financing sources:					
Town contribution	<u>11 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11 000)</u>
Total other sources:	<u>11 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11 000)</u>
Revenues and other sources over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Town of Louisburg
Water and Sewer Capital Project– Effluent Pipeline
Schedule of Revenues and Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

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

Other Schedules

This section contains additional information on property taxes.

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

Town of Louisburg, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 1 310 288	\$ 1 281 392	\$ 28 896
2018-2019	17 935	-	10 122	7 813
2017-2018	5 075	-	3 293	1 782
2016-2017	4 491	-	2 846	1 645
2015-2016	2 562	-	787	1 775
2014-2015	3 616	-	1 934	1 682
2013-2014	2 855	-	1 408	1 447
2012-2013	2 835	-	1 516	1 319
2011-2012	1 891	-	751	1 140
2010-2011	1 792	-	986	806
2009-2010	1 787	-	1 787	-
	<u>\$ 44 839</u>	<u>\$ 1 310 288</u>	<u>\$ 1 306 822</u>	<u>48 305</u>

Less allowance for uncollectable accounts:
General Fund

6 499

Ad valorem taxes receivable – net

\$ 41 806

Reconciliation with revenues:

Ad valorem taxes – General Fund
Late fees

\$ 1 296 210
801

Reconciling items:

Interest collected

(3 305)

Discounts allowed

11 329

Taxes written off

1 787

Subtotal

9 811

Total collections and credits

\$ 1 306 822

Town of Louisburg, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
Ended June 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 291 175 111	0.45	\$ 1 310 288	\$ 1 223 742	\$ 86 546
Total	<u>291 175 111</u>		<u>1 310 288</u>	<u>1 223 742</u>	<u>86 546</u>
Discoveries:					
Current year taxes					-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
					-
Abatements	-		-	-	-
Total property valuation	\$ <u>291 175 111</u>				
Net levy			1 310 288	1 223 742	86 546
Uncollected taxes at June 30, 2020			(28 896)	(28 896)	-
Current year's taxed collected			\$ <u>1 281 392</u>	\$ <u>1 194 846</u>	\$ <u>86 546</u>
Current levy collection percentage			<u>97.79%</u>	<u>97.64%</u>	<u>100.00%</u>

Town of Louisburg
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 917 717	\$ 489 051	\$ 1 406 768
Restricted cash and cash equivalents	43 295	2 000	45 295
Accounts receivable (net)	143 687	173 047	316 734
Due from other governments	-	246 106	246 106
Inventories	17 183	-	17 183
Total current assets	<u>1 121 882</u>	<u>910 204</u>	<u>2 032 086</u>
Noncurrent assets:			
Capital assets			
Land, non-depreciable assets			
improvements and construction in progress	15 485	701 226	716 711
Other capital assets, net of depreciation	2 878 167	11 275 168	14 153 335
Capital assets (net)	<u>2 893 652</u>	<u>11 976 394</u>	<u>14 870 046</u>
Total noncurrent assets	<u>2 893 652</u>	<u>11 926 394</u>	<u>14 870 046</u>
Total assets	<u>4 015 534</u>	<u>12 886 598</u>	<u>16 902 132</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in fiscal year	38 773	41 965	80 738
Pension related deferred outflows	58 225	72 159	130 384
OPEB deferrals	10 980	13 101	24 081
Total deferred outflows of resources	<u>107 978</u>	<u>127 225</u>	<u>235 203</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	10 523	45 290	55 813
Customer deposits	43 295	2 000	45 295
Due to other funds	-	50 000	50 000
Revenue bond payable current	9 000	27 000	36 000
Installment purchase current	66 180	63 805	129 985
Total current liabilities	<u>128 998</u>	<u>188 095</u>	<u>317 093</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	29 140	42 822	71 962
Net pension liability	160 662	190 873	351 535
Total OPEB liability	166 178	209 961	376 139
Installment notes	299 122	661 529	960 651
Revenue bonds payable	489 000	1 684 000	2 173 000
Total non-current liabilities	<u>1 144 102</u>	<u>2 789 185</u>	<u>3 933 287</u>
Total liabilities	<u>1 273 100</u>	<u>2 977 280</u>	<u>4 250 380</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	4 513	6 301	10 814
OPEB deferrals	37 392	45 951	83 343
Total deferred inflows of resources	<u>41 905</u>	<u>52 252</u>	<u>94 157</u>
NET POSITION			
Net investment in capital assets	2 030 350	9 540 060	11 570 410
Unrestricted	778 157	444 231	1 222 388
Total net position	<u>\$ 2 808 507</u>	<u>\$ 9 984 291</u>	<u>\$ 12 792 798</u>

Town of Louisburg
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1 397 991	\$ 1 316 486	\$ 2 714 477
Water and sewer connections	3 500	5 500	9 000
Other operating revenues	11 694	15 400	27 094
Total operating revenues	<u>1 413 185</u>	<u>1 337 386</u>	<u>2 750 571</u>
OPERATING EXPENSES			
Governing body	5 229	4 626	9 855
Administration	77 597	91 149	168 746
Business office	88 012	85 023	173 035
Water treatment and distribution	989 454	-	989 454
Waste collection and treatment	-	1 015 466	1 015 466
Depreciation	208 342	375 981	584 323
Total operating expenses	<u>1 368 634</u>	<u>1 572 245</u>	<u>2 940 879</u>
Operating income (loss)	<u>44 551</u>	<u>(234 859)</u>	<u>(190 308)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	9 561	6 464	16 025
Interest and other charges	(19 891)	(82 303)	(102 194)
Sale of fixed assets	3 330	3 330	6 660
Total nonoperating revenue (expenses)	<u>(7 000)</u>	<u>(72 509)</u>	<u>(79 509)</u>
Income (loss) before contributions and transfers	37 551	(307 368)	(269 817)
Capital contributions	<u>-</u>	<u>274 278</u>	<u>274 278</u>
Changes in net position	37 551	(33 090)	4 461
Total net position, previously reported	2 770 956	10 017 381	12 788 337
Total net position, ending	<u>\$ 2 808 507</u>	<u>\$ 9 984 291</u>	<u>\$ 12 792 798</u>

Town of Louisburg
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1 366 494	\$ 1 327 073	\$ 2 693 567
Cash paid for goods and services	(486 586)	(508 167)	(994 753)
Cash paid to or on behalf of employees for services	(635 814)	(739 026)	(1 374 840)
Customer deposits received (returned) net	701	-	701
Other operating revenues	11 694	15 400	27 094
Net cash provided (used) by operating activities	<u>256 489</u>	<u>95 280</u>	<u>351 769</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(13 289)	(661 400)	(674 689)
Principal paid on bond maturities and equipment contracts	(74 596)	(89 805)	(164 401)
Interest paid on bond maturities and equipment contracts	(23 334)	(78 860)	(102 194)
Sale of fixed assets	3 330	3 330	6 660
Capital contributions	-	274 278	274 278
Net cash provided (used) by capital and related financing activities	<u>(107 889)</u>	<u>(552 457)</u>	<u>(660 346)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	9 561	6 464	16 025
Net cash from investment activities	<u>9 561</u>	<u>6 464</u>	<u>16 025</u>
Net increase (decrease) in cash and cash equivalents	158 161	(450 713)	(292 552)
Balances, beginning of the year	802 851	941 764	1 744 615
Balances, end of the year	\$ <u>961 012</u>	\$ <u>491 051</u>	\$ <u>1 452 063</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 44 551	\$ (234 859)	\$ (190 308)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	208 343	375 980	584 323
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(28 700)	(1 210)	(29 910)
(Increase) decrease in inventory	837	-	837
(Increase) decrease in deferred outflows of resources – pensions	12 541	14 174	26 715
(Increase) decrease in deferred outflows of resources – OPEB	967	1 582	2 549
Increase (decrease) in net pension liability	23 884	25 326	49 210
Increase (decrease) in deferred inflows of resources - pension	(3 861)	(4 183)	(8 044)
Increase (decrease) in deferred inflows of resources – OEPB	27 123	33 150	60 273
Increase (decrease) in accounts payable and accrued liabilities	(334)	(86 088)	(86 422)
Increase (decrease) in customer deposits	701	-	701
Increase (decrease) in accrued OPEB liability	(23 969)	(29 295)	(53 264)
Increase (decrease) in accrued vacation pay	(5 594)	703	(4 891)
Total adjustments	<u>211 938</u>	<u>330 139</u>	<u>542 077</u>
Net cash provided by operating activities	\$ <u><u>256 489</u></u>	\$ <u><u>95 280</u></u>	\$ <u><u>351 769</u></u>

Compliance Section

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Louisburg, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Louisburg's basic financial statements, and have issued our report thereon dated January 11, 2020. The financial statements of the Town of Louisburg Alcoholic Beverage Control Board, the discretely presented component unit, were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. 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 Louisburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-1 and 2020-2.

Purpose of this Report

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

May & Place, PA

Louisburg, North Carolina

January 11, 2021

**TOWN OF LOUISBURG
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020**

Compliance and Other Matters

Finding: 2020-1 (Finding is also reported in the Stewardship, Compliance, and Accountability section in the notes section of this report)

Criteria:	Compliance with North Carolina General Statute 159B-39, that requires the Town to use electric revenue to "...(i) pay the direct and indirect cost of operating the electric system and (ii) transfer to the funds of the municipality a sum that reflects a rate of return on investment in the electric system to the extent allowed..." the greater of "(1) three percent (3%) of the gross capital assets of the electric system at the end of the preceding fiscal year' or (2) five percent (5%) of the gross annual revenues of the electric system for the preceding fiscal year."
Condition:	The Town transferred \$377,370 from the Electric Fund to the General Fund and \$113,998 to the North Church Street Revitalization Capital Project. The total transfers exceeded the allowable amount by \$133,676. .
Effect:	\$133,676 in Electric Fund revenues were used for unallowable activities.
Cause:	Management's misunderstanding concerning the allowable use of Electric Fund revenues.
Recommendation:	We recommend Town management comply with the requirements of NCGS 159B-39. In addition, the Electric Fund needs to be reimbursed \$133,676.
Views of responsible officials and planned corrective actions.	See the following views of officials and planned corrective actions.

(continued)

TOWN OF LOUISBURG
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020

Finding: 2020-2 (Finding is also reported in the Stewardship, Compliance, and Accountability section in the notes section of this report)

Criteria:	Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds.
Condition:	The Town's public safety fund expenditures exceeded authorized appropriations by \$558,297. Transfers from the general fund to capital project funds exceeded authorized appropriations by \$96,346. Total expenditures in the Joyner Park Grant project exceeded the authorized budget by \$15,298. Expenditures in the North Church Street Capital Project exceeded the authorized budget by \$61,700, Total transfers from the Electric Fund to capital projects exceeded authorized budget amounts by \$133,755.
Effect:	Over-expenditure of the General Fund, the Joyner Park Grant Fund, the North Church Street Capital project, and the Electric Fund \$654,643, \$15,298, \$61,700 and \$133,755, respectively.
Cause:	The Town did not amend the budgets for increased transfers and expenditures.
Recommendation:	We recommend the management more closely review budget reports prior to year-end to implement budget amendments before year end.
Views of responsible officials and planned corrective actions.	See the following views of officials and planned corrective actions.

(continued)

Town of Louisburg

Office of the Finance Director

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State of North Carolina

Views of responsible officials and planned corrective actions:

Finding 2020-1


Attached you will find a response to finding 2020-1 via legal opinion from Cauley-Pridgen PA.

Finding 2020-2

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

MEMORANDUM

TO: Jonathan Franklin, Town Administrator, Town of Louisburg

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

DATE: January 27, 2020

SUBJECT: Use of Electric Fund Revenues

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(emphasis added).

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

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

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

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

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