

**TOWN OF LANDIS
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

TOWN OF LANDIS, NORTH CAROLINA

GOVERNANCE

Board of Aldermen Members

Meredith Bare Smith, Mayor
Ashley Stewart, Mayor Pro Tem
Darrell Overcash
Katie Sells
Tony Corriher

Administrative and Financial Staff

Diane Seaford, Town Manager
Chase Norwood, Finance Officer

TOWN OF LANDIS, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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Financial Section

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Landis, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Landis, North Carolina, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Landis' basic financial statements. The 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 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 the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 22, 2021 on our consideration of the Town of Landis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Landis' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Landis' internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 22, 2021

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Management's Discussion and Analysis

As management of the Town of Landis, we offer the readers of the Town of Landis' financial statements this narrative overview and analysis of the financial activities of the Town of Landis for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

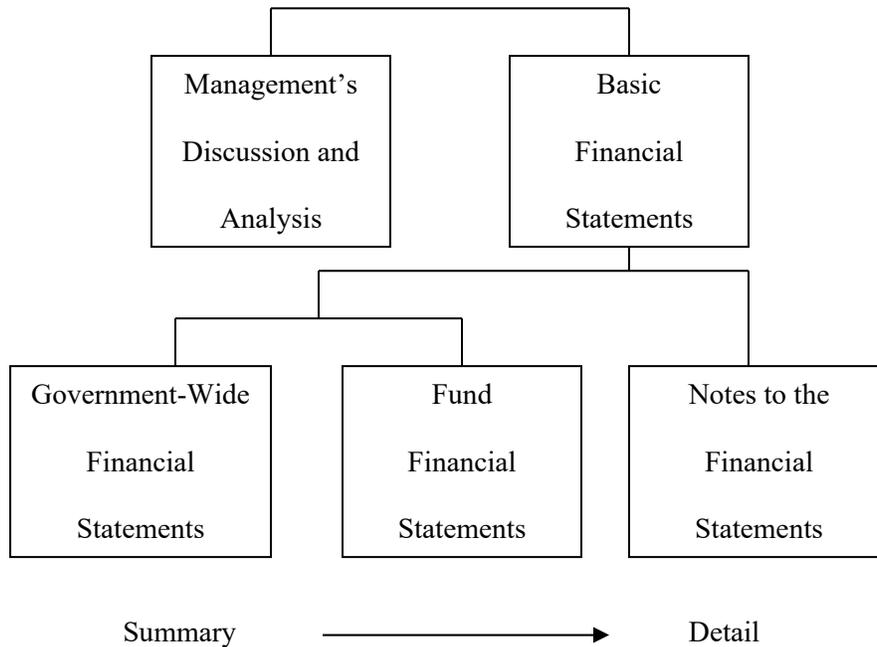
Financial Highlights

- The assets and deferred outflows of resources of the Town of Landis exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,445,699 (*net position*).
- The government's total net position increased by \$1,651,014, primarily due to increases in the business-type activities net position and a reduction in overall debt within government activities.
- As of the close of the current fiscal year, the Town of Landis' governmental funds reported combined ending fund balances of \$2,725,278 with a net increase of \$514,053 in fund balance. Approximately 39% of this total amount, or \$1,068,631, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,629,816, or 42%, of total General Fund expenditures (\$3,859,070) for the fiscal year.

Overview of the Financial Statements

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

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The first two statements (Exhibits A and B) 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 (Exhibit C through H) are the **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 fund statements 2) the budgetary comparison statements and 3) the proprietary fund statements and 4) the fiduciary fund statements. The Town of Landis has no fiduciary funds, so this part of the Fund Financial Statements is omitted.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town’s individual funds. Budgetary information required by the 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 and 2) business-type activities and 3) component units. The governmental activities include most of the Town's basic services such as safety and security, transportation and administration. Property tax and state shared revenues finance these activities. The business-type activities are those that the Town charges customers to provide. These include water, sewer, and electric services offered by the Town. The Town has no component units, so this part of the government-wide statements is omitted.

The government-wide financial statements are on Exhibits A and B 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 group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Landis, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as General Statutes or the Town's budget ordinance. All of the funds of the Town of Landis can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. 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 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 part of the fund financial statements.

The Town of Landis adopts an annual budget for the 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 the current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented in the same format, language and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board of Aldermen 2) the final budget as amended by the Board of Aldermen 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the differences or variance between the final budget and actual resources and charges.

Proprietary Funds. The Town of Landis 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 uses an enterprise fund to account for its water, sewer, and electric activities. This fund is the same as the functions shown in the business-type activities in the Statement of Net Position and Statement of Activities.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on 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 government and other holders of publicly held U.S. Treasury Securities.

Town of Landis' Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 2,927,505	\$ 2,404,021	\$ 4,931,459	\$ 3,614,000	\$ 7,858,964	\$ 6,018,021
Capital assets	7,217,206	7,456,396	14,486,346	15,200,240	21,703,552	22,656,636
Deferred outflows of resources	385,599	281,762	242,124	220,376	627,723	502,138
Total assets and deferred outflows of resources	10,530,310	10,142,179	19,659,929	19,034,616	30,190,239	29,176,795
Liabilities:						
Long-term liabilities	1,507,829	1,099,680	5,075,108	4,801,168	6,582,937	5,900,848
Other liabilities	289,997	1,238,049	1,632,180	1,235,066	1,922,177	2,473,115
Deferred inflows of resources	42,815	6,407	35,076	1,740	77,891	8,147
Total liabilities and deferred inflows of resources	1,840,641	2,344,136	6,742,364	6,037,974	8,583,005	8,382,110
Net Assets:						
Net investment in capital assets	6,434,208	5,841,123	9,685,177	10,257,881	16,119,385	16,099,004
Restricted	770,907	867,515	-	-	770,907	855,040
Unrestricted	1,600,089	1,089,405	3,955,318	2,738,761	5,555,407	238,229
Total net position	\$ 8,805,204	\$ 7,798,043	\$ 13,640,495	\$ 12,996,642	\$ 22,445,699	\$ 20,794,685

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 resources of the Town exceeded liabilities and deferred inflows by \$22,445,699 as of June 30, 2021. The Town's net position increased by \$1,651,014 for the fiscal year ended June 30, 2021. However, the largest portion, \$16,119,385, or (72%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net position, \$770,907, or 3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,555,407 is unrestricted.

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

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

Town of Landis' Changes in Net Position

Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 439,451	\$ 426,732	\$ 8,967,884	\$ 9,197,641	\$ 9,407,335	\$ 9,624,373
Operating grants and contributions	379,324	230,284	-	-	379,324	230,284
Capital grants and contributions	24,831	-	-	-	24,831	-
General revenues:						
Property taxes	1,795,646	1,768,330	-	-	1,795,646	1,768,330
Stormwater fees	110,868	110,040	-	-	110,868	110,040
Grants and contrib. unrestricted to specific programs	1,220,386	1,048,529	-	-	1,220,386	1,048,529
Other	90,866	80,326	13,992	10,451	104,858	90,777
Total revenues	<u>4,061,372</u>	<u>3,664,241</u>	<u>8,981,876</u>	<u>9,208,092</u>	<u>13,043,248</u>	<u>12,872,333</u>
Expenses:						
General government	494,620	485,619	-	-	494,620	485,619
Public safety	1,790,933	1,902,051	-	-	1,790,933	1,902,051
Transportation	399,547	650,417	-	-	399,547	650,417
Environmental protection	402,817	330,413	-	-	402,817	330,413
Cultural and recreational	354,006	309,198	-	-	354,006	309,198
Interest on long-term debt	62,288	71,949	161,265	173,722	223,553	245,671
Electric	-	-	5,565,200	5,546,578	5,565,200	5,546,578
Water	-	-	974,725	934,437	974,725	934,437
Sewer	-	-	1,186,833	1,150,621	1,186,833	1,150,621
Total expenses	<u>3,504,211</u>	<u>3,749,647</u>	<u>7,888,023</u>	<u>7,805,358</u>	<u>11,392,234</u>	<u>11,555,005</u>
Change in net position before transfers	557,161	(85,406)	1,093,853	1,402,734	1,651,014	1,317,328
Transfers	450,000	650,000	(450,000)	(650,000)	-	-
Change in net position	<u>1,007,161</u>	<u>564,594</u>	<u>643,853</u>	<u>752,734</u>	<u>1,651,014</u>	<u>1,317,328</u>
Net Position:						
Beginning of year, July 1	4,588,528	4,112,727	10,775,216	10,022,482	15,363,744	14,135,209
Prior period adjustment	3,209,515	3,120,722	2,221,426	2,221,426	5,430,941	5,342,148
Beginning of year, July 1, as restated	<u>7,798,043</u>	<u>7,233,449</u>	<u>12,996,642</u>	<u>12,243,908</u>	<u>20,794,685</u>	<u>19,477,357</u>
End of year, June 30	<u>\$ 8,805,204</u>	<u>\$ 7,798,043</u>	<u>\$ 13,640,495</u>	<u>\$ 12,996,642</u>	<u>\$ 22,445,699</u>	<u>\$ 20,794,685</u>

Governmental Activities. Governmental activities increased the Town's net assets by \$1,007,161, accounting for 61% of the increase. Key elements of this increase are as follows:

- Increased expenses, mainly in public safety
- Increased expenses in the general operations of the Town due to staff and legal issues in the prior year.
- Increased expenses in debt service to pay off several loans.

Business-Type Activities. Business-type activities increased the Town's net position by \$643,853, accounting for 39% of the total increase in the government's net position. Key elements of this increase are as follows:

- Rebates from Electricities
- Increase was possible due to controlling expenses while not increasing utility rates

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. 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. At the end of the current fiscal year, available fund balance of the General Fund was \$2,070,898, while total fund balance reached \$2,435,698. The Town currently has an available fund balance of 54% of General Fund expenditures, while total fund balance represents 63% of the same amount.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$2,725,278 with a net increase in fund balance of \$514,053. Included in this change in fund balance are increases in fund balance in the General Fund and the Stormwater Fund.

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

There were several reasons the Town revised its budget throughout the year. The Town amend the budget in the General Fund in general government, public safety, transportation, and cultural and recreational departments to account for unexpected expenditures. Revisions were made to properly appropriate unbudgeted revenues, realign budget to actual expenses and support the reduction of Town debt service.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Funds at the end of the fiscal year amounted to \$1,757,443 and \$246,456, respectively, and for the Electric Fund, \$1,951,419. The total change in net position for the Water and Sewer Funds was (\$117,012) and \$357,747, respectively. The total change in net position for the Electric Fund was \$403,118. The change in net position in the Water Fund is a result of an increase in water revenue and a decrease in distribution expenditures. The change in net position in the Sewer Fund is a result of an increase in sewer charges and

a decrease in capital outlay expenditures, and the changes in net position in the Electric Fund is a result of an increase in charges as well as a decrease in capital outlay expenditures.

Capital Asset and Debt Administration

Capital Assets. The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$21,703,552 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

Public Safety- Vehicle	\$ 28,890
Land acquisitions	1,400
Business type – Vehicles	74,304

Town of Landis’ Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and CIP	\$ 4,368,755	\$ 5,274,114	\$ 2,007,104	\$ 2,005,704	\$ 6,375,859	\$ 7,279,818
Buildings	1,765,798	940,999	104,416	117,145	1,870,214	1,058,144
Infrastructure / systems	110,952	131,470	11,256,692	11,810,854	11,367,644	11,942,324
Machinery / equipment	457,601	502,963	1,076,117	1,252,711	1,533,718	1,755,674
Vehicles / motorized equip.	514,100	606,850	42,017	13,826	556,117	620,676
Total	<u>\$ 7,217,206</u>	<u>\$ 7,456,396</u>	<u>\$ 14,486,346</u>	<u>\$ 15,200,240</u>	<u>\$ 21,703,552</u>	<u>\$ 22,656,636</u>

Additional information on the Town’s capital assets can be found in Note 2.A of the basic financial statements.

Town of Landis’ Outstanding Debt

Figure 6

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment purchases	\$ 782,998	\$ 1,615,277	\$ 373,169	\$ 439,359	\$ 1,156,167	\$ 2,054,636
General obligation bonds	-	-	4,428,000	4,503,000	4,428,000	4,503,000
Net pension liability (LGERS)	455,676	430,598	404,090	381,851	859,766	812,449
Total pension liability (LEOSSA)	271,134	149,558	-	-	271,134	149,558
Compensated absences	56,948	60,992	56,169	49,188	113,117	110,180
Total	<u>\$ 1,566,756</u>	<u>\$ 2,256,425</u>	<u>\$ 5,261,428</u>	<u>\$ 5,373,398</u>	<u>\$ 6,828,184</u>	<u>\$ 7,629,823</u>

Town of Landis’ Outstanding Debt

The Town of Landis’ total debt decreased by \$801,639. The key factors in this decrease were principal payments on notes payable of \$898,469, principal payments on general obligation bonds of \$75,000, an increase in compensated absences of \$2,937, an increase in Law Enforcement Separation Allowance (LEOSSA) of \$121,576, and an increase in net pension liability (LGERS) of \$47,317.

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 property located within that government's boundaries. The legal debt margin for the Town is approximately \$17,258,000.

Additional information regarding the Town's long-term debt can be found in Note 2.B of the basic financial statements.

Financial Highlights and Procedural Growth for the Fiscal Year Ended June 30, 2021

Financial:

- Decreased the debt by \$844,579. This paid off a fire truck, police cars, a garbage truck, the municipal pool, Lake Corriher Wilderness Area Park and bought out the lease on a bucket truck.
- Received rebate from Electricities for \$950,000. \$450,000 of the rebate was transferred to the General Fund and \$478,000 to the Sewer Fund.
- Increased fund balance and retained earnings in all funds (non-GAAP basis):
 - General Fund \$472,365 or 149%. Up from \$189,940 the previous year.
 - Water Fund \$155,712
 - Stormwater Fund \$41,698
 - Sewer Fund \$507,661
 - Electric Fund \$578,094
- Cash balances improved from \$3,626,988 across all funds to \$5,953,362.

Procedural and Operational Changes:

- Reviewed all workflows and distributed responsibilities to be in compliance with the need for separation of duties.
- Part-time CPA assisted with financial operations and audit of capital assets. Having her on staff also allows us to have enough people for proper separation of duties.
- Reconciled all accounts in the ledger and added new accounts for better financial tracking.
- Produced monthly financial statements for the Board.
- Updated codes in the Utility Billing System to correct posting to the ledger.
- Debt set-off for delinquent collection re-established after 3 years.
- Added a Human Resources Officer position in the 2021 budget to allow for further separation of duties between finance, payroll, and human resources. This position will also allow for expertise in the personnel area of government and ensure we are in compliance with all current regulations.
- Completed audit of capital assets by reconciling asset list to Rowan County tax records, Town's insurance policy, and surplused unused assets for sale to generate income.

Economic Factors and Next Year's Budgets and Rates

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

- The biggest potential impact to revenue is the unknown economic impact of COVID-19. Revenues have been budgeted conservatively in anticipation of a dip in sales tax and potentially the collection rate for taxes.
- The Old Beatty Ford interstate interchange has opened. While much of the direct area around the interchange has been annexed by the City of Kannapolis, this interchange is expected to have a significant impact on traffic along with commercial and industrial business growth for the Town.
- Residential growth is healthy and manageable. The Town is also in discussion about Irish Creek with the City of Kannapolis and Lennar Homes. Both developments will add to the tax base and utility revenue.
- The Town is maintaining its tax rate of \$.53 and all utility rates remain the same.

Budget Highlights for the Fiscal Year Ending June 30, 2022

- Paid off several loans in General Fund, Sewer Fund and Electric Fund to free up cash flow and reduce outstanding debt.
- General Fund Budget allows for an increase in staffing to improve service provision with no increase in taxes.
- Electric Fund Budget allows for an increase in staffing to improve operations, while reducing electric rates by 1 cent.
- All funds were stabilized by eliminating interfund loans and support from electric fund to supplement other funds.
- Police and Fire departments combined into one public safety department to streamline operations.
- Water and Sewer enterprise funds were combined to consolidate funds and improve operational effectiveness.
- Reduced overall budget appropriations by 5% from prior year.

Governmental Activities

The 2021-22 budget maintains a conservative approach to both revenue and expenses. The overall goal is to improve the Town's Fund Balance (General Fund and Stormwater) and Retained Earnings (Enterprise Funds). It will take a number of years to get the Town back to where it should be in respect to Fund Balance and Retained Earnings. We are currently in compliance with the Local Government Commission's (LGC) minimum requirement. However, that is not nearly enough for a Town our size. Moving forward, it will be the Town's goal to purchase most capital equipment under \$100,000 with cash and on a replacement schedule. This will be a much better approach than large loans with full fleet replacements.

Requests for Information

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

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Basic Financial Statements

The **Basic Financial Statements** present a condensed overview of the financial position and results of operations of the Town as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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TOWN OF LANDIS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,028,801	\$ 3,352,837	\$ 5,381,638
Taxes receivables (net)	86,692	-	86,692
Sales tax receivable	47,695	25,908	73,603
Accounts receivable	312,930	1,405,546	1,718,476
Prepays	26,831	-	26,831
Restricted cash and cash equivalents	<u>424,556</u>	<u>147,168</u>	<u>571,724</u>
Total current assets	<u>2,927,505</u>	<u>4,931,459</u>	<u>7,858,964</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	4,368,755	2,007,104	6,375,859
Other capital assets, net of depreciation	<u>2,848,451</u>	<u>12,479,242</u>	<u>15,327,693</u>
Total capital assets	<u>7,217,206</u>	<u>14,486,346</u>	<u>21,703,552</u>
Total assets	<u>10,144,711</u>	<u>19,417,805</u>	<u>29,562,516</u>
Deferred Outflows of Resources:			
Pension deferrals - LEO	112,568	-	112,568
Pension deferrals - LGERS	<u>273,031</u>	<u>242,124</u>	<u>515,155</u>
Total deferred outflows of resources	<u>385,599</u>	<u>242,124</u>	<u>627,723</u>
Liabilities:			
Current liabilities:			
Accounts payable	101,261	575,762	677,023
Payable from restricted assets	<u>14,274</u>	<u>147,168</u>	<u>161,442</u>
Total current liabilities	<u>115,535</u>	<u>722,930</u>	<u>838,465</u>
Long-term liabilities:			
Due within one year	58,927	186,320	245,247
Net pension liability	455,676	404,090	859,766
LEO separation allowance	271,134	-	271,134
Compensated absences	14,248	14,041	28,289
Due in more than one year	<u>766,771</u>	<u>4,656,977</u>	<u>5,423,748</u>
Total long-term liabilities	<u>1,566,756</u>	<u>5,261,428</u>	<u>6,828,184</u>
Total liabilities	<u>1,682,291</u>	<u>5,984,358</u>	<u>7,666,649</u>
Deferred Inflows of Resources:			
Pension deferrals - LEO	3,263	-	3,263
Pension deferrals - LGERS	<u>39,552</u>	<u>35,076</u>	<u>74,628</u>
Total deferred inflows of resources	<u>42,815</u>	<u>35,076</u>	<u>77,891</u>
Net Position:			
Net investment in capital assets	6,434,208	9,685,177	16,119,385
Restricted for:			
Stabilization by state statute	360,625	-	360,625
Streets	334,523	-	334,523
Debt service	75,759	-	75,759
Unrestricted	<u>1,600,089</u>	<u>3,955,318</u>	<u>5,555,407</u>
Total net position	<u>\$ 8,805,204</u>	<u>\$ 13,640,495</u>	<u>\$ 22,445,699</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Function / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
General government	\$ 494,620	\$ 12,911	\$ -	\$ -
Public safety	1,790,933	6,682	197,593	24,831
Transportation	399,547	-	90,116	-
Environmental protection	402,817	289,885	91,615	-
Cultural and recreational	354,006	129,973	-	-
Interest on long-term debt	62,288	-	-	-
Total governmental activities	<u>3,504,211</u>	<u>439,451</u>	<u>379,324</u>	<u>24,831</u>
Business-Type Activities:				
Electric	5,565,200	6,884,873	-	-
Water	1,080,805	1,083,209	-	-
Sewer	1,242,018	999,802	-	-
Total business-type activities	<u>7,888,023</u>	<u>8,967,884</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,392,234</u>	<u>\$ 9,407,335</u>	<u>\$ 379,324</u>	<u>\$ 24,831</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Function / Programs			
Primary Government:			
General government	\$ (481,709)	\$ -	\$ (481,709)
Public safety	(1,561,827)	-	(1,561,827)
Transportation	(309,431)	-	(309,431)
Environmental protection	(21,317)	-	(21,317)
Cultural and recreational	(224,033)	-	(224,033)
Interest on long-term debt	(62,288)	-	(62,288)
Total governmental activities	(2,660,605)	-	(2,660,605)
Business-Type Activities:			
Electric	-	1,319,673	1,319,673
Water	-	2,404	2,404
Sewer	-	(242,216)	(242,216)
Total business-type activities	-	1,079,861	1,079,861
Total primary government	(2,660,605)	1,079,861	(1,580,744)
General Revenues:			
Property taxes levied for general purposes	1,795,646	-	1,795,646
Storm water fees	110,868	-	110,868
Unrestricted investment earnings	3,645	3,992	7,637
Unrestricted intergovernmental revenues	1,220,386	-	1,220,386
Miscellaneous	87,221	10,000	97,221
Total general revenues, excluding transfers	3,217,766	13,992	3,231,758
Transfers	450,000	(450,000)	-
Total general revenues and transfers	3,667,766	(436,008)	3,231,758
Change in net position	1,007,161	643,853	1,651,014
Net Position:			
Beginning of year, July 1	4,588,528	10,775,216	15,363,744
Prior period adjustment	3,209,515	2,221,426	5,430,941
Beginning of year, July 1, restated	7,798,043	12,996,642	20,794,685
End of year, June 30	\$ 8,805,204	\$ 13,640,495	\$ 22,445,699

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Major General Fund	Nonmajor Governmental Fund	Total Governmental Funds
Assets:			
Cash - unrestricted	\$ 1,761,838	\$ 266,963	\$ 2,028,801
Cash - restricted	424,556	-	424,556
Property taxes receivable (net)	86,692	-	86,692
Accounts receivable (net)	290,274	22,656	312,930
Due from other government	47,695	-	47,695
Prepays	26,831	-	26,831
Total assets	\$ 2,637,886	\$ 289,619	\$ 2,927,505
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 101,222	\$ 39	\$ 101,261
Payable from restricted assets:			
Advance from grantor	14,274	-	14,274
Total liabilities	115,496	39	115,535
Deferred Inflows of Resources:			
Property taxes receivable	86,692	-	86,692
Fund Balances:			
Nonspendable - prepaids	26,831	-	26,831
Restricted:			
Stabilization by state statute	337,969	22,656	360,625
Streets	334,523	-	334,523
Debt service	75,759	-	75,759
Assigned:			
Subsequent year's expenditures	30,800	-	30,800
Environmental protection	-	266,924	266,924
Unassigned	1,629,816	-	1,629,816
Total fund balances	2,435,698	289,580	2,725,278
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,637,886	\$ 289,619	\$ 2,927,505

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	Total Governmental Funds
	<u> </u>
Total fund balances	\$ 2,725,278
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Gross capital assets at historical cost	\$ 10,779,216
Accumulated depreciation	<u>(3,562,010)</u>
	7,217,206
Deferred outflows of resources related to pensions are not reported in the funds	385,599
Liabilities for earned revenues considered deferred inflows of resources in fund statements	86,692
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds:	
Compensated absences	(56,948)
General obligation bonds and notes payable	(782,998)
Long-term debt	
LEO separation allowance	(271,134)
Net pension liability	(455,676)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(42,815)</u>
Net position of the governmental activities	<u><u>\$ 8,805,204</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Major</u> <u>General</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 1,820,446	\$ -	\$ 1,820,446
Storm water fees	-	110,868	110,868
Unrestricted intergovernmental revenues	1,220,386	-	1,220,386
Restricted intergovernmental revenues	312,540	91,615	404,155
Sales and services	439,451	-	439,451
Investment earnings	3,266	379	3,645
Miscellaneous	85,346	1,875	87,221
Total revenues	<u>3,881,435</u>	<u>204,737</u>	<u>4,086,172</u>
Expenditures:			
Current:			
General government	452,299	-	452,299
Public safety	1,637,978	-	1,637,978
Transportation	387,518	-	387,518
Environmental protection	201,374	163,049	364,423
Cultural and recreational	285,334	-	285,334
Debt service			
Principal	832,279	-	832,279
Interest	62,288	-	62,288
Total expenditures	<u>3,859,070</u>	<u>163,049</u>	<u>4,022,119</u>
Revenues over (under) expenditures	<u>22,365</u>	<u>41,688</u>	<u>64,053</u>
Other Financing Sources (Uses):			
Transfer (to) from other funds	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Net change in fund balance	<u>472,365</u>	<u>41,688</u>	<u>514,053</u>
Fund Balances:			
Beginning of year, July 1	1,950,858	243,177	2,194,035
Restatement	<u>12,475</u>	<u>4,715</u>	<u>17,190</u>
Beginning of year, as restated	<u>1,963,333</u>	<u>247,892</u>	<u>2,211,225</u>
End of year, June 30	<u>\$ 2,435,698</u>	<u>\$ 289,580</u>	<u>\$ 2,725,278</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

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

Net changes in fund balances - total governmental funds	\$	514,053
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay expenditures which were capitalized		28,890
Depreciation expense for governmental assets		(244,229)
Loss on disposal of assets		(23,851)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(24,800)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		832,279
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences		4,044
Change in LGERS pension expense:		
Changes in deferred outflows		24,524
Changes in net pension liability		(25,078)
Changes in deferred inflows		(37,590)
Change in LEO separation allowance expense:		
Change in deferred outflows		79,313
Change in total pension liability		(121,576)
Change in deferred inflows		1,182
Total changes in net position of governmental activities	\$	<u><u>1,007,161</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 1,785,754	\$ 1,779,931	\$ 1,820,446	\$ 40,515
Unrestricted intergovernmental	895,450	1,163,212	1,220,386	57,174
Restricted intergovernmental	226,045	344,696	312,540	(32,156)
Sales and services	379,600	444,533	439,451	(5,082)
Investment earnings	26,500	26,500	3,266	(23,234)
Miscellaneous	16,500	88,165	85,346	(2,819)
Total revenues	<u>3,329,849</u>	<u>3,847,037</u>	<u>3,881,435</u>	<u>34,398</u>
Expenditures:				
Current:				
General government	613,322	600,462	452,299	148,163
Public safety	1,645,511	1,740,108	1,637,978	102,130
Transportation	504,568	507,367	387,518	119,849
Environmental protection	212,500	212,500	201,374	11,126
Cultural and recreational	333,448	341,558	285,334	56,224
Debt service:				
Principal	515,600	832,136	832,279	(143)
Interest	54,900	62,906	62,288	618
Total expenditures	<u>3,879,849</u>	<u>4,297,037</u>	<u>3,859,070</u>	<u>437,967</u>
Revenues over (under) expenditures	(550,000)	(450,000)	22,365	472,365
Other Financing Sources (Uses):				
Transfer (to) from other funds	<u>550,000</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>472,365</u>	<u>\$ 472,365</u>
Fund Balance:				
Beginning of year, July 1			1,950,858	
Restatement			<u>12,475</u>	
Beginning of year, as restated			<u>1,963,333</u>	
End of year, June 30			<u>\$ 2,435,698</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Major Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,565,568	\$ 1,607,681	\$ 179,588	\$ 3,352,837
Accounts receivable (net)	1,008,033	206,878	190,635	1,405,546
Sales tax receivable	16,425	6,925	2,558	25,908
Cash and cash equivalents - restricted	125,805	21,363	-	147,168
Total current assets	<u>2,715,831</u>	<u>1,842,847</u>	<u>372,781</u>	<u>4,931,459</u>
Noncurrent assets:				
Capital assets:				
Land, CIP, and other non-depreciable assets	294,748	268,716	1,443,640	2,007,104
Capital assets, net of depreciation	2,163,142	6,487,948	3,828,152	12,479,242
Total capital assets	<u>2,457,890</u>	<u>6,756,664</u>	<u>5,271,792</u>	<u>14,486,346</u>
Total assets	<u>5,173,721</u>	<u>8,599,511</u>	<u>5,644,573</u>	<u>19,417,805</u>
Deferred Outflows of Resources:				
Pension deferrals	<u>196,088</u>	<u>16,815</u>	<u>29,221</u>	<u>242,124</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	431,684	41,886	102,192	575,762
Compensated absences-current	35,500	6,400	228	42,128
General obligation bonds-current	-	55,000	23,000	78,000
Installment purchase-current	-	10,635	55,557	66,192
Liabilities payable from restricted assets:				
Customer deposits	125,805	21,363	-	147,168
Total current liabilities	<u>592,989</u>	<u>135,284</u>	<u>180,977</u>	<u>909,250</u>
Non-current liabilities:				
Net pension liability	327,279	28,150	48,661	404,090
Compensated absences-noncurrent	11,871	2,170	-	14,041
General obligation bonds	-	3,015,000	1,335,000	4,350,000
Installment purchase-noncurrent	-	148,885	158,092	306,977
Total non-current liabilities	<u>339,150</u>	<u>3,194,205</u>	<u>1,541,753</u>	<u>5,075,108</u>
Total liabilities	<u>932,139</u>	<u>3,329,489</u>	<u>1,722,730</u>	<u>5,984,358</u>
Deferred Inflows of Resources:				
Pension deferrals	<u>28,361</u>	<u>2,250</u>	<u>4,465</u>	<u>35,076</u>
Net Position:				
Net investment in capital assets	2,457,890	3,527,144	3,700,143	9,685,177
Unrestricted	1,951,419	1,757,443	246,456	3,955,318
Total net position	<u>\$ 4,409,309</u>	<u>\$ 5,284,587</u>	<u>\$ 3,946,599</u>	<u>\$ 13,640,495</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Operating Revenues:				
Charges for services	\$ 5,733,045	\$ 1,026,069	\$ 963,309	\$ 7,722,423
Water and sewer taps	-	50,050	35,000	85,050
Fines and penalties	114,685	-	-	114,685
Other operating revenues	86,710	7,090	1,493	95,293
Total operating revenues	<u>5,934,440</u>	<u>1,083,209</u>	<u>999,802</u>	<u>8,017,451</u>
Operating Expenses:				
Personal services	1,041,642	201,431	76,899	1,319,972
Operational cost	544,405	144,784	92,105	781,294
Purchased resources - electric, water, and wastewater treatment	3,798,330	265,470	789,445	4,853,245
Depreciation	165,830	338,024	221,372	725,226
Total operating expenses	<u>5,550,207</u>	<u>949,709</u>	<u>1,179,821</u>	<u>7,679,737</u>
Operating income (loss)	<u>384,233</u>	<u>133,500</u>	<u>(180,019)</u>	<u>337,714</u>
Non-Operating Revenues (Expenses):				
Rebate from electricities	950,433	-	-	950,433
Donations	10,000	-	-	10,000
Gain (loss) on sale of capital assets	(14,993)	(25,016)	(7,012)	(47,021)
Investment earnings	2,293	1,479	220	3,992
Interest paid - debt	-	(106,080)	(55,185)	(161,265)
Total non-operating revenues (expenses)	<u>947,733</u>	<u>(129,617)</u>	<u>(61,977)</u>	<u>756,139</u>
Income (loss) before transfers	1,331,966	3,883	(241,996)	1,093,853
Transfer from (to) other funds	<u>(928,848)</u>	<u>(120,895)</u>	<u>599,743</u>	<u>(450,000)</u>
Change in net position	<u>403,118</u>	<u>(117,012)</u>	<u>357,747</u>	<u>643,853</u>
Net Position:				
Beginning of year, July 1	3,485,576	5,132,785	2,156,855	10,775,216
Restatement	520,615	268,814	1,431,997	2,221,426
Beginning of year, as restated	<u>4,006,191</u>	<u>5,401,599</u>	<u>3,588,852</u>	<u>12,996,642</u>
End of year, June 30	<u>\$ 4,409,309</u>	<u>\$ 5,284,587</u>	<u>\$ 3,946,599</u>	<u>\$ 13,640,495</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Major Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 6,303,361	\$ 1,105,315	\$ 1,032,499	\$ 8,441,175
Cash paid for goods and services	(4,225,497)	(406,260)	(918,632)	(5,550,389)
Cash paid to employees	(1,010,536)	(195,061)	(73,567)	(1,279,164)
Net cash provided (used) by operating activities	<u>1,067,328</u>	<u>503,994</u>	<u>40,300</u>	<u>1,611,622</u>
Cash Flows from Non-Operating Activities:				
Rebates	<u>950,433</u>	<u>-</u>	<u>-</u>	<u>950,433</u>
Cash Flows from Non-Capital Financing Activities:				
Due to/from other funds	-	478,848	(478,848)	-
Transfers (from) to other funds	<u>(928,848)</u>	<u>(120,895)</u>	<u>599,743</u>	<u>(450,000)</u>
Net cash provided (used) by non-capital financing activities	<u>(928,848)</u>	<u>357,953</u>	<u>120,895</u>	<u>(450,000)</u>
Cash from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(36,953)	(37,351)	(1,400)	(75,704)
Proceeds from sale of capital assets	-	4,300	13,051	17,351
Principal paid on debt	-	(63,635)	(77,556)	(141,191)
Grants and donations received	10,000	-	-	10,000
Interest paid on installment purchase loan	<u>-</u>	<u>(106,080)</u>	<u>(55,185)</u>	<u>(161,265)</u>
Net cash provided (used) by capital and related financing activities	<u>(26,953)</u>	<u>(202,766)</u>	<u>(121,090)</u>	<u>(350,809)</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>2,293</u>	<u>1,479</u>	<u>220</u>	<u>3,992</u>
Net increase (decrease) in cash and cash equivalents	1,064,253	660,660	40,325	814,805
Cash and Cash Equivalents:				
Beginning of year, July 1	<u>627,120</u>	<u>968,384</u>	<u>139,263</u>	<u>1,734,767</u>
End of year, June 30	<u>\$ 1,691,373</u>	<u>\$ 1,629,044</u>	<u>\$ 179,588</u>	<u>\$ 3,500,005</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 384,233	\$ 133,500	\$ (180,019)	\$ 337,714
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	165,830	338,024	221,372	725,226
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	361,103	18,089	31,900	411,092
(Increase) decrease in prepaids	92,709	2,725	1,182	96,616
(Increase) decrease in deferred outflows - pensions	(17,584)	(1,388)	(2,776)	(21,748)
Increase (decrease) in accounts payable	28,847	4,556	(37,467)	(4,064)
Increase (decrease) in customer deposits	3,500	730	-	4,230
Increase (decrease) in compensated absences	3,758	4,210	(987)	6,981
Increase (decrease) in net pension liability	17,980	1,420	2,839	22,239
Increase (decrease) in deferred inflows - pensions	26,952	2,128	4,256	33,336
Total adjustments	683,095	370,494	220,319	1,218,333
Net cash provided (used) by operating activities	\$ 1,067,328	\$ 503,994	\$ 40,300	\$ 1,611,622

The accompanying notes are an integral part of the financial statements.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1. Summary of Significant Accounting Policies

The financial statements of the Town of Landis conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Town of Landis is located in Rowan County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 3,165. The Town provides electric, water and sewer services to its residents.

The Town of Landis is a municipal corporation governed by an elected Mayor and a four-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present the Town financial position.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display the information about the government. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The 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 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The Town has no fiduciary funds to report. 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 the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Other non-operating revenues are ancillary activities such as investment earnings.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Town reports the following major governmental fund:

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

The Town reports the following nonmajor governmental fund:

Storm-Water Fund. This fund is used to account for the storm water income and expenses.

The Town reports the following major enterprise funds:

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

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

Sewer Fund. This fund is used to account for the Town's sewer operations. The Sewer Lift Station Capital Project Fund has been consolidated into the Sewer Fund for financial reporting purposes.

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 basis of accounting.

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses 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, includes 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.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, Stormwater Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Amendments may be made within a department without limitation and without a report required being required. These changes should not result in increased recurring obligations such as salaries. Transfer in amount not to exceed \$5,000 between department, including contingency appropriations, within the same fund, only in exigent necessity. An official report on such transfers are required at the next meeting of the governing board. No transfer made be made in any amount between funds unless approved by the governing boards. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Restricted Assets

USDA loan reserves are restricted to meet the requirements of the USDA loan. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Unspent advances from grantors are restricted by revenue source. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Governmental Activities:

General Fund:

Streets	\$ 334,523
USDA loan reserve	75,759
Advance from grantor	<u>14,274</u>
Total governmental activities	<u>424,556</u>

Business-Type Activities:

Electric Fund:

Customer deposits	125,805
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Water Fund:

Customer deposits	<u>21,363</u>
Total business-type activities	<u>147,168</u>

Total restricted cash	<u><u>\$ 571,724</u></u>
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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 July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020.

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.

Prepaid Items

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.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 of more than one years. Minimum capitalization costs are as follows: land, any value; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$15,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Deferred Outflows / Inflows of Resources

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

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the related debt. In fund financial statements, the governmental fund type recognizes bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. Vacation in excess of 240 hours is transferred to sick leave at June 30 of each year.

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

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.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The governmental fund types classify fund balances as follows:

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

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items that are costs applicable to future accounting periods and are expensed when used, 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 G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

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

Committed Fund Balance. Committed fund balance is the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Landis'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.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the Town of Landis intends to use for specific purposes.

Assigned for Subsequent Year's Expenditures – the portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The governing body approves the appropriation.

Assigned for Environmental Protection – the portion of fund balance in the Stormwater Fund that the Town intends to use for environmental protection.

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

The Town of Landis has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Town funds, and 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.

Defined Benefit Cost-Sharing Plans

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

Estimates

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

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

2. Detail Notes on All Funds and Account Groups

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these 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, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approval averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists to undercollateralization, 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 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 designation official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,713,726 and a bank balance of \$2,712,367. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. At June 30, 2021, the Town's petty cash fund totaled \$1,445.

Investments

At June 30, 2021, the Town had \$3,238,191 invested with the North Carolina Capital Management Trust's (NCCMT) Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investor Service. The Town has no policy regarding credit risk.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

	Governmental Activities	Business-Type Activities	Total
Taxes receivable	\$ 28,000	\$ -	\$ 28,000
Accounts receivable	2,483	251,966	254,449
Total	\$ 30,483	\$ 251,966	\$ 282,449

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020 (Restated)	Increases	Decreases	Transfers	Balance June 30, 2021
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 4,368,755	\$ -	\$ -	\$ -	\$ 4,368,755
Construction in progress	905,359	-	-	(905,359)	-
Total non-depreciable assets	5,274,114	-	-	(905,359)	4,368,755
Depreciable Capital Assets:					
Buildings	2,266,296	-	(101,481)	905,359	3,070,174
Infrastructure	241,866	-	(14,450)	-	227,416
Equipment	1,119,114	-	(4,981)	-	1,114,133
Vehicles and motorized equipment	1,999,748	28,890	(29,900)	-	1,998,738
Total depreciable assets	5,627,024	28,890	(150,812)	905,359	6,410,461
Less Accumulated Depreciation:					
Buildings	1,325,297	67,185	(88,106)	-	1,304,376
Infrastructure	110,396	10,042	(3,974)	-	116,464
Equipment	616,151	45,362	(4,981)	-	656,532
Vehicles and motorized equipment	1,392,898	121,640	(29,900)	-	1,484,638
Total accumulated depreciation	3,444,742	\$ 244,229	\$ (126,961)	\$ -	3,562,010
Total depreciable assets, net	2,182,282				2,848,451
Governmental activities capital assets, net	\$ 7,456,396				\$ 7,217,206

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Governmental Activities:

General government	\$ 10,200
Public safety	132,226
Environmental protection	38,394
Culture and recreation	<u>63,409</u>
Total	<u><u>\$ 244,229</u></u>

Capital asset activity for the business-type activities for the year ended June 30, 2021 is as follows:

	Balance		Increases	Decreases	Transfers	Balance
	July 1, 2020					June 30, 2021
	(Restated)					
Business-Type Activities:						
Electric Fund:						
Non-Depreciable Capital Assets:						
Land	\$ 294,748	\$ -	\$ -	\$ -	\$ -	\$ 294,748
Depreciable Capital Assets:						
Buildings and other assets	599,310	-	(3,200)	-	-	596,110
Motor vehicles	369,293	-	(1,100)	-	-	368,193
Equipment	1,006,839	36,953	(47,344)	-	-	996,448
Electrical system	4,326,839	-	(70,258)	-	-	4,256,581
Total depreciable capital assets	<u>6,302,281</u>	<u>36,953</u>	<u>(121,902)</u>	<u>-</u>	<u>-</u>	<u>6,217,332</u>
Less Accumulated Depreciation:						
Buildings and other assets	580,416	5,172	(3,200)	-	-	582,388
Motor vehicles	369,281	12	(1,100)	-	-	368,193
Equipment	554,186	69,889	(47,344)	-	-	576,731
Electrical system	2,491,386	90,757	(55,265)	-	-	2,526,878
Total accumulated depreciation	<u>3,995,269</u>	<u>\$ 165,830</u>	<u>\$ (106,909)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,054,190</u>
Total depreciable capital assets, net	<u>2,307,012</u>					<u>2,163,142</u>
Electric Fund capital assets, net	<u>2,601,760</u>					<u>2,457,890</u>

TOWN OF LANDIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Balance July 1, 2020 (Restated)	Increases	Decreases	Transfers	Balance June 30, 2021
Water Fund:					
Non-Depreciable Capital Assets:					
Land	268,716	\$ -	\$ -	\$ -	268,716
Depreciable Capital Assets:					
Buildings	185,109	-	-	-	185,109
Motor vehicles	91,758	37,351	-	-	129,109
Equipment	991,978	-	(2,895)	-	989,083
Water system	11,755,400	-	(98,380)	-	11,657,020
Total depreciable capital assets	<u>13,024,245</u>	<u>37,351</u>	<u>(101,275)</u>	<u>-</u>	<u>12,960,321</u>
Less Accumulated Depreciation:					
Buildings	86,858	7,557	-	-	94,415
Motor vehicles	77,944	9,148	-	-	87,092
Equipment	509,388	93,699	(2,895)	-	600,192
Water system	5,532,118	227,620	(69,064)	-	5,690,674
Total accumulated depreciation	<u>6,206,308</u>	<u>\$ 338,024</u>	<u>\$ (71,959)</u>	<u>\$ -</u>	<u>6,472,373</u>
Total depreciable capital assets, net	<u>6,817,937</u>				<u>6,487,948</u>
Water fund capital assets, net	<u>7,086,653</u>				<u>6,756,664</u>

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Balance July 1, 2020 (Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance June 30, 2021</u>
Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	1,442,240	\$ 1,400	\$ -	\$ -	1,443,640
Depreciable Capital Assets:					
Buildings	33,963	-	-	-	33,963
Equipment	519,024	-	(3,714)	-	515,310
Sewer system	6,959,650	-	(43,423)	-	6,916,227
Total depreciable capital assets	<u>7,512,637</u>	<u>-</u>	<u>(47,137)</u>	<u>-</u>	<u>7,465,500</u>
Less Accumulated Depreciation:					
Buildings	33,963	-	-	-	33,963
Equipment	201,556	47,381	(1,136)	-	247,801
Sewer system	3,207,531	173,991	(25,938)	-	3,355,584
Total accumulated depreciation	<u>3,443,050</u>	<u>\$ 221,372</u>	<u>\$ (27,074)</u>	<u>\$ -</u>	<u>3,637,348</u>
Total depreciable capital assets, net	<u>4,069,587</u>				<u>3,828,152</u>
Sewer fund capital assets, net	<u>5,511,827</u>				<u>5,271,792</u>
Business-type capital assets, net	<u>\$ 15,200,240</u>				<u>\$ 14,486,346</u>

Construction Commitments

The Town had no active construction projects as of June 30, 2021.

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Salaries & Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 39,319	\$ 61,942	\$ 101,261
Business-Type Activities:			
Electric Fund	\$ 401,117	\$ 30,567	\$ 431,684
Water Fund	35,804	6,082	41,886
Sewer Fund	100,033	2,159	102,192
Total - business-type activities	<u>\$ 536,954</u>	<u>\$ 38,808</u>	<u>\$ 575,762</u>

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report 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.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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’s contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.37% 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 were \$208,306 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$859,766 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town’s proportion was 0.02406%, which was a decrease of 0.00569% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$280,275. At June 30, 2021, 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	\$ 108,573	\$ -
Changes of assumptions	63,983	-
Net difference between projected and actual earnings on pension plan investments	120,990	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,303	74,628
Town contributions subsequent to the measurement date	208,306	-
Total	\$ 515,155	\$ 74,628

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$208,306 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 ending June 30, 2022.

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

Year Ending	
June 30	Total
2022	\$ 61,160
2023	90,404
2024	44,850
2025	35,807
2026	-
Thereafter	-
Total	<u>\$ 232,221</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation, with the exception of the discount rate, 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

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.00%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 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)	\$ 1,744,372	\$ 859,766	\$ 124,597

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

Law Enforcement Officers Special Allowance

Plan Description. The Town administers a public employee retirement system (the "Separation Allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of GS Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019 the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>11</u>
Total	<u><u>12</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and real wage growth
Discount rate	1.93 percent

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index at December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward 3 years. Rates for female members are set forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

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

At June 30, 2021, the Town reported a total pension liability of \$271,134. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$44,933.

TOWN OF LANDIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,343	\$ -
Changes of assumptions	70,728	3,263
Town benefit payments and plan administrative expense made subsequent to the measurement date	3,497	-
Total	\$ 112,568	\$ 3,263

\$3,497 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 ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2022	\$ 26,066
2023	24,063
2024	23,661
2025	21,232
2026	10,786
Thereafter	-
Total	\$ 105,808

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 1.93%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 305,224	\$ 271,134	\$ 240,515

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

	<u>2021</u>
Beginning balance	\$ 149,558
Service cost	13,187
Interest on the total pension liability	4,762
Differences between expected and actual experience	31,348
Changes of assumptions or other inputs	79,273
Benefit payments	<u>(6,994)</u>
Ending balance of the total pension liability	<u>\$ 271,134</u>

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

Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

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 and other employed by the Town. Article 5 of GS 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 Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report 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 GS Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$24,061 for the reporting year. No amounts were forfeited.

The Town contributes each month an amount equal to five percent of other employees' salaries, and all amounts contributed are vested immediately. Also, the other employees may make voluntary contributions to the plan. The Town made contributions of \$72,035 for the reporting year. No amounts were forfeited.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. 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.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 280,275	\$ 44,933	\$ 325,208
Pension liability	859,766	271,134	1,130,900
Proportion of the net pension liability	0.02406%	NA	-

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	LEOSSA	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 108,573	\$ 38,343	\$ 146,916
Changes of assumptions	63,983	70,728	134,711
Net difference between projected and actual earnings on pension plan investments	120,990	-	120,990
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,303	-	13,303
Town contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	208,306	3,497	211,803
Total	\$ 515,155	\$ 112,568	\$ 627,723

Deferred Inflows of Resources:			
Changes of assumptions	\$ -	\$ 3,263	\$ 3,263
Changes in proportion and differences between Town contributions and proportionate share of contributions	74,628	-	74,628
Total	\$ 74,628	\$ 3,263	\$ 77,891

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year (LGERS)	\$ 208,306
Benefit payments made and administration expenses for LEOSSA made subsequent to the measurement date	3,497
Pension deferrals (LGERS)	306,849
Pension deferrals (LEOSSA)	109,071
Total	\$ 627,723

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

	<u>Statement of Net Position</u>	<u>Governmental Balance Sheet</u>
Taxes receivable, net (General Fund)	\$ -	\$ 86,692
Pension deferrals (LGERS)	74,628	-
Pension deferrals (LEOSSA)	3,263	-
Total	<u>\$ 77,891</u>	<u>\$ 86,692</u>

Risk Management

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

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

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

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

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Long-Term Obligations

Operating Leases

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

- The first agreement was executed on May 6, 2015 to lease a line truck for the Electric Fund and requires 84 monthly payments of \$2,224.
- The second agreement was executed on May 6, 2015 to lease a bucket truck for the Electric Fund and requires 60 monthly payments of \$1,483. The lease was paid off on July 1, 2020 in the amount of \$53,000.
- The third agreement was executed on July 1, 2015 to lease a tree truck for the Light Fund and requires 60 monthly payments of \$1,130. The lease was paid off on July 1, 2020 in the amount of \$20,000.
- The fourth agreement was executed on September 1, 2015 to lease a line truck for the Light Fund and requires 60 monthly payments of \$2,077. This lease was paid off on September 1, 2020 in the amount of \$65,000.
- The fifth agreement was executed on March 1, 2016 to lease a line truck for the Light Fund and requires 84 monthly payments of \$2,573.

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

The future minimum rental payments as of June 30, 2021 were as follows:

Year Ending	Amount
June 30	
2022	\$ 57,562
2023	23,157
Total	<u>\$ 80,719</u>

Total rental payments for the year totaled \$199,757.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Direct Borrowing Installment Purchases

General Fund

In September 2006, the Town entered into a financing agreement to advance up to \$913,951 for the construction and renovation of their municipal building with the financing to be paid off by September 14, 2007. At June 30, 2007, the amount borrowed from the bank was \$816,181. At the same time, the Town entered into an agreement with the United States Department of Agriculture-Rural Development to furnish the long-term financing for the construction project. On July 19, 2007, the Town entered into two installment purchase contracts with the United States Department of Agriculture-Rural Development. One contract was for \$580,000 with an interest rate of 4.125%. The first of forty payments of \$29,853 was due on July 19, 2008 and \$29,853 is due each year thereafter. The final payment is due on July 19, 2047. The other contract was for \$363,950 with an interest rate of 4.25%. The first of forty payments of \$19,078 was due on July 19, 2008 and \$19,078 is due each year thereafter. The loans are secured by the municipal building. In the event of default, the lender, at its sole discretion, may declare the outstanding indebtedness immediately due and payable. The lender can also enforce its security interest in the mortgaged property. This debt also requires a reserve amount equal to one year's debt payment for each loan, current loan amounts are \$29,853 and \$19,078 respectively.

The future minimum payments of the installment purchase as of June 30, 2021, including \$538,138 of interest, are as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 16,227	\$ 32,704	\$ 48,931
2023	16,905	32,026	48,931
2024	17,340	31,591	48,931
2025	18,345	30,586	48,931
2026	19,111	29,820	48,931
2027-2031	108,101	136,554	244,655
2032-2036	132,743	111,912	244,655
2037-2041	162,852	81,803	244,655
2042-2046	199,792	44,863	244,655
2047	91,582	6,279	97,861
Total	<u>\$ 782,998</u>	<u>\$ 538,138</u>	<u>\$ 1,321,136</u>

Proprietary Funds

On May 1, 2016, the Town entered into an installment purchase contract with the North Carolina Department of Environmental Quality (DEQ) for the purchase of Advanced Metering Infrastructure (AMI) for the Water Fund. The financing contract was for \$212,693 and requires twenty annual consecutive principal payments of \$10,635 beginning May 1, 2017 at 0% interest. The loan is secured by the equipment. In the event of default, monies owed to the Town by the State of North Carolina may be used to satisfy the debt requirement.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The future minimum payments of the installment purchase as of June 30, 2021 are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 10,635	\$ -	\$ 10,635
2023	10,635	-	10,635
2024	10,635	-	10,635
2025	10,635	-	10,635
2026	10,635	-	10,635
2027-2031	53,175	-	53,175
2032-2036	53,170	-	53,170
Total	\$ 159,520	\$ -	\$ 159,520

In October 2017, the Town entered into an installment purchase contract for the purchase of sewer equipment. The financing contract was for \$380,319 and includes seven annual principal payments of \$55,557 plus accrued interest beginning October 1, 2018 with the outstanding principal and interest due in full on October 1, 2024. Interest will accrue on the outstanding principal balance at a fixed rate of 3.25% for seven years. The loan is secured by the equipment. In the event of default, the lender, at its sole discretion, may declare the outstanding indebtedness immediately due and payable. The lender can also enforce its security interest in the mortgaged property.

The future minimum payments of the installment purchase as of June 30, 2021 are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 55,557	\$ 8,210	\$ 63,767
2023	55,557	6,363	61,920
2024	55,557	4,515	60,072
2025	46,978	2,561	49,539
Total	\$ 213,649	\$ 21,649	\$ 235,298

General Obligation Indebtedness

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

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Bonds payable at June 30, 2021 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water Fund:

\$2,896,000, USDA – general obligation water bond, Series 2013A bonds due in annual installments of interest only through June 1, 2016 and principal plus interest from June 1, 2016 through June 1, 2053; interest is at 3.5%.

\$ 2,648,000

\$470,000, USDA – general obligation water bond, Series 2013B bonds due in annual installments of interest only through June 1, 2016 and principal plus interest from June 1, 2016 through June 1, 2053; interest is at 2.75%.

422,000

\$ 3,070,000

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 55,000	\$ 104,285	\$ 159,285
2023	57,000	102,428	159,428
2024	59,000	100,500	159,500
2025	60,000	98,503	158,503
2026	63,000	96,470	159,470
2027-2031	347,000	448,973	795,973
2032-2036	410,000	386,075	796,075
2037-2041	484,000	311,628	795,628
2042-2046	573,000	223,713	796,713
2047-2051	675,000	119,655	794,655
2052-2053	287,000	14,598	301,598
Total	<u>\$ 3,070,000</u>	<u>\$ 2,006,828</u>	<u>\$ 5,076,828</u>

Serviced by the Sewer Fund

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

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 23,000	\$ 45,530	\$ 68,530
2023	23,000	44,764	67,764
2024	25,000	43,998	68,998
2025	25,000	43,166	68,166
2026	26,000	42,335	68,335
2027-2031	143,000	198,164	341,164
2032-2036	169,000	172,550	341,550
2037-2041	198,000	142,401	340,401
2042-2046	234,000	106,864	340,864
2047-2051	275,000	64,881	339,881
2052-2053	217,000	16,655	233,655
Total	<u>\$ 1,358,000</u>	<u>\$ 921,308</u>	<u>\$ 2,279,308</u>

Changes in Long-Term Liabilities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 60,992	\$ 23,455	\$ 27,499	\$ 56,948	\$ 42,700
Total pension liability - LEOSSA	149,558	121,576	-	271,134	-
Net pension liability - LGERS	430,598	25,078	-	455,676	-
Direct borrowing					
installment purchases	1,615,277	-	832,279	782,998	16,227
Total governmental activities	<u>\$ 2,256,425</u>	<u>\$ 170,109</u>	<u>\$ 859,778</u>	<u>\$ 1,566,756</u>	<u>\$ 58,927</u>
Business-Type Activities:					
Compensated absences	\$ 49,188	\$ 27,689	\$ 20,708	\$ 56,169	\$ 42,128
Net pension liability - LGERS	381,851	22,239	-	404,090	-
General obligation bonds	4,503,000	-	75,000	4,428,000	78,000
Direct borrowing					
installment purchases	439,359	-	66,190	373,169	66,192
Total business-type activities	<u>\$ 5,373,398</u>	<u>\$ 49,928</u>	<u>\$ 161,898</u>	<u>\$ 5,261,428</u>	<u>\$ 186,320</u>

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

At June 30, 2021, the Town of Landis had no authorized but unissued bonds and a legal debt margin of \$17,258,000.

TOWN OF LANDIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

C. Interfund Balances and Activity

The transfers from the Electric Fund were made to take advantage of rebates in the Electric Fund to increase fund balance in the General Fund and remove interfund balances in the Sewer Fund. Transfers from the Water Fund were to assist with operating expenses in the Sewer Fund and for a future sewer lift station project in the General Capital Projects Fund. Transfers to / from other funds for the year ended June 30, 2021 consist of the following:

From:	To:	Amount
Electric Fund	General Fund	\$ 450,000
	Sewer Fund	478,848
Water Fund	Sewer Fund	105,000
	Capital Projects Fund	15,895
		\$ 1,049,743

D. Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets, net	\$ 7,217,206	\$ 14,486,346
Less:		
Long-term debt	(782,998)	(4,801,169)
Net investment in capital assets	\$ 6,434,208	\$ 9,685,177

E. Fund Balance

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

Total fund balance - General Fund	\$ 2,435,698
Less:	
Prepays	(26,831)
Stabilization by state statute	(337,969)
Total available fund balance	\$ 2,070,898

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. There were \$0 encumbrances at June 30, 2021.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

3. Jointly Governed Organization

The Town, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain general and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The 21 members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2021 were \$3,798,330.

4. Joint Ventures

The Town and the members of the Town's fire department each appoint Town members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the state. The state passes these moneys to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The 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, 2021. 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.

5. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

Covid-19 Pandemic

In March, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

TOWN OF LANDIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

6. Significant Effects of Subsequent Events

As part of pandemic relief provided by the federal government, the Town of Landis was awarded \$1,000,073 from the American Rescue Plan (ARP.) The Town received the first installment of \$500,050 in August 2021, with the remaining \$500,023 expected to be received within the next 12 months.

7. Prior Period Adjustments

During the year ended June 30, 2021, the Town analyzed its property records and capital asset listing and discovered that mostly land owned by the Town for several years had never been recorded. Also, the Town made several adjustments to correctly record revenues and expenses in the correct fiscal year. These prior period adjustments increased the Town's net position as follows:

	<u>Capital Assets</u>	<u>Unbilled Receivables</u>	<u>Accrued Liabilities</u>	<u>Total</u>
General Fund	\$ 3,192,325	\$ 12,475	\$ -	\$ 3,204,800
Stormwater Fund	-	-	4,715	4,715
Electric Fund	294,747	266,628	(40,760)	520,615
Water Fund	233,206	47,456	(11,848)	268,814
Sewer Fund	<u>1,439,240</u>	<u>43,793</u>	<u>(51,036)</u>	<u>1,431,997</u>
	<u>\$ 5,159,518</u>	<u>\$ 370,352</u>	<u>\$ (98,929)</u>	<u>\$ 5,430,941</u>

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Required Supplemental Financial Data

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

<i>Law Enforcement Officers’ Special Separation Allowance –</i>	Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll
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<i>Local Government Employees’ Retirement System –</i>	Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Town Contributions
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TOWN OF LANDIS, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST FIVE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 149,558	\$ 129,864	\$ 115,435	\$ 100,225	\$ 5,716
Service cost interest on total pension liability	13,187	8,688	8,274	6,203	16,079
Interest	4,762	4,600	3,537	3,734	15,031
Differences between expected and actual experience in the measurement of the total pension liability	31,348	7,503	16,421	-	-
Changes of assumptions or other inputs	79,273	5,897	(6,809)	12,267	(25,394)
Benefit payments	(6,994)	(6,994)	(6,994)	(6,994)	-
Other changes (prior period adjustment*)	-	-	-	-	88,793
Ending balance of the total pension liability	<u>\$ 271,134</u>	<u>\$ 149,558</u>	<u>\$ 129,864</u>	<u>\$ 115,435</u>	<u>\$ 100,225</u>

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

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

Pension schedules are intended to show information for ten years. The additional years' information will be displayed as it becomes available.

TOWN OF LANDIS, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE
OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE LAST FIVE FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Total pension liability	\$ 271,134	\$ 149,558	\$ 129,864	\$ 115,435	\$ 115,435
Covered-employee payroll	566,682	477,445	440,034	421,270	421,270
Total pension liability as a percentage of covered payroll	47.85%	31.32%	29.51%	27.40%	27.40%

Notes to the Schedules:

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

Pension schedules are intended to show information for ten years. The additional years' information will be displayed as it becomes available.

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TOWN OF LANDIS, NORTH CAROLINA

**TOWN OF LANDIS' PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS***

	Local Government Employees' Retirement System			
	2021	2020	2019	2018
Landis' proportion of the net pension liability (asset) (%)	0.02406%	0.02975%	0.02699%	0.02802%
Landis' proportion of the net pension liability (asset) (\$)	\$ 859,766	\$ 812,449	\$ 640,295	\$ 428,068
Landis' covered payroll	\$ 1,750,045	\$ 1,896,331	\$ 1,856,613	\$ 1,795,308
Landis' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	49.13%	42.84%	34.49%	23.84%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

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

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

Pension schedules are intended to show information for ten years. The additional years' information will be displayed as it becomes available.

TOWN OF LANDIS, NORTH CAROLINA

**TOWN OF LANDIS' PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS***

	Local Government Employees' Retirement System			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Landis' proportion of the net pension liability (asset) (%)	0.03002%	0.02699%	0.02546%	0.02610%
Landis' proportion of the net pension liability (asset) (\$)	\$ 637,125	\$ 121,130	\$ (150,149)	\$ 306,722
Landis' covered payroll	\$ 1,822,279	\$ 1,710,393	\$ 1,509,543	\$ 1,421,446
Landis' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	34.96%	7.08%	(9.95%)	21.58%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

TOWN OF LANDIS, NORTH CAROLINA

**TOWN OF LANDIS' CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

Local Government Employees' Retirement System				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 208,306	\$ 156,185	\$ 153,709	\$ 145,517
Contributions in relation to the contractually required contribution	<u>208,306</u>	<u>156,185</u>	<u>153,709</u>	<u>145,517</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Landis' covered payroll	\$ 2,118,356	\$ 1,750,045	\$ 1,896,331	\$ 1,856,613
Contributions as a percentage of covered payroll	9.83%	8.92%	8.11%	7.84%

Pension schedules are intended to show information for ten years. The additional years' information will be displayed as it becomes available.

TOWN OF LANDIS, NORTH CAROLINA

**TOWN OF LANDIS' CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

Local Government Employees' Retirement System				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 139,325	\$ 150,919	\$ 125,022	\$ 109,705
Contributions in relation to the contractually required contribution	<u>139,325</u>	<u>150,919</u>	<u>125,022</u>	<u>109,705</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Landis' covered payroll	\$ 1,795,308	\$ 1,822,279	\$ 1,710,393	\$ 1,509,543
Contributions as a percentage of covered payroll	7.76%	8.28%	7.31%	7.27%

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Governmental Activities Major Funds

The **General Fund** is the main operating fund of the City. This fund is used to account for all financial resources traditionally associated with government activities that are not required legally or by sound financial management to be accounted for in other funds.

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TOWN OF LANDIS, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 1,468,122	\$ 1,467,684	\$ (438)
Taxes - motor vehicles	174,032	211,519	37,487
Vehicle tag fee	84,000	94,160	10,160
Delinquent taxes	40,300	32,366	(7,934)
Penalties and interest	13,477	14,717	1,240
Total	<u>1,779,931</u>	<u>1,820,446</u>	<u>40,515</u>
Unrestricted Intergovernmental Revenues:			
Local option sales tax	852,762	903,947	51,185
Telecommunications sales tax	12,400	12,608	208
Franchise tax on electric power	267,000	268,474	1,474
Piped natural gas sales tax	6,000	10,873	4,873
Beer and wine tax	14,000	13,340	(660)
Video franchise fee	9,450	9,346	(104)
Solid waster disposal tax	1,600	1,798	198
Total	<u>1,163,212</u>	<u>1,220,386</u>	<u>57,174</u>
Restricted Intergovernmental Revenues:			
Powell Bill allocation	97,000	90,116	(6,884)
School resource officer	129,045	120,497	(8,548)
Police grant	27,281	24,831	(2,450)
COVID relief grant	91,370	77,096	(14,274)
Total	<u>344,696</u>	<u>312,540</u>	<u>(32,156)</u>
Sales and Services:			
Garbage collection fees	282,000	289,885	7,885
Police fees	7,203	6,682	(521)
Building rental fees	7,580	7,005	(575)
Planning and zoning fees	5,765	5,906	141
Recreation program user fees	141,985	129,973	(12,012)
Total	<u>444,533</u>	<u>439,451</u>	<u>(5,082)</u>
Interest Earnings:			
Investment earnings	21,000	3,211	(17,789)
Investment earnings - Powell	5,500	55	(5,445)
Total	<u>26,500</u>	<u>3,266</u>	<u>(23,234)</u>

TOWN OF LANDIS, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Miscellaneous:			
ABC profit distribution	15,000	12,012	(2,988)
Fire income	1,500	1,320	(180)
Sale of fixed assets	71,165	71,166	1
Other	500	848	348
Total	<u>88,165</u>	<u>85,346</u>	<u>(2,819)</u>
Total revenues	<u>3,847,037</u>	<u>3,881,435</u>	<u>34,398</u>
Expenditures			
General Government:			
Governing Body:			
Mayor and alderman fees	<u>14,700</u>	<u>7,118</u>	<u>7,582</u>
Administrative and General:			
Salaries and employee benefits	230,316	192,783	37,533
Operating expenditures	347,284	244,609	102,675
Capital outlay	<u>8,162</u>	<u>7,789</u>	<u>373</u>
Total	<u>585,762</u>	<u>445,181</u>	<u>140,581</u>
Total general government	<u>600,462</u>	<u>452,299</u>	<u>148,163</u>
Public Safety:			
Police:			
Salaries and employee benefits	811,299	778,424	32,875
Operating expenditures	193,390	172,857	20,533
Capital outlay	<u>57,864</u>	<u>57,780</u>	<u>84</u>
Total	<u>1,062,553</u>	<u>1,009,061</u>	<u>53,492</u>
Fire Department:			
Salaries and employee benefits	460,573	441,330	19,243
Operating expenditures	<u>216,982</u>	<u>187,587</u>	<u>29,395</u>
Total	<u>677,555</u>	<u>628,917</u>	<u>48,638</u>
Total public safety	<u>1,740,108</u>	<u>1,637,978</u>	<u>102,130</u>

TOWN OF LANDIS, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Transportation:			
Street Department:			
Salaries and employee benefits	294,717	287,795	6,922
Operating expenditures	<u>87,250</u>	<u>66,643</u>	<u>20,607</u>
Total	<u>381,967</u>	<u>354,438</u>	<u>27,529</u>
Powell Bill:			
Operating expenditures	<u>125,400</u>	<u>33,080</u>	<u>92,320</u>
Total transportation	<u>507,367</u>	<u>387,518</u>	<u>119,849</u>
Environmental Protection:			
Sanitation and maintenance	<u>212,500</u>	<u>201,374</u>	<u>11,126</u>
Cultural and Recreational:			
Recreation Department:			
Salaries and employee benefits	164,508	152,007	12,501
Operating expenditures	<u>177,050</u>	<u>133,327</u>	<u>43,723</u>
Total cultural and recreational	<u>341,558</u>	<u>285,334</u>	<u>56,224</u>
Debt Service:			
Principal retirement	832,136	832,279	(143)
Interest	<u>62,906</u>	<u>62,288</u>	<u>618</u>
Total debt service	<u>895,042</u>	<u>894,567</u>	<u>475</u>
Total expenditures	<u>4,297,037</u>	<u>3,859,070</u>	<u>437,967</u>
Revenues over (under) expenditures	<u>(450,000)</u>	<u>22,365</u>	<u>472,365</u>
Other Financing Sources (Uses):			
Transfer (to) from Electric Fund	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>472,365</u>	<u>\$ 472,365</u>
Fund Balance:			
Beginning of year, July 1		1,950,858	
Restatement		<u>12,475</u>	
Beginning of year, as restated		<u>1,963,333</u>	
End of year, June 30		<u>\$ 2,435,698</u>	

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Special Revenue Funds

Special Revenue Funds are used to account for revenues that are legally restricted to expenditures for a particular purpose.

The Town has the following Special Revenue Fund:

Stormwater Fund – This fund accounts for Town's stormwater operations.

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TOWN OF LANDIS, NORTH CAROLINA

**STORMWATER FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Storm water fees	\$ 98,000	\$ 110,868	\$ 12,868
AIA grant	91,615	91,615	-
Investment earnings	500	379	(121)
Miscellaneous	-	1,875	1,875
Total revenues	<u>190,115</u>	<u>204,737</u>	<u>14,622</u>
Expenditures:			
Salaries and benefits	58,760	56,592	2,168
Operating expenditures	123,279	106,457	16,822
Capital outlay	8,076	-	8,076
Total expenditures	<u>190,115</u>	<u>163,049</u>	<u>27,066</u>
Net change in fund balance	<u>\$ -</u>	<u>41,688</u>	<u>\$ 41,688</u>
Fund Balance:			
Beginning of year, July 1		243,177	
Restatement		4,715	
Beginning of year, as restated		<u>247,892</u>	
End of year, June 30		<u>\$ 289,580</u>	

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Enterprise Funds

The **Enterprise Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

The Town has the following Enterprise Funds:

Electric Fund – This fund accounts for the Town’s electric operations.

Water Fund – This fund accounts for the Town’s water operations.

Sewer Fund – This fund accounts for the Town’s sewer operations, as well as a capital project fund which is consolidated with the operating fund for financial reporting purposes.

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TOWN OF LANDIS, NORTH CAROLINA

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services			
Residential and commercial	\$ 5,584,455	\$ 5,733,045	\$ 148,590
Fines and penalties	91,500	114,685	23,185
Other operating revenues	<u>50,282</u>	<u>86,710</u>	<u>36,428</u>
Total operating revenues	<u>5,726,237</u>	<u>5,934,440</u>	<u>208,203</u>
Non-operating revenues:			
Rebate from electricities	950,000	950,433	433
Donations	-	10,000	10,000
Investment earnings	<u>6,500</u>	<u>2,293</u>	<u>(4,207)</u>
Total non-operating revenues	<u>956,500</u>	<u>962,726</u>	<u>6,226</u>
Total revenues	<u>6,682,737</u>	<u>6,897,166</u>	<u>214,429</u>
Expenditures:			
Electrical operations:			
Salaries and benefits	1,038,665	1,010,536	28,129
Operating expenditures	<u>864,152</u>	<u>544,405</u>	<u>319,747</u>
Total electrical operations	<u>1,902,817</u>	<u>1,554,941</u>	<u>347,876</u>
Purchased resources - electricity	<u>3,810,836</u>	<u>3,798,330</u>	<u>12,506</u>
Capital outlay	<u>40,236</u>	<u>36,953</u>	<u>3,283</u>
Total expenditures	<u>5,753,889</u>	<u>5,390,224</u>	<u>363,665</u>
Revenues over (under) expenditures	<u>928,848</u>	<u>1,506,942</u>	<u>578,094</u>

TOWN OF LANDIS, NORTH CAROLINA

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfer (to) General Fund	(450,000)	(450,000)	-
Transfer (to) Sewer Fund	(478,848)	(478,848)	-
Total other financing sources (uses)	<u>(928,848)</u>	<u>(928,848)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 578,094</u>	<u>\$ 578,094</u>
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 578,094</u>	
Reconciling items:			
Remaining book value of disposed assets		(14,993)	
Capital outlay		36,953	
Compensated absences		(3,758)	
Pension expense		(27,348)	
Depreciation		<u>(165,830)</u>	
Total reconciling items		<u>(174,976)</u>	
Change in net position		<u>\$ 403,118</u>	

TOWN OF LANDIS, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Charges for services:			
Water sales	\$ 999,000	\$ 1,026,069	\$ (27,069)
Water taps	30,768	50,050	(19,282)
Other operating revenues	-	7,090	(7,090)
Total operating revenues	<u>1,029,768</u>	<u>1,083,209</u>	<u>(53,441)</u>
Non-operating revenues:			
Proceeds on sale of assets	-	4,300	(4,300)
Investment earnings	<u>1,000</u>	<u>1,479</u>	<u>(479)</u>
Total non-operating revenues	<u>1,000</u>	<u>5,779</u>	<u>(4,779)</u>
Total revenues	<u>1,030,768</u>	<u>1,088,988</u>	<u>(58,220)</u>
Expenditures:			
Water distribution:			
Salaries and benefits	252,712	195,061	57,651
Operating expenditures	<u>158,256</u>	<u>144,784</u>	<u>13,472</u>
Total water distribution	<u>410,968</u>	<u>339,845</u>	<u>71,123</u>
Purchased resources - water	<u>280,000</u>	<u>265,470</u>	<u>14,530</u>
Debit service:			
Principal	63,700	63,635	65
Interest	<u>106,100</u>	<u>106,080</u>	<u>20</u>
Total debt service	<u>169,800</u>	<u>169,715</u>	<u>85</u>
Capital outlay	<u>65,000</u>	<u>37,351</u>	<u>27,649</u>
Total expenditures	<u>925,768</u>	<u>812,381</u>	<u>113,387</u>

TOWN OF LANDIS, NORTH CAROLINA

**WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	105,000	276,607	(171,607)
Other Financing Sources (Uses):			
Transfer from (to) Sewer Fund	<u>(105,000)</u>	<u>(120,895)</u>	<u>15,895</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 155,712</u>	<u>\$ (155,712)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 155,712</u>	
Reconciling items:			
Pension expense		(2,160)	
Remaining book value of disposed assets		(29,316)	
Capital outlay		37,351	
Principal retirement		63,635	
Compensated absences		(4,210)	
Depreciation		<u>(338,024)</u>	
Total reconciling items		<u>(272,724)</u>	
Change in net position		<u>\$ (117,012)</u>	

TOWN OF LANDIS, NORTH CAROLINA

SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services			
Sewer charges	\$ 1,022,500	\$ 963,309	\$ (59,191)
Sewer taps	27,000	35,000	8,000
Other operating revenues	1,723	1,493	(230)
Total operating revenues	<u>1,051,223</u>	<u>999,802</u>	<u>(51,421)</u>
Non-operating revenues:			
Proceeds on sale of assets	-	13,051	13,051
Investment earnings	300	220	(80)
Total non-operating revenues	<u>300</u>	<u>13,271</u>	<u>12,971</u>
Total revenues	<u>1,051,523</u>	<u>1,013,073</u>	<u>(38,450)</u>
Expenditures:			
Waste collection and treatment:			
Salaries and benefits	83,260	73,569	9,691
Operating expenditures	102,863	92,105	10,758
Total waste collection and treatment	<u>186,123</u>	<u>165,674</u>	<u>20,449</u>
Purchased - sewage treatment	<u>835,000</u>	<u>789,445</u>	<u>45,555</u>
Debit service:			
Principal	77,600	77,556	44
Interest	56,400	55,185	1,215
Total debt service	<u>134,000</u>	<u>132,741</u>	<u>1,259</u>
Capital outlay	<u>1,400</u>	<u>1,400</u>	<u>-</u>
Total expenditures	<u>1,156,523</u>	<u>1,089,260</u>	<u>67,263</u>
Revenues over (under) expenditures	<u>(105,000)</u>	<u>(76,187)</u>	<u>28,813</u>

TOWN OF LANDIS, NORTH CAROLINA

SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfer from Water Fund	105,000	105,000	-
Transfer from Electric Fund	478,848	478,848	-
Transfer (to) Water Fund	(478,848)	-	478,848
Total other financing sources (uses)	<u>105,000</u>	<u>583,848</u>	<u>478,848</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 507,661</u>	<u>\$ 507,661</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other sources over (under) expenditures and other uses		\$ 507,661	
Reconciling items:			
From Capital Project Fund:			
Transfer from Water Fund		15,895	
Pension expense		(4,319)	
Remaining book value of disposed assets		(20,063)	
Capital outlay		1,400	
Principal retirement		77,556	
Compensated absences		987	
Depreciation		(221,372)	
Total reconciling items		<u>(149,916)</u>	
Change in net position		<u>\$ 357,747</u>	

TOWN OF LANDIS, NORTH CAROLINA

SEWER LIFT STATION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Year</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
State grant	\$ 978,440	\$ -	\$ -	\$ -
Expenditures:				
Construction and renovations	1,200,000	-	-	-
Miscellaneous	15,895	-	-	-
Total expenditures	<u>1,215,895</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>(237,455)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Proceeds from borrowings	221,560	-	-	-
Transfer from Water Fund	15,895	-	15,895	15,895
Total other financing sources (uses)	<u>237,455</u>	<u>-</u>	<u>15,895</u>	<u>15,895</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,895</u>	<u>\$ 15,895</u>

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Additional Financial Data

This section contains additional information on property taxes and principal taxpayers.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

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TOWN OF LANDIS, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 1,722,639	\$ 1,678,123	\$ 44,516
2019-2020	48,297	-	26,312	21,985
2018-2019	21,324	-	3,516	17,808
2017-2018	14,423	-	3,201	11,222
2016-2017	10,275	-	3,069	7,206
2015-2016	7,338	-	4,251	3,087
2014-2015	2,994	-	-	2,994
2013-2014	2,546	-	5	2,541
2012-2013	1,888	-	12	1,876
2011-2012	1,471	-	14	1,457
2010-2011	936	-	936	-
Total	<u>\$ 111,492</u>	<u>\$ 1,722,639</u>	<u>\$ 1,719,439</u>	<u>114,692</u>
Less: allowance for uncollectible taxes receivable				<u>(28,000)</u>
Ad valorem taxes receivable - net				<u>\$ 86,692</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 1,820,446
Reconciling items				
Vehicle tag fees				(94,160)
Write-offs				936
Interest and penalties				(14,717)
Other adjustments				<u>6,934</u>
Total collections and credits				<u>\$ 1,719,439</u>

TOWN OF LANDIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2021

	Town-Wide			Tax Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxes- Landis	\$ 286,932,075	\$ 0.5300	\$ 1,520,740	\$ 1,520,740	\$ -
Motor vehicles - Landis	-		207,474	-	207,474
Penalties	-		635	635	-
Late listing penalties	-		1,260	1,260	-
Total	<u>286,932,075</u>		<u>1,730,109</u>	<u>1,522,635</u>	<u>207,474</u>
Discoveries:					
Current year taxes - Landis	<u>143,585</u>	0.5300	<u>761</u>	<u>761</u>	<u>-</u>
Abatements - Landis	<u>(1,553,019)</u>	0.5300	<u>(8,231)</u>	<u>(8,231)</u>	<u>-</u>
Total property valuation	<u>\$ 285,522,642</u>				
Net Levy			1,722,639	1,515,165	207,474
Uncollected taxes at June 30, 2021			<u>(44,516)</u>	<u>(44,516)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 1,678,123</u>	<u>\$ 1,470,649</u>	<u>\$ 207,474</u>
Current Levy Collection Percentage			<u>97.42%</u>	<u>97.06%</u>	<u>100.00%</u>

Compliance Section

- 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*
 - Schedule of Findings and Responses
 - Schedule of Prior Year Audit Findings
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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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
Board of Aldermen
Town of Landis
Landis, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the 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, each major fund, and the aggregate remaining fund information of the Town of Landis, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Landis' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Landis' 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

Town of Landis' Responses to Findings

The Town of Landis' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 22, 2021

TOWN OF LANDIS, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether
the financial statements were prepared
in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified? Yes X None reported

Non-compliance material to financial
statements noted?

 Yes X No

TOWN OF LANDIS, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

2. Findings Related to the Audit of the Basic Financial Statements

Material Weakness

Finding 2021-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: During the year ended June 30, 2021, it was discovered that land and buildings were inadvertently omitted from the Town's financial records in prior years. A prior period adjustment was required to accurately report the net position of the Town as of June 30, 2020 and prior. The Town also made prior period adjustments to better reflect accrual cut-off for unbilled receivables and accrued liabilities.

Effect: For the statements affected, the prior year financial statements were misstated.

Cause: There was no process in place in prior years to reconcile the assets owned by the Town with the Town's capital asset listing for financial reporting purposes. Accounting policies for recognizing utility billings did not include an estimate for unbilled revenue at the end of the year.

Recommendation: The Town should continue to reconcile its property records to its capital asset listing as part of its annual asset maintenance procedures. The Town should also continue to recognize revenues and expenditures based on when they are earned or incurred, regardless of when the related billing or cash flows take place.

Name of Contact Person: Chase Norwood, Finance Director

Views of Responsible Officials and Planned Corrective Action: Management agrees with the findings and will implement adequate internal controls to ensure that future capital assets and accruals are recorded in the financial records. Please refer to the Corrective Action Plan following this section.

TOWN OF LANDIS, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

2. Findings Related to the Audit of the Basic Financial Statements (continued):

Material Weakness

Finding 2021-002

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgement, may not have been detected except through our auditing procedures. The existence of such material adjustments indicated that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Effect: Errors in financial reporting could occur.

Cause: There were several significant audit adjustments required to prevent the financial statements from being materially misstated.

Recommendation: Management should examine the adjustments required as a result of our audit and should assure they are reconciled and posted prior to the audit.

Name of Contact Person: Chase Norwood, Finance Director

Views of Responsible Officials and Planned Corrective Action: Management agrees with the findings and will implement adequate year-end close procedures going forward. Please refer to the Corrective Action Plan following this section.



TOWN OF LANDIS, NORTH CAROLINA

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021**

Material Weakness

Finding 2021-001: Prior Period Adjustments

Name of Contact Person: Chase Norwood, Finance Director

Corrective Action: The Town will continue to reconcile its property records to its capital asset listing as part of its annual asset maintenance procedures. The Town will also continue to recognize revenues and expenditures based on when they are earned or incurred, regardless of when the related billing or cash flows take place.

Proposed Completion Date: 11/16/2021

Material Weakness

Finding 2021-002: Significant Audit Adjustments

Name of Contact Person: Chase Norwood, Finance Director

Corrective Action: Management will examine the adjustments required as a result of the audit and will implement improved year-end close procedures to detect, prevent and address reporting errors going forward.

Proposed Completion Date: 11/30/2021

TOWN OF LANDIS, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

None reported.

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