

**TOWN OF LANDIS  
NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**



# **TOWN OF LANDIS, NORTH CAROLINA**

## **GOVERNANCE**

### **Board of Aldermen Members**

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

### **Administrative and Financial Staff**

Michael Ambrose, Town Manager  
Jeneen McMillen, Finance Director



# TOWN OF LANDIS, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<b>Independent Auditor's Report</b>	1-3
	<b>Management's Discussion and Analysis</b>	4-12
	<b>Basic Financial Statements:</b>	
	<b>Government-Wide Financial Statements:</b>	
A	Statement of Net Position	13
B	Statement of Activities	14-15
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	16-17
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18-19
E	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	20
F	Statement of Net Position - Proprietary Funds	21-22
G	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23
H	Statement of Cash Flows - Proprietary Funds	24
	<b>Notes to the Financial Statements</b>	25-56
	<b>Required Supplemental Information:</b>	
A-1	Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	57-58
A-2	Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll - Law Enforcement Officers' Special Separation Allowance	59-60
A-3	Local Governmental Employees' Retirement System - Town's Proportionate Share of Net Pension Liability (Asset)	61-62
A-4	Local Governmental Employees' Retirement System - Town of Landis' Contributions	63-64

# TOWN OF LANDIS, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Supplemental Financial Data:</b>	
1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	65-67
2	Coronavirus State and Local Fiscal Recovery Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	68
3	Combining Balance Sheet - Nonmajor Governmental Funds	69
4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	70
5	Stormwater Fund - Schedule of Revenues and Expenditures, and changes in Fund Balance - Budget and Actual	71
6	Passive Park Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	72
7	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	73-74
8	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	75-76
9	Sewer Lift Station Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	77
	<b>Other Supplemental Data:</b>	
10	Schedule of Ad Valorem Taxes Receivable	78
11	Analysis of Current Year Levy	79
	<b>Compliance Section:</b>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80-81

# TOWN OF LANDIS, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### TABLE OF CONTENTS

	<u>Page</u>
<b>Compliance Section (continued):</b>	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	82-84
Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	85-87
Schedule of Findings, Responses, and Questioned Costs	88-92
Corrective Action Plan	93
Schedule of Prior Year Audit Findings	94
Schedule of Expenditures of Federal and State Awards	95

*This page left blank intentionally.*



## **Financial Section**

---

- Independent Auditor's Report
  - Management's Discussion and Analysis
  - Basic Financial Statements
  - Notes to the Financial Statements
  - Individual Fund Statements and Schedules
-

*This page left blank intentionally.*

# 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 Audit of the Financial Statements**

#### ***Opinions***

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Landis and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Landis' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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 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 combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards 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 March 28, 2024 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  
March 28, 2024

*This page left blank intentionally.*

## 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, 2023. 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.

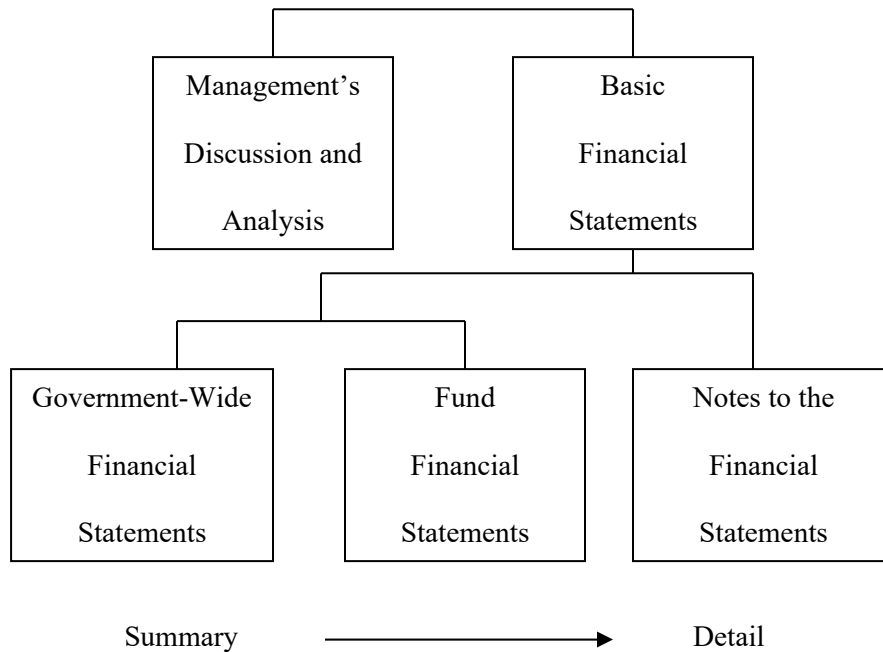
### Financial Highlights

- 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 \$25,626,570 (*net position*).
- The government's total net position increased by \$1,848,216, primarily due to increases in government activities.
- As of the close of the current fiscal year, the Town of Landis' governmental funds reported combined ending fund balances of \$4,687,353 with a net increase of \$1,411,076 in fund balance. Approximately 46% of this total amount, or \$2,174,084, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,488,960, or 60%, of total General Fund expenditures (\$4,135,946) 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, 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, 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	
	2023	2022	2023	2022	2023	2022
<b>Assets and Deferred</b>						
<b>Outflows of Resources:</b>						
Current and other assets	\$ 4,995,186	\$ 4,011,544	\$ 5,979,975	\$ 5,815,853	\$ 10,975,161	\$ 9,827,397
Capital assets	7,572,582	7,192,104	14,430,014	14,356,924	22,002,596	21,549,028
Deferred outflows of resources	859,283	469,216	647,674	309,646	1,506,957	778,862
Total assets and deferred outflows of resources	13,427,051	11,672,864	21,057,663	20,482,423	34,484,714	32,155,287
<b>Liabilities and Deferred</b>						
<b>Inflows of Resources:</b>						
Long-term liabilities	2,141,214	1,326,612	5,295,083	4,719,309	7,436,297	6,045,921
Other liabilities	374,812	750,033	922,766	971,545	1,297,578	1,721,578
Deferred inflows of resources	109,066	329,285	15,203	280,149	124,269	609,434
Total liabilities and deferred inflows of resources	2,625,092	2,405,930	6,233,052	5,971,003	8,858,144	8,376,933
<b>Net Assets:</b>						
Net investment in capital assets	6,724,350	6,385,107	9,888,750	9,674,723	16,613,100	16,059,830
Restricted	1,069,907	942,177	-	-	1,069,907	855,040
Unrestricted	3,007,702	1,939,650	4,935,861	4,836,697	7,943,563	238,229
Total net position	\$ 10,801,959	\$ 9,266,934	\$ 14,824,611	\$ 14,511,420	\$ 25,626,570	\$ 23,778,354

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 \$25,626,570 as of June 30, 2023. The Town's net position increased by \$1,848,216 for the fiscal year ended June 30, 2023. However, the largest portion, \$16,613,100, or (65%), 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, \$1,069,907, or 4%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,943,563 is unrestricted.

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

- Drafted and enforced updated policies on financial and asset management.
- Overall prior maintenance on fixed assets.
- Increased emphasis on competitive bidding to reduce contract costs.
- Reduction of outstanding debt

### Town of Landis’ Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 521,537	\$ 465,462	\$ 8,090,245	\$ 8,248,060	\$ 8,611,782	\$ 8,713,522
Operating grants and contributions	838,736	398,246	-	-	838,736	398,246
Capital grants and contributions	294,722	12,167	650,185	282,852	944,907	295,019
General revenues:						
Property taxes	1,935,357	1,944,892	-	-	1,935,357	1,944,892
Stormwater fees	112,186	113,432	-	-	112,186	113,432
Grants and contrib. unrestricted						
to specific programs	1,631,205	1,489,027	-	-	1,631,205	1,489,027
Other	242,873	146,029	114,378	6,695	357,251	152,724
Total revenues	<u>5,576,616</u>	<u>4,569,255</u>	<u>8,854,808</u>	<u>8,537,607</u>	<u>14,431,424</u>	<u>13,106,862</u>
<b>Expenses:</b>						
General government	421,867	742,965	-	-	421,867	742,965
Public safety	2,052,961	2,098,298	-	-	2,052,961	2,098,298
Transportation	679,016	498,345	-	-	679,016	498,345
Environmental protection	345,764	353,042	-	-	345,764	353,042
Cultural and recreational	503,740	436,481	-	-	503,740	436,481
Interest on long-term debt	38,243	33,223	152,490	160,315	190,733	193,538
Electric	-	-	5,870,184	5,530,458	5,870,184	5,530,458
Water and sewer	-	-	2,518,943	2,046,454	2,518,943	2,046,454
Total expenses	<u>4,041,591</u>	<u>4,162,354</u>	<u>8,541,617</u>	<u>7,737,227</u>	<u>12,583,208</u>	<u>11,899,581</u>
Change in net position						
before transfers	1,535,025	406,901	313,191	800,380	1,848,216	1,207,281
Transfers	-	(10,759)	-	10,759	-	-
Change in net position	<u>1,535,025</u>	<u>396,142</u>	<u>313,191</u>	<u>811,139</u>	<u>1,848,216</u>	<u>1,207,281</u>
<b>Net Position:</b>						
Beginning of year, July 1	9,266,934	8,805,204	14,511,420	13,640,495	23,778,354	22,445,699
Prior period adjustment	-	65,588	-	59,786	-	125,374
Beginning of year, July 1, as restated	<u>9,266,934</u>	<u>8,870,792</u>	<u>14,511,420</u>	<u>13,700,281</u>	<u>23,778,354</u>	<u>22,571,073</u>
End of year, June 30	<u>\$ 10,801,959</u>	<u>\$ 9,266,934</u>	<u>\$ 14,824,611</u>	<u>\$ 14,511,420</u>	<u>\$ 25,626,570</u>	<u>\$ 23,778,354</u>

**Governmental Activities.** Governmental activities increased the Town's net assets by \$1,535,025, accounting for 83% of the increase. Key elements of this increase are as follows:

- increased expenses in public safety, streets and administration.
- increased expenses in the general operations of the Town due to legal issues.

**Business-Type Activities.** Business-type activities increased the Town's net position by \$313,191, accounting for 17% of the total increase in the government's net position. Key elements of this increase are as follows:

- increases in salary savings due to staff vacancies.
- reductions in maintenance and repair costs through timely replacement of vehicles and equipment.

### **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 \$3,658,572, while total fund balance reached \$4,121,655. The Town currently has an available fund balance of 88% of General Fund expenditures, while total fund balance represents 100% of the same amount.

At June 30, 2023, the governmental funds of the Town reported a combined fund balance of \$4,687,353 with a net increase in fund balance of \$1,411,076. 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 amended the budget in the General Fund for general government, public safety, transportation, and cultural and recreational departments to account for unexpected expenditures. Revisions were made to properly appropriate unbudgeted revenues, realign the 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 Fund at the end of the fiscal year amounted to \$2,489,878 and for the Electric Fund, \$2,445,983. The total change in net position for the Water and Sewer Fund was \$233,269. The total change in net position for the Electric Fund was \$79,922. 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, 2023 totals \$22,002,596 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, and right to use assets.

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

Administration: vehicle	\$43,411
Police: vehicles	\$76,366
Fire: CASCADE system	\$45,138
Streets: Leaf collector, snow plow, gas mgmt. system	\$269,400
Park: land	\$107,500
Business type – vehicles	\$87,427
Business type – equipment	\$106,655
Business type – infrastructure	\$36,804

### Town of Landis’ Capital Assets (net of depreciation/amortization)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and CIP	\$ 4,475,280	\$ 4,367,780	\$ 2,007,104	\$ 2,298,908	\$ 6,482,384	\$ 6,666,688
Buildings	1,636,430	1,701,114	85,333	94,036	1,721,763	1,795,150
Infrastructure / systems	101,344	111,386	11,338,558	10,871,881	11,439,902	10,983,267
Machinery / equipment	508,579	475,722	730,145	867,678	1,238,724	1,343,400
Vehicles / motorized equip.	755,223	496,188	239,342	199,928	994,565	696,116
Right to use leased equipment	31,205	39,914	15,603	24,493	46,808	64,407
Right to use IT subscription assets	64,521	-	13,929	-	78,450	-
Total	<u>\$ 7,572,582</u>	<u>\$ 7,192,104</u>	<u>\$ 14,430,014</u>	<u>\$ 14,356,924</u>	<u>\$ 22,002,596</u>	<u>\$ 21,549,028</u>

Additional information on the Town’s capital assets can be found in Note 3.A of the basic financial statements.

## Town of Landis' Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Installment purchases	\$ 749,867	\$ 766,771	\$ 240,785	\$ 306,977	\$ 990,652	\$ 1,073,748
General obligation bonds	-	-	4,270,000	4,350,000	4,270,000	4,350,000
Lease liabilities	32,530	40,226	16,267	47,445	48,797	87,671
Subscription liabilities	65,835	-	14,212	-	80,047	-
Net pension liability (LGERS)	1,014,493	203,121	899,644	180,125	1,914,137	383,246
Total pension liability (LEOSSA)	299,403	316,084	-	-	299,403	316,084
Compensated absences	115,898	100,110	54,796	48,833	170,694	148,943
Total	\$ 2,278,026	\$ 1,426,312	\$ 5,495,704	\$ 4,933,380	\$ 7,773,730	\$ 6,359,692

### Town of Landis' Outstanding Debt

The Town of Landis' total debt increased by \$1,414,038. The key factors in this increase were principal payments on notes payable of \$83,096, principal payments on general obligation bonds of \$80,000, a decrease in lease liabilities of \$38,874, an increase in subscription liabilities of \$80,047, an increase in compensated absences of \$21,751, a decrease in Law Enforcement Separation Allowance (LEOSSA) of \$16,861, and an increase in net pension liability (LGERS) of \$1,530,891. 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 \$22,201,000.

Additional information regarding the Town's long-term debt can be found in Note 3.B of the basic financial statements.

### Financial Highlights and Procedural Growth for the Fiscal Year Ended June 30, 2023

#### Financial:

- Received 2nd installment of ARPA grant funds totaling \$500,049. Transferred \$549,375 to a restricted account in the General Fund and expended \$274,295.
- Purchased land for the Passive Park.
- Increased fund balance and retained earnings in all funds (non-GAAP basis):
  - General Fund \$305,473 or 12% over prior year FB.
  - Water & Sewer Fund \$500,275
  - Stormwater Fund \$37,613
  - Electric Fund \$626,911
- Cash balances improved from \$5,953,362 across all funds to \$7,782,294.

#### Procedural and Operational Changes:

- Reviewed all workflows and distributed responsibilities to follow the need for separation of duties.
- Hired full-time Finance Officer to manage financial operations and audit of capital assets. This also provides the ability to properly separate 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.
- Continued participation in debt set-off program for delinquent collection.

- Updated capital asset listings to properly reflect the sale of Town assets and transfer of assets between funds.

### **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 rampant inflation and market scarcity. Rising interest rates coupled with spiking production costs could predicate a substantial reduction in consumer spending. Revenues have been budgeted conservatively in anticipation of a dip in sales tax and potentially the collection rate for taxes.
- Residential growth is healthy and manageable. The Town is 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, 2024**

- Converted administrative department into an Internal Service Fund to adequately reflect the administrative costs for the town in a central location. Service charges are assessed to each fund served by the department according to percentage of total town expense utilization and fleet size.
- 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 and increased rates on security lights to adequately cover costs for service.
- All funds continue to operate independently with no interfund loans or support from other funds.

The 2023-24 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 several 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, North Carolina 28088-8165.

*This page left blank intentionally.*



## **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.

---

*This page left blank intentionally.*

## TOWN OF LANDIS, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 3,745,624	\$ 4,408,757	\$ 8,154,381
Taxes receivables (net)	69,833	-	69,833
Sales tax receivable	65,694	48,325	114,019
Accounts receivable	390,734	1,364,801	1,755,535
Prepays	24,309	429	24,738
Restricted cash and cash equivalents	698,992	157,663	856,655
Total current assets	<u>4,995,186</u>	<u>5,979,975</u>	<u>10,975,161</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	4,475,280	2,007,104	6,482,384
Other capital assets, net of depreciation	3,097,302	12,393,378	15,490,680
Right-to-use assets, net of amortization	-	29,532	29,532
Total capital assets	<u>7,572,582</u>	<u>14,430,014</u>	<u>22,002,596</u>
Total non-current assets	<u>7,572,582</u>	<u>14,430,014</u>	<u>22,002,596</u>
Total assets	<u>12,567,768</u>	<u>20,409,989</u>	<u>32,977,757</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals - LEO	128,928	-	128,928
Pension deferrals - LGERS	730,355	647,674	1,378,029
Total deferred outflows of resources	<u>859,283</u>	<u>647,674</u>	<u>1,506,957</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	136,245	564,482	700,727
Payable from restricted assets	280	157,663	157,943
Advance from grantor	101,475	-	101,475
Due within one year	136,812	200,621	337,433
Total current liabilities	<u>374,812</u>	<u>922,766</u>	<u>1,297,578</u>
Long-term liabilities:			
Net pension liability - LGERS	1,014,493	899,644	1,914,137
Total pension liability - LEOSSA	299,403	-	299,403
Due in more than one year	827,318	4,395,439	5,222,757
Total long-term liabilities	<u>2,141,214</u>	<u>5,295,083</u>	<u>7,436,297</u>
Total liabilities	<u>2,516,026</u>	<u>6,217,849</u>	<u>8,733,875</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals - LEO	91,924	-	91,924
Pension deferrals - LGERS	17,142	15,203	32,345
Total deferred inflows of resources	<u>109,066</u>	<u>15,203</u>	<u>124,269</u>
<b>Net Position:</b>			
Net investment in capital assets	6,724,350	9,888,750	16,613,100
Restricted for:			
Stabilization by state statute	472,670	-	472,670
Streets	548,207	-	548,207
Debt service	49,030	-	49,030
Unrestricted	3,007,702	4,935,861	7,943,563
Total net position	<u>\$ 10,801,959</u>	<u>\$ 14,824,611</u>	<u>\$ 25,626,570</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, 2023

Function / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
General government	\$ 421,867	\$ 81,560	\$ 569,375	\$ 274,295
Public safety	2,052,961	1,246	152,155	20,427
Transportation	679,016	-	117,206	-
Environmental protection	345,764	296,425	-	-
Cultural and recreational	503,740	142,306	-	-
Interest on long-term debt	38,243	-	-	-
Total governmental activities	<u>4,041,591</u>	<u>521,537</u>	<u>838,736</u>	<u>294,722</u>
<b>Business-Type Activities:</b>				
Electric	5,872,485	5,894,350	-	-
Water and sewer	<u>2,669,132</u>	<u>2,195,895</u>	-	<u>650,185</u>
Total business-type activities	<u>8,541,617</u>	<u>8,090,245</u>	-	<u>650,185</u>
Total primary government	<u>\$ 12,583,208</u>	<u>\$ 8,611,782</u>	<u>\$ 838,736</u>	<u>\$ 944,907</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, 2023**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Function / Programs</b>			
<b>Primary Government:</b>			
General government	\$ 503,363	\$ -	\$ 503,363
Public safety	(1,879,133)	-	(1,879,133)
Transportation	(561,810)	-	(561,810)
Environmental protection	(49,339)	-	(49,339)
Cultural and recreational	(361,434)	-	(361,434)
Interest on long-term debt	(38,243)	-	(38,243)
Total governmental activities	(2,386,596)	-	(2,386,596)
<b>Business-Type Activities:</b>			
Electric	-	21,865	21,865
Water and sewer	-	176,948	176,948
Total business-type activities	-	198,813	198,813
Total primary government	(2,386,596)	198,813	(2,187,783)
<b>General Revenues:</b>			
Property taxes levied for general purposes	1,935,357	-	1,935,357
Storm water fees	112,186	-	112,186
Unrestricted investment earnings	106,429	114,378	220,807
Unrestricted intergovernmental revenues	1,631,205	-	1,631,205
Miscellaneous	136,444	-	136,444
Total general revenues	3,921,621	114,378	4,035,999
Change in net position	1,535,025	313,191	1,848,216
<b>Net Position:</b>			
Beginning of year, July 1	9,266,934	14,511,420	23,778,354
End of year, June 30	\$ 10,801,959	\$ 14,824,611	\$ 25,626,570

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

TOWN OF LANDIS, NORTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

	Major		Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	CSLFR Fund		
<b>Assets:</b>				
Cash - unrestricted	\$ 3,195,783	\$ -	\$ 549,841	\$ 3,745,624
Cash - restricted	597,237	101,755	-	698,992
Property taxes receivable (net)	69,833	-	-	69,833
Sales tax receivable (net)	-	-	283	283
Accounts receivable (net)	357,134	-	33,600	390,734
Due from other government	65,411	-	-	65,411
Due from other funds	16,242	-	-	16,242
Prepays	24,296	-	13	24,309
Total assets	<u>\$ 4,325,936</u>	<u>\$ 101,755</u>	<u>\$ 583,737</u>	<u>\$ 5,011,428</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 134,448	\$ -	\$ 1,797	\$ 136,245
Payable from restricted assets	-	280	-	280
Due to other funds	-	-	16,242	16,242
Advance from grantor	-	101,475	-	101,475
Total liabilities	<u>134,448</u>	<u>101,755</u>	<u>18,039</u>	<u>254,242</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	<u>69,833</u>	<u>-</u>	<u>-</u>	<u>69,833</u>
<b>Fund Balances:</b>				
Nonspendable - prepaids	24,296	-	13	24,309
Restricted:				
Stabilization by state statute	438,787	-	33,883	472,670
Streets	548,207	-	-	548,207
Debt service	49,030	-	-	49,030
Committed:				
Park construction	-	-	212,675	212,675
Assigned:				
Subsequent year's expenditures	572,375	-	-	572,375
Environmental protection	-	-	319,127	319,127
Unassigned	<u>2,488,960</u>	<u>-</u>	<u>-</u>	<u>2,488,960</u>
Total fund balances	<u>4,121,655</u>	<u>-</u>	<u>565,698</u>	<u>4,687,353</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,325,936</u>	<u>\$ 101,755</u>	<u>\$ 583,737</u>	<u>\$ 5,011,428</u>

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

**TOWN OF LANDIS, NORTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

		<b>Total Governmental Funds</b>
		<u>                    </u>
Total fund balances	\$	4,687,353
<p>Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:</p>		
<p>Capital assets and right to use assets used in governmental Activities are not financial resources and, therefore, are not reported in the funds:</p>		
Gross capital assets at historical cost	\$	11,698,430
Accumulated depreciation and amortization		<u>(4,125,848)</u>
		7,572,582
Deferred outflows of resources related to pensions are not reported in the funds		859,283
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		69,833
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds:		
Compensated absences		(115,898)
Bonds, notes, leases, and subscriptions payable		(848,232)
LEO separation allowance		(299,403)
Net pension liability		(1,014,493)
Deferred inflows of resources related to pensions are not reported in the funds.		<u>(109,066)</u>
Net position of the governmental activities	\$	<u>10,801,959</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, 2023**

	<u>Major</u>		<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>CSLFR Fund</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,950,458	\$ -	\$ -	\$ 1,950,458
Storm water fees	-	-	112,186	112,186
Unrestricted intergovernmental revenues	1,631,205	-	-	1,631,205
Restricted intergovernmental revenues	289,788	843,670	-	1,133,458
Sales and services	521,537	-	-	521,537
Investment earnings	104,039	-	2,390	106,429
Miscellaneous	136,411	-	33	136,444
Total revenues	<u>4,633,438</u>	<u>843,670</u>	<u>114,609</u>	<u>5,591,717</u>
<b>Expenditures:</b>				
Current:				
General government	431,655	20,000	-	451,655
Public safety	2,029,684	-	-	2,029,684
Transportation	871,094	-	-	871,094
Environmental protection	214,591	-	92,779	307,370
Cultural and recreational	503,482	-	20,348	523,830
Debt service:				
Principal	47,336	-	927	48,263
Interest	38,104	-	139	38,243
Total expenditures	<u>4,135,946</u>	<u>20,000</u>	<u>114,193</u>	<u>4,270,139</u>
Revenues over (under) expenditures	<u>497,492</u>	<u>823,670</u>	<u>416</u>	<u>1,321,578</u>
<b>Other Financing Sources (Uses):</b>				
Subscription liabilities issued	85,992	-	3,506	89,498
Transfers (to) from other funds	877,420	(823,670)	(53,750)	-
Total other financing sources (uses)	<u>963,412</u>	<u>(823,670)</u>	<u>(50,244)</u>	<u>89,498</u>
Net change in fund balance	1,460,904	-	(49,828)	1,411,076
<b>Fund Balances:</b>				
Beginning of year, July 1	<u>2,660,751</u>	<u>-</u>	<u>615,526</u>	<u>3,276,277</u>
End of year, June 30	<u>\$ 4,121,655</u>	<u>\$ -</u>	<u>\$ 565,698</u>	<u>\$ 4,687,353</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, 2023**

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

Net changes in fund balances - total governmental funds	\$	1,411,076
<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 and amortization expense.</p>		
Capital outlay expenditures, which were capitalized		634,821
Depreciation and amortization expense for governmental assets		(254,343)
<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		(15,101)
<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. This transaction has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt, leases and subscriptions issued		(89,498)
Principal payments on long-term debt, leases and subscriptions		48,263
<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		(15,788)
Change in LGERS pension expense:		
Changes in deferred outflows		381,183
Changes in net pension liability		(811,372)
Changes in deferred inflows		298,769
Change in LEO separation allowance expense:		
Change in deferred outflows		8,884
Change in total pension liability		16,681
Change in deferred inflows		(78,550)
Total changes in net position of governmental activities	\$	<u>1,535,025</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, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,886,725	\$ 1,886,725	\$ 1,950,458	\$ 63,733
Unrestricted intergovernmental	1,307,060	1,307,060	1,631,205	324,145
Restricted intergovernmental	265,000	270,000	289,788	19,788
Sales and services	435,350	435,350	521,537	86,187
Investment earnings	300	25,300	104,039	78,739
Miscellaneous	27,020	71,020	136,411	65,391
Total revenues	<u>3,921,455</u>	<u>3,995,455</u>	<u>4,633,438</u>	<u>637,983</u>
<b>Expenditures:</b>				
Current:				
General government	427,304	560,940	431,655	129,285
Public safety	2,227,734	2,259,634	2,029,684	229,950
Transportation	1,185,184	1,196,455	871,094	325,361
Environmental protection	201,500	215,471	214,591	880
Cultural and recreational	455,253	524,575	503,482	21,093
Debt service:				
Principal	25,425	47,425	47,336	89
Interest	34,600	38,800	38,104	696
Total expenditures	<u>4,557,000</u>	<u>4,843,300</u>	<u>4,135,946</u>	<u>707,354</u>
Revenues over (under) expenditures	<u>(635,545)</u>	<u>(847,845)</u>	<u>497,492</u>	<u>1,345,337</u>
<b>Other Financing Sources (Uses):</b>				
Subscription liabilities issued	-	-	85,992	85,992
Transfers (to) from other funds	220,545	425,345	877,420	452,075
Total other financing sources (uses)	<u>220,545</u>	<u>425,345</u>	<u>963,412</u>	<u>538,067</u>
Appropriated fund balance	<u>415,000</u>	<u>422,500</u>	-	<u>(422,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,460,904	<u>\$ 1,460,904</u>
<b>Fund Balance:</b>				
Beginning of year, July 1			<u>2,660,751</u>	
End of year, June 30			<u>\$ 4,121,655</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, 2023**

	<u>Major Enterprise Funds</u>		
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 2,080,810	\$ 2,327,947	\$ 4,408,757
Accounts receivable (net)	981,867	382,934	1,364,801
Sales tax receivable	34,862	13,463	48,325
Prepays	322	107	429
Cash and cash equivalents - restricted	134,310	23,353	157,663
Total current assets	<u>3,232,171</u>	<u>2,747,804</u>	<u>5,979,975</u>
Non-current assets:			
Capital assets:			
Land, CIP, and other non-depreciable assets	294,748	1,712,356	2,007,104
Capital assets, net of depreciation	2,199,769	10,193,609	12,393,378
Right-to-use assets, net of amortization	28,629	903	29,532
Total capital assets	<u>2,523,146</u>	<u>11,906,868</u>	<u>14,430,014</u>
Total assets	<u>5,755,317</u>	<u>14,654,672</u>	<u>20,409,989</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	<u>523,979</u>	<u>123,695</u>	<u>647,674</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	387,146	177,336	564,482
Compensated absences - current	36,400	4,700	41,100
General obligation bonds - current	-	84,000	84,000
Lease liabilities - current	4,044	-	4,044
Subscription liabilities - current	4,943	342	5,285
Installment purchase - current	-	66,192	66,192
Liabilities payable from restricted assets:			
Customer deposits	134,310	23,353	157,663
Total current liabilities	<u>566,843</u>	<u>355,923</u>	<u>922,766</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, 2023**

	<u>Major Enterprise Funds</u>		
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Non-current liabilities:			
Net pension liability	727,940	171,704	899,644
Compensated absences-noncurrent	12,078	1,618	13,696
General obligation bonds	-	4,186,000	4,186,000
Lease liabilities - non-current	12,223	-	12,223
Subscription liabilities - non-current	8,348	579	8,927
Installment purchase - non-current	-	174,593	174,593
Total non-current liabilities	<u>760,589</u>	<u>4,534,494</u>	<u>5,295,083</u>
Total liabilities	<u>1,327,432</u>	<u>4,890,417</u>	<u>6,217,849</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	<u>12,293</u>	<u>2,910</u>	<u>15,203</u>
<b>Net Position:</b>			
Net investment in capital assets	2,493,588	7,395,162	9,888,750
Unrestricted	<u>2,445,983</u>	<u>2,489,878</u>	<u>4,935,861</u>
Total net position	<u>\$ 4,939,571</u>	<u>\$ 9,885,040</u>	<u>\$ 14,824,611</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, 2023

	<u>Major Enterprise Funds</u>		
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 5,738,070	\$ 2,054,046	\$ 7,792,116
Water and sewer taps	-	140,050	140,050
Fines and penalties	146,688	-	146,688
Other operating revenues	9,592	1,799	11,391
Total operating revenues	<u>5,894,350</u>	<u>2,195,895</u>	<u>8,090,245</u>
<b>Operating Expenses:</b>			
Personnel services	1,027,806	281,027	1,308,833
Operational costs	1,138,905	514,970	1,653,875
Purchased resources - electric, water, and wastewater treatment	3,474,919	1,162,005	4,636,924
Depreciation and amortization	236,492	574,641	811,133
Total operating expenses	<u>5,878,122</u>	<u>2,532,643</u>	<u>8,410,765</u>
Operating income (loss)	<u>16,228</u>	<u>(336,748)</u>	<u>(320,520)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Gain (loss) on sale of capital assets	7,938	13,700	21,638
Investment earnings	58,057	56,321	114,378
Interest paid - debt	(2,301)	(150,189)	(152,490)
Total non-operating revenues (expenses)	<u>63,694</u>	<u>(80,168)</u>	<u>(16,474)</u>
Income (loss) before capital contributions	79,922	(416,916)	(336,994)
Capital contributions	<u>-</u>	<u>650,185</u>	<u>650,185</u>
Change in net position	79,922	233,269	313,191
<b>Net Position:</b>			
Beginning of year, July 1	<u>4,859,649</u>	<u>9,651,771</u>	<u>14,511,420</u>
End of year, June 30	<u>\$ 4,939,571</u>	<u>\$ 9,885,040</u>	<u>\$ 14,824,611</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, 2023

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 5,993,693	\$ 2,265,749	\$ 8,259,442
Cash paid for goods and services	(4,691,485)	(1,657,785)	(6,349,270)
Cash paid to employees	(923,594)	(262,731)	(1,186,325)
Net cash provided (used) by operating activities	<u>378,614</u>	<u>345,233</u>	<u>723,847</u>
<b>Cash from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(164,898)	(677,784)	(842,682)
Proceeds from sale of capital assets	7,938	13,700	21,638
Principal paid on debt	(35,955)	(146,523)	(182,478)
Capital contributions	-	650,185	650,185
Interest paid on long-term debt	(2,301)	(150,189)	(152,490)
Net cash provided (used) by capital and related financing activities	<u>(195,216)</u>	<u>(310,611)</u>	<u>(505,827)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	<u>58,057</u>	<u>56,321</u>	<u>114,378</u>
Net increase (decrease) in cash and cash equivalents	241,455	90,943	332,398
<b>Cash and Cash Equivalents:</b>			
Beginning of year, July 1	<u>1,973,665</u>	<u>2,260,357</u>	<u>4,234,022</u>
End of year, June 30	<u>\$ 2,215,120</u>	<u>\$ 2,351,300</u>	<u>\$ 4,566,420</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	<u>\$ 16,228</u>	<u>\$ (336,748)</u>	<u>\$ (320,520)</u>
<b>Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation and amortization	236,492	574,641	811,133
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	77,171	69,313	146,484
(Increase) decrease in prepaids	(322)	(107)	(429)
(Increase) decrease in deferred outflows - pensions	(273,300)	(64,728)	(338,028)
Increase (decrease) in accounts payable	(59,472)	18,723	(40,749)
Increase (decrease) in customer deposits	4,305	1,115	5,420
Increase (decrease) in compensated absences	9,985	(4,022)	5,963
Increase (decrease) in net pension liability	581,739	137,780	719,519
Increase (decrease) in deferred inflows - pensions	(214,212)	(50,734)	(264,946)
Total adjustments	<u>362,386</u>	<u>681,981</u>	<u>1,044,367</u>
Net cash provided (used) by operating activities	<u>\$ 378,614</u>	<u>\$ 345,233</u>	<u>\$ 723,847</u>
<b>Supplemental Disclosure of Non-cash Transactions:</b>			
Right-to-use assets/subscription obligations issued	<u>\$ 18,068</u>	<u>\$ 1,252</u>	<u>\$ 19,320</u>

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, 2023

### 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 3,690. 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, 2023

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those 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.

**CSLFR Fund.** The CSLFR Fund is a grant project special revenue fund used to account for the Town's portion of the American Rescue Plan Act (ARPA) funding.

The Town reports the following nonmajor governmental funds:

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

**Passive Park Capital Project Fund.** This fund is used to account for Passive Park improvements.

The Town reports the following major enterprise funds:

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

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations. The Sewer Lift Station Capital Project Fund has been consolidated into the Water and 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, 2023

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/amortization 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 leases and IT subscriptions 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, 2023

### **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 and the CSLFR Special Revenue Fund. 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 is 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] 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. The NCCMT Government Portfolio, an 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, 2023

### 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 grant proceeds are restricted by revenue source. Powell Bill funds are also classified as restricted cash because they 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	\$ 548,207
USDA loan reserve	49,030

##### CSLFR Fund:

Advance from grantor	101,755
Total governmental activities	<u>698,992</u>

#### Business-Type Activities:

##### Electric Fund:

Customer deposits	134,310
-------------------	---------

##### Water Fund:

Customer deposits	<u>23,353</u>
Total business-type activities	<u>157,663</u>

Total restricted cash	<u>\$ 856,655</u>
-----------------------	-------------------

### 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, 2022.

### 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, 2023

### 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 year. 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 after 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.

The Town's capital assets also include certain right-to-use assets. These right-to-use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

The right-to-use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right-to-use subscription assets should be amortized on a straight-line basis over the subscription term.

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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	5-20 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 assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion – pension-related deferrals. In addition to liabilities, the Statement of 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 assets that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension-related deferrals.

### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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, except for prepaid insurance costs are expensed over the life of the 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

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 on 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 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.

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.*

## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

*Committed for Park Construction* – the portion of fund balance committed by the Board of Aldermen for the Passive Park capital project.

**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.

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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.

## 2. Stewardship, Compliance, and Accountability

### Non-Compliance with North Carolina General Statutes

The semi-annual report required by N.C. General Statute 159-33 was not filed by the due date. N.C. General Statute 159-34 requires the Town to have an audit as soon as possible after the close of each fiscal year. The 2023 audit was significantly delayed due to significant turnover in key financial personnel; refer to finding 2023-001 for further information.

### Excess of Expenditures over Appropriations

Excess of expenditures over appropriations are in violation of state law [G159-28(b)]. Violations for the year ended June 30, 2023, are as follows:

Water and Sewer Fund	\$	26,573
----------------------	----	--------

**Corrective Action Plan:** As management has a system in place to have financial reports filed in a timely manner, this will prevent any more budget violations. Management is monitoring the funds more consistently and will not let expenditures exceed the appropriations.



# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 3. Detail Notes On All Funds

#### 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, 2023, the Town's deposits had a carrying amount of \$2,263,565 and a bank balance of \$2,340,862. 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, 2023, the Town's petty cash fund totaled \$1,445.

##### Investments

At June 30, 2023, the Town had \$6,746,026 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.

##### Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 are net of the following allowances for doubtful accounts:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Taxes receivable	\$ 13,000	\$ -	\$ 13,000
Accounts receivable	6,232	385,950	392,182
Total	<u>\$ 19,232</u>	<u>\$ 385,950</u>	<u>\$ 405,182</u>

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2023 is as follows:

	<b>Balance July 1, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2023</b>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 4,367,780	\$ 107,500	\$ -	\$ 4,475,280
<b>Depreciable Capital Assets:</b>				
Buildings	3,070,174	-	-	3,070,174
Infrastructure	241,866	-	-	241,866
Equipment	1,222,647	93,994	(21,085)	1,295,556
Vehicles and motorized equipment	2,271,322	343,829	(131,186)	2,483,965
Right-to-use leased equipment	42,091	-	-	42,091
Right-to-use IT subscription assets	-	89,498	-	89,498
Total depreciable assets	6,848,100	527,321	(152,271)	7,223,150
<b>Less Accumulated Depreciation and Amortization:</b>				
Buildings	1,369,060	64,684	-	1,433,744
Infrastructure	130,480	10,042	-	140,522
Equipment	746,925	61,137	(21,085)	786,977
Vehicles and motorized equipment	1,775,134	84,794	(131,186)	1,728,742
Right-to-use leased equipment	2,177	8,709	-	10,886
Right-to-use IT subscription assets	-	24,977	-	24,977
Total accumulated depreciation/amortization	4,023,776	254,343	(152,271)	4,125,848
Total depreciable assets, net	2,824,324			3,097,302
Governmental activities capital assets, net	\$ 7,192,104			\$ 7,572,582

## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

**Governmental Activities:**

General government	\$	45,958
Public safety		79,035
Environmental protection		38,394
Culture and recreation		67,391
Streets		23,565
Total	\$	<u>254,343</u>

Capital asset activity for the business-type activities for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Business-Type Activities:</b>				
<b>Electric Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 294,748	\$ -	\$ -	\$ 294,748
<b>Depreciable Capital Assets:</b>				
Buildings and other assets	596,110	-	-	596,110
Motor vehicles	448,902	87,427	-	536,329
Equipment	907,195	77,471	-	984,666
Electrical system	4,363,347	-	-	4,363,347
Right-to-use leased vehicles	51,849	-	(51,849)	-
Right-to-use leased equipment	30,118	-	-	30,118
Right-to-use IT subscription assets	-	18,068	-	18,068
Total depreciable capital assets	<u>6,397,521</u>	<u>182,966</u>	<u>(51,849)</u>	<u>6,528,638</u>
<b>Less Accumulated Depreciation and Amortization:</b>				
Buildings and other assets	585,211	1,146	-	586,357
Motor vehicles	309,833	38,658	-	348,491
Equipment	565,392	73,070	-	638,462
Electrical system	2,619,908	87,465	-	2,707,373
Right-to-use leased vehicles	29,628	22,221	(51,849)	-
Right-to-use leased equipment	5,625	8,890	-	14,515
Right-to-use IT subscription assets	-	5,042	-	5,042
Total accumulated depreciation/amortization	<u>4,115,597</u>	<u>236,492</u>	<u>(51,849)</u>	<u>4,300,240</u>
Total depreciable capital assets, net	<u>2,281,924</u>			<u>2,228,398</u>
Electric Fund capital assets, net	<u>2,576,672</u>			<u>2,523,146</u>

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	<b>Balance</b> <b>July 1, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance</b> <b>June 30, 2023</b>
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	1,712,356	-	-	-	1,712,356
Construction in progress	291,804	640,980	-	(932,784)	-
Total non-depreciable capital assets	2,004,160	640,980	-	(932,784)	1,712,356
<b>Depreciable Capital Assets:</b>					
Buildings	219,072	-	-	-	219,072
Motor vehicles	166,675	-	(31,241)	-	135,434
Equipment	1,617,505	-	-	-	1,617,505
Water/sewer system	18,573,247	36,804	-	932,784	19,542,835
Right-to-use IT subscription assets	-	1,252	-	-	1,252
Total depreciable capital assets	20,576,499	38,056	(31,241)	932,784	21,516,098
<b>Less Accumulated Depreciation and Amortization:</b>					
Buildings	135,935	7,557	-	-	143,492
Motor vehicles	105,816	9,355	(31,241)	-	83,930
Equipment	1,091,630	141,934	-	-	1,233,564
Water/sewer system	9,444,805	415,446	-	-	9,860,251
Right-to-use IT subscription assets	-	349	-	-	349
Total accumulated depreciation/ amortization	10,778,186	574,641	(31,241)	-	11,321,586
Total depreciable capital assets, net	9,798,313				10,194,512
Water and Sewer Fund capital assets, net	11,802,473				11,906,868
Business-type capital assets, net	\$ 14,379,145				\$ 14,430,014

### Construction Commitments

As of June 30, 2023, the Town had no open construction commitments.

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### B. Liabilities

#### Payables

Payables at the government-wide level at June 30, 2023 were as follows:

	Vendors	Salaries & Benefits	Total
<b>Governmental Activities:</b>			
General	\$ 115,589	\$ 20,656	\$ 136,245
<b>Business-Type Activities:</b>			
Electric Fund	\$ 380,477	\$ 6,669	\$ 387,146
Water & Sewer Fund	176,362	974	177,336
Total - business-type activities	\$ 556,839	\$ 7,643	\$ 564,482

#### 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](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service

## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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, 2023, was 13.04% of compensation for law enforcement officers and 12.10% 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 \$328,448 for the year ended June 30, 2023.

*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, 2023, the Town reported a liability of \$1,914,137 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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

## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the Town's proportion was 0.03393% (measured as of June 30, 2022), which was an increase of 0.00894% from its proportion as of June 30, 2022 (measured as of June 30, 2021.)

For the year ended June 30, 2023, the Town recognized pension expense of \$576,413. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 82,478	\$ 8,087
Changes of assumptions	190,988	-
Net difference between projected and actual earnings on pension plan investments	632,642	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	143,473	24,258
Town contributions subsequent to the measurement date	328,448	-
<b>Total</b>	<b>\$ 1,378,029</b>	<b>\$ 32,345</b>

\$328,448 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2024	\$ 312,970
2025	292,065
2026	110,800
2027	301,401
2028	-
Thereafter	-
<b>Total</b>	<b>\$ 1,017,236</b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 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 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The plan actuary currently uses mortality tables that vary by age, gender, employee group (i.e., general and 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions and methods used in the December 31, 2021, actuarial valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

Future and ad hoc cost of living adjustment 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 returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis.

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022, 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	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	6.0%	2.7%
Total	<u>100.00%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.



**TOWN OF LANDIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

*Discount Rate.* The discount rate used to measure the total pension liability was 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 3,454,770	\$ 1,914,137	\$ 644,565

*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, 2021, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	11
Total	11

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 percent

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, 2021.

The actuarial assumptions used in the December 31, 2021 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 ended 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 one 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 three 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 three years. Rates for female members are set forward one 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.

## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

**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 \$4,035 as benefits came due for the reporting period.

At June 30, 2023, the Town reported a total pension liability of \$299,403. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$54,244.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 90,957	\$ -
Changes of assumptions	37,971	91,924
Total	\$ 128,928	\$ 91,924

There were no payments made or administrative expenses incurred subsequent to the measurement date that will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2024	\$ 21,776
2025	19,347
2026	8,901
2027	(1,885)
2028	(3,859)
Thereafter	(7,276)
Total	\$ 37,004

## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

*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 4.31%, 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 (3.31%) or 1-percentage-point higher (5.31%) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 342,645	\$ 299,403	\$ 261,154

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

	2023
Beginning balance	\$ 316,084
Service cost	24,548
Interest on the total pension liability	7,066
Differences between expected and actual experience	50,741
Changes of assumptions or other inputs	(95,001)
Benefit payments	(4,035)
Ending balance of the total pension liability	\$ 299,403

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.

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

*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 \$23,634 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 \$105,240 for the reporting year. No amounts were forfeited.

### **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 to Pensions**

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 576,413	\$ 54,244	\$ 630,657
Pension liability	1,914,137	299,403	2,213,540
Proportion of the net pension liability	0.03393%	NA	-

## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 82,478	\$ 90,957	\$ 173,435
Changes of assumptions	190,988	37,971	228,959
Net difference between projected and actual earnings on pension plan investments	632,642	-	632,642
Changes in proportion and differences between Town contributions and proportionate share of contributions	143,473	-	143,473
Town contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	328,448	-	328,448
Total	\$ 1,378,029	\$ 128,928	\$ 1,506,957
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ 8,087	\$ -	\$ 8,087
Changes of assumptions	-	91,924	91,924
Changes in proportion and differences between Town contributions and proportionate share of contributions	24,258	-	24,258
Total	\$ 32,345	\$ 91,924	\$ 124,269

**TOWN OF LANDIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources are comprised of the following:

<b>Source</b>	<b>Amount</b>
Contributions to pension plan in current fiscal year (LGERS)	\$ 328,448
Pension deferrals (LGERS)	1,049,581
Pension deferrals (LEOSSA)	128,928
Total	\$ 1,506,957

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

	<b>Statement of Net Position</b>	<b>Governmental Balance Sheet</b>
Taxes receivable, net (General Fund)	\$ -	\$ 69,833
Pension deferrals (LGERS)	32,345	-
Pension deferrals (LEOSSA)	91,924	-
Total	\$ 124,269	\$ 69,833

**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 \$1,000,000 fidelity bond on the Finance Director, \$75,000 on the Town Manager; 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, 2023

### Long-Term Obligations

#### Lease Liabilities

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Details of the Town's leases liabilities at June 30, 2023 are as follows:

On March 10, 2022, the Town entered into a 60-month lease for the use of copiers. An initial lease liability of \$63,137 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 5% on the implementation date of July 1, 2022. At June 30, 2023, the value of the lease liability was \$48,797. The Town is required to make monthly fixed payments of \$1,191. The related right-to-use asset has a carrying value of \$46,808.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 8,089	\$ 1,443	\$ 9,532	\$ 4,044	\$ 721	\$ 4,765
2025	8,503	1,029	9,532	4,251	515	4,766
2026	8,938	594	9,532	4,469	297	4,766
2027	7,000	149	7,149	3,503	73	3,576
Total	<u>\$ 32,530</u>	<u>\$ 3,215</u>	<u>\$ 35,745</u>	<u>\$ 16,267</u>	<u>\$ 1,606</u>	<u>\$ 17,873</u>

#### Subscription Liabilities

The Town has entered into subscription-based information technology arrangements (SBITAs). The SBITAs qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On July 1, 2022, the Town was party to a 43-month subscription for VC3 Modern Office Advantage. The initial subscription liabilities totaling \$81,336 were recorded at the present value of future minimum subscription payments using the Town's incremental borrowing rate 5%. At June 30, 2023, the value of the subscription liabilities was \$59,831. The Town is required to make monthly fixed payments of \$2,061. The related right-to-use assets have carrying values totaling \$58,637.

On July 1, 2022, the Town was party to a 43-month subscription for the use VC3 Voice Advantage. The initial subscription liabilities totaling \$27,482 were recorded at the present value of future minimum subscription payments using the Town's incremental borrowing rate 5%. At June 30, 2023, the value of the subscription liabilities was \$20,216. The Town is required to make monthly fixed payments of \$697. The related right-to-use assets have carrying values totaling \$19,813.



## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2023, were as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 24,483	\$ 2,629	\$ 27,112	\$ 5,285	\$ 697	\$ 5,982
2025	25,712	1,425	27,137	5,579	378	5,957
2026	15,640	251	15,891	3,348	67	3,415
Total	<u>\$ 65,835</u>	<u>\$ 4,305</u>	<u>\$ 70,140</u>	<u>\$ 14,212</u>	<u>\$ 1,142</u>	<u>\$ 15,354</u>

#### 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.

The future minimum payments of the installment purchases as of June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 17,340	\$ 31,591	\$ 48,931
2025	18,345	30,586	48,931
2026	19,111	29,820	48,931
2027	19,908	29,023	48,931
2028	20,639	28,292	48,931
2029-2033	117,420	127,235	244,655
2034-2038	144,053	100,602	244,655
2039-2043	176,728	67,927	244,655
2044-2048	216,323	28,333	244,656
Total	<u>\$ 749,867</u>	<u>\$ 473,409</u>	<u>\$ 1,223,276</u>

## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

#### 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.

The future minimum payments of the installment purchase as of June 30, 2023 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 10,635	\$ -	\$ 10,635
2025	10,635	-	10,635
2026	10,635	-	10,635
2027	10,635	-	10,635
2028	10,635	-	10,635
2029-2033	53,173	-	53,173
2034-2036	31,902	-	31,902
Total	<u>\$ 138,250</u>	<u>\$ -</u>	<u>\$ 138,250</u>

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, 2023 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 55,557	\$ 4,515	\$ 60,072
2025	46,978	2,561	49,539
Total	<u>\$ 102,535</u>	<u>\$ 7,076</u>	<u>\$ 109,611</u>

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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 and Sewer 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.

Bonds payable at June 30, 2023 are comprised of the following individual issues:

### General Obligation Bonds

#### Serviced by the Water and Sewer 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%.	\$ 2,554,000
\$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%.	404,000
\$917,000, USDA - general obligation wastewater bond, Series 2015A bonds due in annual installments of interest only through June 1, 2017 and principal plus interest from June 1, 2019 through June 1, 2055; interest is at 3.625%.	837,000
\$529,000, USDA - general obligation sewer bond, Series 2015B bonds due in annual installments of interest only through June 1, 2017 and principal plus interest from June 1, 2019 through June 1, 2055; interest is at 2.875%.	<u>475,000</u>
	<u>\$ 4,270,000</u>

## TOWN OF LANDIS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 84,000	\$ 147,192	\$ 231,192
2025	85,000	144,498	229,498
2026	89,000	141,669	230,669
2027	91,000	138,805	229,805
2028	95,000	135,807	230,807
2029-2033	524,000	613,504	1,137,504
2034-2038	618,000	518,841	1,136,841
2039-2043	729,000	407,125	1,136,125
2044-2048	862,000	275,058	1,137,058
2049-2053	1,000,000	118,994	1,118,994
2054-2055	93,000	4,086	97,086
<b>Total</b>	<b><u>\$ 4,270,000</u></b>	<b><u>\$ 2,645,579</u></b>	<b><u>\$ 6,915,579</u></b>

#### Changes in Long-Term Liabilities

	<b>Balance July 1, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2023</b>	<b>Current Portion of Balance</b>
<b>Governmental Activities:</b>					
Compensated absences	\$ 100,110	\$ 118,601	\$ 102,813	\$ 115,898	\$ 86,900
Total pension liability - LEOSSA	316,084	-	16,681	299,403	-
Net pension liability - LGERS	203,121	811,372	-	1,014,493	-
Lease liabilities	40,226	-	7,696	32,530	8,089
Subscription liabilities	-	89,498	23,663	65,835	24,483
Direct borrowing					
installment purchases	766,771	-	16,904	749,867	17,340
Total governmental activities	<u>\$ 1,426,312</u>	<u>\$ 1,019,471</u>	<u>\$ 167,757</u>	<u>\$ 2,278,026</u>	<u>\$ 136,812</u>
<b>Business-Type Activities:</b>					
Compensated absences	\$ 48,833	\$ 50,040	\$ 44,077	\$ 54,796	\$ 41,100
Net pension liability - LGERS	180,125	719,519	-	899,644	-
General obligation bonds	4,350,000	-	80,000	4,270,000	84,000
Lease liabilities	47,445	-	31,178	16,267	4,044
Subscription liabilities	-	19,320	5,108	14,212	5,285
Direct borrowing					
installment purchases	306,977	-	66,192	240,785	66,192
Total business-type activities	<u>\$ 4,933,380</u>	<u>\$ 788,879</u>	<u>\$ 226,555</u>	<u>\$ 5,495,704</u>	<u>\$ 200,621</u>

**TOWN OF LANDIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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

At June 30, 2023, the Town of Landis had no authorized but unissued bonds and a legal debt margin of \$22,201,000.

**C. Interfund Balances and Activity**

Transfers to / from funds for the year ended June 30, 2023 consist of the following:

<u>From:</u>	<u>To:</u>	<u>Purpose</u>	<u>Amount</u>
CSLFR Fund	General Fund	Grant expenditures	\$ 823,670
Capital Project Fund	General Fund	Purchase of park land	<u>53,750</u>
			<u>\$ 877,420</u>

**D. Net Investment in Capital Assets**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net	\$ 7,572,582	\$ 14,430,014
Less:		
Long-term debt	<u>(848,232)</u>	<u>(4,541,264)</u>
Net investment in capital assets	<u>\$ 6,724,350</u>	<u>\$ 9,888,750</u>

**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	\$ 4,121,655
Less:	
Prepays	(24,296)
Stabilization by state statute	<u>(438,787)</u>
Total available fund balance	<u>\$ 3,658,572</u>

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, 2023.

# TOWN OF LANDIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 4. Jointly Governed Organization

The Town, in conjunction with twenty other local governments, is a member of the North Carolina Municipal Power Agency (NCMPA-1). The 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 Agency, have signed power sales agreements to purchase a specified share of the power generated by the 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, 2023 were \$3,474,919.

### 5. 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 monies 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 on June 30, 2023. 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.

### 6. 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.

#### Claims and Judgments

At June 30, 2023, the Town was a defendant to various lawsuits. In the opinion of the Town's management and attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

## **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
---	--

<i>Local Governmental Employees’ Retirement System –</i>	Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Town Contributions
--	---

---

**TOWN OF LANDIS, NORTH CAROLINA**

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

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 316,084	\$ 271,134	\$ 149,558	\$ 129,864
Service cost interest on total pension liability	24,548	18,800	13,187	8,688
Interest	7,066	5,165	4,762	4,600
Differences between expected and actual experience in the measurement of the total pension liability	50,741	41,310	31,348	7,503
Changes of assumptions or other inputs	(95,001)	(13,331)	79,273	5,897
Benefit payments	(4,035)	(6,994)	(6,994)	(6,994)
Other changes (prior period adjustment*)	-	-	-	-
Ending balance of the total pension liability	<u>\$ 299,403</u>	<u>\$ 316,084</u>	<u>\$ 271,134</u>	<u>\$ 149,558</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 CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE LAST SEVEN FISCAL YEARS**

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

**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 SEVEN FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 299,403	\$ 316,084	\$ 271,134	\$ 149,558
Covered-employee payroll	580,132	469,128	566,682	477,445
Total pension liability as a percentage of covered-employee payroll	51.61%	67.38%	47.85%	31.32%

**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.

**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 SEVEN FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Total pension liability	\$ 129,864	\$ 115,435	\$ 115,435
Covered-employee payroll	440,034	421,270	421,270
Total pension liability as a percentage of covered-employee payroll	29.51%	27.40%	27.40%

**TOWN OF LANDIS, NORTH CAROLINA**

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

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Landis' proportion of the net pension liability (asset) (%)	0.03393%	0.02499%	0.02406%	0.02975%	0.02699%
Landis' proportion of the net pension liability (asset) (\$)	\$ 1,914,137	\$ 383,246	\$ 859,766	\$ 812,449	\$ 640,295
Landis' covered payroll	\$ 2,016,446	\$ 2,118,356	\$ 1,750,045	\$ 1,896,331	\$ 1,856,613
Landis' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	94.93%	18.09%	49.13%	42.84%	34.49%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

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

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

**TOWN OF LANDIS, NORTH CAROLINA**

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

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Landis' proportion of the net pension liability (asset) (%)	0.02802%	0.03002%	0.02699%	0.02546%	0.02610%
Landis' proportion of the net pension liability (asset) (\$)	\$ 428,068	\$ 637,125	\$ 121,130	\$ (150,149)	\$ 306,722
Landis' covered payroll	\$ 1,795,308	\$ 1,822,279	\$ 1,710,393	\$ 1,509,543	\$ 1,421,446
Landis' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.84%	34.96%	7.08%	( 9.95%)	21.58%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

**TOWN OF LANDIS, NORTH CAROLINA****TOWN OF LANDIS' CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

	<b>Local Governmental Employees' Retirement System</b>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 328,448	\$ 256,775	\$ 208,306	\$ 156,185	\$ 153,709
Contributions in relation to the contractually required contribution	<u>328,448</u>	<u>256,775</u>	<u>208,306</u>	<u>156,185</u>	<u>153,709</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Landis' covered payroll	\$ 2,658,368	\$ 2,016,446	\$ 2,118,356	\$ 1,750,045	\$ 1,896,331
Contributions as a percentage of covered payroll	12.36%	12.73%	9.83%	8.92%	8.11%

**TOWN OF LANDIS, NORTH CAROLINA****TOWN OF LANDIS' CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

	<b>Local Governmental Employees' Retirement System</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 145,517	\$ 139,325	\$ 150,919	\$ 125,022	\$ 109,705
Contributions in relation to the contractually required contribution	<u>145,517</u>	<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>	<u>\$ -</u>
Landis' covered payroll	\$ 1,856,613	\$ 1,795,308	\$ 1,822,279	\$ 1,710,393	\$ 1,509,543
Contributions as a percentage of covered payroll	7.84%	7.76%	8.28%	7.31%	7.27%

*This page left blank intentionally.*



## **Governmental Activities Major Funds**

---

The **General Fund** is the main operating fund of the Town. 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.

The **CSLFR Fund** is used to account for the Town's \$1,000,073 portion of the American Rescue Plan Act (ARPA) funds.

---

*This page left blank intentionally.*

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes	\$ 1,557,576	\$ 1,570,387	\$ 12,811
Taxes - motor vehicles	216,549	230,564	14,015
Vehicle tag fee	66,000	78,632	12,632
Delinquent taxes	35,300	51,188	15,888
Penalties and interest	<u>11,300</u>	<u>19,687</u>	<u>8,387</u>
Total	<u>1,886,725</u>	<u>1,950,458</u>	<u>63,733</u>
<b>Unrestricted Intergovernmental Revenues:</b>			
Local option sales tax	991,000	1,294,924	303,924
Telecommunications sales tax	10,000	9,772	(228)
Franchise tax on electric power	272,700	281,100	8,400
Piped natural gas sales tax	10,000	15,927	5,927
Beer and wine tax	12,500	17,051	4,551
Video franchise fee	9,060	10,358	1,298
Solid waster disposal tax	<u>1,800</u>	<u>2,073</u>	<u>273</u>
Total	<u>1,307,060</u>	<u>1,631,205</u>	<u>324,145</u>
<b>Restricted Intergovernmental Revenues:</b>			
Powell Bill allocation	115,000	117,206	2,206
School resource officer	125,000	147,155	22,155
Fire grants	5,000	5,000	-
Police grant	<u>25,000</u>	<u>20,427</u>	<u>(4,573)</u>
Total	<u>270,000</u>	<u>289,788</u>	<u>19,788</u>
<b>Sales and Services:</b>			
Garbage collection fees	300,000	296,425	(3,575)
Police fees	1,000	1,246	246
Building rental fees	7,200	6,325	(875)
Planning and zoning fees	20,000	75,235	55,235
Recreation program user fees	<u>107,150</u>	<u>142,306</u>	<u>35,156</u>
Total	<u>435,350</u>	<u>521,537</u>	<u>86,187</u>
<b>Interest Earnings:</b>			
Investment earnings	25,300	85,226	59,926
Investment earnings - Powell	-	18,813	18,813
Total	<u>25,300</u>	<u>104,039</u>	<u>78,739</u>
<b>Miscellaneous:</b>			
ABC profit distribution	11,000	15,455	4,455
Fire income	1,320	4,150	2,830
Insurance proceeds	-	3,406	3,406
Sale of capital assets	51,500	105,635	54,135
Other	<u>7,200</u>	<u>7,765</u>	<u>565</u>
Total	<u>71,020</u>	<u>136,411</u>	<u>65,391</u>
Total revenues	<u>3,995,455</u>	<u>4,633,438</u>	<u>637,983</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>General Government:</b>			
<b>Governing Body:</b>			
Mayor and alderman fees	29,600	26,509	3,091
<b>Administrative and General:</b>			
Salaries and employee benefits	572,797	538,574	34,223
Operating expenditures	453,143	425,434	27,709
Capital outlay	143,300	76,266	67,034
Administrative service charge	(637,900)	(635,128)	(2,772)
Total	<u>531,340</u>	<u>405,146</u>	<u>126,194</u>
Total general government	<u>560,940</u>	<u>431,655</u>	<u>129,285</u>
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and employee benefits	849,367	732,928	116,439
Operating expenditures	268,702	200,558	68,144
Capital outlay	90,100	107,819	(17,719)
Total	<u>1,208,169</u>	<u>1,041,305</u>	<u>166,864</u>
<b>Fire Department:</b>			
Salaries and employee benefits	802,665	806,447	(3,782)
Operating expenditures	152,869	123,098	29,771
Capital outlay	95,931	58,834	37,097
Total	<u>1,051,465</u>	<u>988,379</u>	<u>63,086</u>
Total public safety	<u>2,259,634</u>	<u>2,029,684</u>	<u>229,950</u>
<b>Transportation:</b>			
<b>Street Department:</b>			
Salaries and employee benefits	475,489	449,612	25,877
Operating expenditures	113,721	104,743	8,978
Capital outlay	270,045	269,922	123
Total	<u>859,255</u>	<u>824,277</u>	<u>34,978</u>
<b>Powell Bill:</b>			
Operating expenditures	337,200	46,817	290,383
Total transportation	<u>1,196,455</u>	<u>871,094</u>	<u>325,361</u>
<b>Environmental Protection:</b>			
Sanitation and maintenance	215,471	214,591	880
Total environmental protection	<u>215,471</u>	<u>214,591</u>	<u>880</u>
<b>Cultural and Recreational:</b>			
<b>Recreation Department:</b>			
Salaries and employee benefits	256,222	252,978	3,244
Operating expenditures	159,653	135,537	24,116
Capital outlay	108,700	114,967	(6,267)
Total cultural and recreational	<u>524,575</u>	<u>503,482</u>	<u>21,093</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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Debt Service:</b>			
Principal retirement	47,425	47,336	89
Interest	<u>38,800</u>	<u>38,104</u>	<u>696</u>
Total debt service	<u>86,225</u>	<u>85,440</u>	<u>785</u>
Total expenditures	<u>4,843,300</u>	<u>4,135,946</u>	<u>707,354</u>
Revenues over (under) expenditures	<u>(847,845)</u>	<u>497,492</u>	<u>1,345,337</u>
<b>Other Financing Sources (Uses):</b>			
Subscription liabilities issued	-	85,992	85,992
Operating transfers - in (out):			
Transfer (to) from general capital projects	53,750	53,750	-
Transfer (to) from special revenue fund	<u>371,595</u>	<u>823,670</u>	<u>452,075</u>
Total other financing sources (uses)	<u>425,345</u>	<u>963,412</u>	<u>538,067</u>
Appropriated fund balance	<u>422,500</u>	<u>-</u>	<u>(422,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,460,904</u>	<u>\$ 1,460,904</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>2,660,751</u>	
End of year, June 30		<u>\$ 4,121,655</u>	

## TOWN OF LANDIS, NORTH CAROLINA

**CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Restricted intergovernmental revenues	\$ 1,000,073	\$ 54,941	\$ 843,670	\$ 898,611	\$ (101,462)
<b>Expenditures:</b>					
Grant expenditures	63,532	43,532	20,000	63,532	-
Revenues over (under) expenditures	936,541	11,409	823,670	835,079	(101,462)
<b>Other Financing Sources (Uses):</b>					
Transfer (to) General Fund	(925,132)	-	(823,670)	(823,670)	101,462
Transfer (to) Water and Sewer Fund	(11,409)	(11,409)	-	(11,409)	-
Total other financing sources (uses)	(936,541)	(11,409)	(823,670)	(835,079)	101,462
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ -

## **Nonmajor 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.

**Capital Projects Funds** account for all resources used for the acquisition and/or construction of major capital facilities other than those financed by Enterprise Funds.

The Town has the following Capital Project Fund:

**Passive Park Capital Project Fund** – This fund is used to account for Passive Park improvements.

---

*This page left blank intentionally.*



## TOWN OF LANDIS, NORTH CAROLINA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2023

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
	<u>Storm Water</u>	<u>Passive Park Capital Project</u>	
<b>Assets:</b>			
Cash - unrestricted	\$ 320,924	\$ 228,917	\$ 549,841
Sales tax receivable (net)	-	283	283
Accounts receivable (net)	33,600	-	33,600
Prepays	13	-	13
Total assets	<u>\$ 354,537</u>	<u>\$ 229,200</u>	<u>\$ 583,737</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,797	\$ -	\$ 1,797
Due to other funds	-	16,242	16,242
Total liabilities	<u>1,797</u>	<u>16,242</u>	<u>18,039</u>
<b>Fund Balances:</b>			
Nonspendable - prepaids	13	-	13
Restricted:			
Stabilization by state statute	33,600	283	33,883
Committed:			
Park construction	-	212,675	212,675
Assigned:			
Storm water	319,127	-	319,127
Total fund balances	<u>352,740</u>	<u>212,958</u>	<u>565,698</u>
Total liabilities and fund balances	<u>\$ 354,537</u>	<u>\$ 229,200</u>	<u>\$ 583,737</u>

## TOWN OF LANDIS, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Storm Water</u>	<u>Passive Park Capital Project</u>	
<b>Revenues:</b>			
Storm water fees	\$ 112,186	\$ -	\$ 112,186
Investment earnings	2,148	242	2,390
Miscellaneous	33	-	33
Total revenues	<u>114,367</u>	<u>242</u>	<u>114,609</u>
<b>Expenditures:</b>			
Current:			
Environmental protection	92,779	-	92,779
Cultural and recreational	-	20,348	20,348
Debt service:			
Principal	927	-	927
Interest	139	-	139
Total expenditures	<u>93,845</u>	<u>20,348</u>	<u>114,193</u>
Revenues over (under) expenditures	<u>20,522</u>	<u>(20,106)</u>	<u>416</u>
<b>Other Financing Sources (Uses):</b>			
Subscription liabilities issued	3,506	-	3,506
Transfer (to) from other funds	-	(53,750)	(53,750)
Total other financing sources (uses)	<u>3,506</u>	<u>(53,750)</u>	<u>(50,244)</u>
Net change in fund balance	24,028	(73,856)	(49,828)
<b>Fund Balances:</b>			
Beginning of year, July 1	<u>328,712</u>	<u>286,814</u>	<u>615,526</u>
End of year, June 30	<u>\$ 352,740</u>	<u>\$ 212,958</u>	<u>\$ 565,698</u>

## 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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Stormwater fees	\$ 113,800	\$ 112,186	\$ (1,614)
Investment earnings	316	2,148	1,832
Miscellaneous	-	33	33
Total revenues	<u>114,116</u>	<u>114,367</u>	<u>251</u>
<b>Expenditures:</b>			
Salaries and benefits	39,671	37,377	2,294
Operating expenditures	74,445	51,896	22,549
Capital outlay	-	3,506	(3,506)
Debt service:			
Principal retirement	-	927	(927)
Interest	-	139	(139)
Total expenditures	<u>114,116</u>	<u>93,845</u>	<u>20,271</u>
Revenues over (under) expenditures	<u>-</u>	<u>20,522</u>	<u>20,522</u>
<b>Other Financing Sources (Uses):</b>			
Subscription liabilities issued	<u>-</u>	<u>3,506</u>	<u>3,506</u>
Net change in fund balance	<u>\$ -</u>	<u>24,028</u>	<u>\$ 24,028</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>328,712</u>	
End of year, June 30		<u>\$ 352,740</u>	

## TOWN OF LANDIS, NORTH CAROLINA

PASSIVE PARK CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 48	\$ 242	\$ 290	\$ 290
<b>Expenditures:</b>					
Professional fees	158,385	-	20,348	20,348	138,037
Construction and renovations	74,587	-	-	-	74,587
Total expenditures	232,972	-	20,348	20,348	212,624
Revenues over (under) expenditures	(232,972)	48	(20,106)	(20,058)	212,914
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	286,722	286,766	-	286,766	44
Transfer to General Fund	(53,750)	-	(53,750)	(53,750)	-
Total other financing sources (uses)	232,972	286,766	(53,750)	233,016	44
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 286,814	\$ (73,856)	\$ 212,958	\$ 212,958

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

---

*This page left blank intentionally.*

## TOWN OF LANDIS, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services			
Residential and commercial	\$ 5,822,000	\$ 5,738,070	\$ (83,930)
Fines and penalties	130,000	146,688	16,688
Other operating revenues	54,500	9,592	(44,908)
Total operating revenues	<u>6,006,500</u>	<u>5,894,350</u>	<u>(112,150)</u>
Non-operating revenues:			
Proceeds on sale of assets	-	7,938	7,938
Investment earnings	2,500	58,057	55,557
Total non-operating revenues	<u>2,500</u>	<u>65,995</u>	<u>63,495</u>
Total revenues	<u>6,009,000</u>	<u>5,960,345</u>	<u>(48,655)</u>
<b>Expenditures:</b>			
Electrical operations:			
Salaries and benefits	998,204	932,120	66,084
Operating expenditures	1,193,714	1,129,488	64,226
Total electrical operations	<u>2,191,918</u>	<u>2,061,608</u>	<u>130,310</u>
Purchased resources - electricity	<u>3,510,000</u>	<u>3,474,919</u>	<u>35,081</u>
Debt service:			
Principal retirement	35,955	35,955	-
Interest	3,192	3,192	-
Total debt service	<u>39,147</u>	<u>39,147</u>	<u>-</u>
Capital outlay	<u>290,450</u>	<u>182,966</u>	<u>107,484</u>
Total expenditures	<u>6,031,515</u>	<u>5,758,640</u>	<u>272,875</u>

TOWN OF LANDIS, NORTH CAROLINA

ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	(22,515)	201,705	224,220
<b>Other Financing Sources (Uses):</b>			
Subscription liabilities issued	-	18,068	18,068
Appropriated fund balance	21,255	-	(21,255)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 219,773</u>	<u>\$ 219,773</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 219,773</u>	
Reconciling items:			
Capital outlay		182,966	
Compensated absences		(9,985)	
Principal retirement		35,955	
Pension expense		(94,227)	
Subscription liabilities issued		(18,068)	
Depreciation and amortization		<u>(236,492)</u>	
Total reconciling items		<u>(139,851)</u>	
Change in net position		<u>\$ 79,922</u>	



**TOWN OF LANDIS, NORTH CAROLINA**

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Charges for services:			
Water sales	\$ 1,050,000	\$ 1,069,634	\$ 19,634
Water taps	100,000	80,050	(19,950)
Sewer sales	975,000	984,412	9,412
Sewer taps	70,000	60,000	(10,000)
Other operating revenues	501	1,799	1,298
Total operating revenues	<u>2,195,501</u>	<u>2,195,895</u>	<u>394</u>
Non-operating revenues:			
Proceeds on sale of assets	-	13,700	13,700
Investment earnings	1,400	56,225	54,825
Total non-operating revenues	<u>1,400</u>	<u>69,925</u>	<u>68,525</u>
Total revenues	<u>2,196,901</u>	<u>2,265,820</u>	<u>68,919</u>
<b>Expenditures:</b>			
Water distribution:			
Salaries and benefits	140,731	148,926	(8,195)
Operating expenditures	383,530	392,936	(9,406)
Total water distribution	<u>524,261</u>	<u>541,862</u>	<u>(17,601)</u>
Purchased resources - water	<u>285,600</u>	<u>312,074</u>	<u>(26,474)</u>
Waste collection and treatment:			
Salaries and benefits	145,534	113,805	31,729
Operating expenditures	133,506	122,034	11,472
Total waste collection and treatment	<u>279,040</u>	<u>235,839</u>	<u>43,201</u>
Purchased - sewage treatment	<u>803,000</u>	<u>849,931</u>	<u>(46,931)</u>
Debt service:			
Principal	145,000	146,523	(1,523)
Interest	154,000	150,189	3,811
Total debt service	<u>299,000</u>	<u>296,712</u>	<u>2,288</u>
Capital outlay	<u>57,000</u>	<u>38,056</u>	<u>18,944</u>
Total expenditures	<u>2,247,901</u>	<u>2,274,474</u>	<u>(26,573)</u>

**TOWN OF LANDIS, NORTH CAROLINA**

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	(51,000)	(8,654)	42,346
<b>Other Financing Sources (Uses):</b>			
Subscription liabilities issued	-	1,252	1,252
Appropriated fund balance	51,000	-	(51,000)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (7,402)</u>	<u>\$ (7,402)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ (7,402)</u>	
Reconciling items:			
From Capital Project Fund:			
Investment earnings		96	
State grants		650,185	
Pension expense		(22,318)	
Capital outlay		38,056	
Subscription liabilities issued		(1,252)	
Principal retirement		146,523	
Compensated absences		4,022	
Depreciation and amortization		<u>(574,641)</u>	
Total reconciling items		<u>240,671</u>	
Change in net position		<u>\$ 233,269</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, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Year	Current Year		
<b>Revenues:</b>					
Restricted intergovernmental: State grants	\$ 1,200,000	\$ 282,852	\$ 650,185	\$ 933,037	\$ (266,963)
Investment earnings	-	43	96	139	139
Total revenues	<u>1,200,000</u>	<u>282,895</u>	<u>650,281</u>	<u>933,176</u>	<u>(266,824)</u>
<b>Expenditures:</b>					
Construction and renovations	1,200,000	291,804	640,980	932,784	267,216
Miscellaneous	<u>15,895</u>	-	-	-	<u>15,895</u>
Total expenditures	<u>1,215,895</u>	<u>291,804</u>	<u>640,980</u>	<u>932,784</u>	<u>283,111</u>
Revenues over (under) expenditures	(15,895)	(8,909)	9,301	392	16,287
<b>Other Financing Sources (Uses):</b>					
Transfer from Water Fund	<u>15,895</u>	<u>15,895</u>	-	<u>15,895</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 6,986</u>	<u>\$ 9,301</u>	<u>\$ 16,287</u>	<u>\$ 16,287</u>

*This page left blank intentionally.*

## **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**

---

*This page left blank intentionally.*

## TOWN OF LANDIS, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2023**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2022</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2023</b>
2022-2023	\$ -	\$ 1,829,627	\$ 1,796,178	\$ 33,449
2021-2022	44,338	-	21,794	22,544
2020-2021	-	-	-	-
2019-2020	20,468	-	13,297	7,171
2018-2019	16,291	-	6,403	9,888
2017-2018	9,705	-	4,894	4,811
2016-2017	5,689	-	2,769	2,920
2015-2016	1,570	-	962	608
2014-2015	1,478	-	855	623
2013-2014	1,025	-	206	819
2012-2013	360	-	360	-
Total	<u>\$ 100,924</u>	<u>\$ 1,829,627</u>	<u>\$ 1,847,718</u>	<u>82,833</u>
Less: allowance for uncollectible taxes receivable				<u>(13,000)</u>
Ad valorem taxes receivable - net				<u>\$ 69,833</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 1,950,458
Reconciling items				
Special district property taxes received				(29,389)
Vehicle tag fees				(78,632)
Write-offs				360
Discounts				15,882
Interest and penalties				(19,687)
Other adjustments				<u>8,726</u>
Total collections and credits				<u>\$ 1,847,718</u>

## TOWN OF LANDIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2023

	Town-Wide		Tax Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxes- Landis	\$ 300,071,321	\$ 0.5300	\$ 1,590,378	\$ 1,590,378	\$ -
Motor vehicles - Landis	44,115,472	0.5300	233,812	-	233,812
Late listing penalties	-		1,752	1,752	-
Total	<u>344,186,792</u>		<u>1,825,942</u>	<u>1,592,130</u>	<u>233,812</u>
<b>Discoveries:</b>					
Current year taxes - Landis	<u>2,377,170</u>	0.5300	<u>12,599</u>	<u>12,599</u>	<u>-</u>
Abatements - Landis	<u>(1,681,887)</u>	0.5300	<u>(8,914)</u>	<u>(8,914)</u>	<u>-</u>
Total property valuation	<u>\$ 344,882,075</u>				
<b>Net Levy</b>			1,829,627	1,595,815	233,812
Uncollected taxes at June 30, 2023			<u>(33,449)</u>	<u>(32,335)</u>	<u>(1,114)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 1,796,178</u>	<u>\$ 1,563,480</u>	<u>\$ 232,698</u>
<b>Current Levy Collection Percentage</b>			<u>98.17%</u>	<u>97.97%</u>	<u>99.52%</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*
  - Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act
  - Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act
  - Schedule of Findings, Responses, and Questioned Costs
  - Corrective Action Plan
  - Schedule of Prior Year Audit Findings
  - Schedule of Expenditures of Federal and State Awards
-

*This page left blank intentionally.*

# 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  
Members of the Board of Aldermen  
Town of Landis, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 28, 2024.

### **Report on 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 of Landis' 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

## **Report on 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2023-001.

## **Town of Landis' Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Landis' responses to the findings identified in our audit and described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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  
March 28, 2024

# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited the Town of Landis, North Carolina's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Landis' major federal programs for the year ended June 30, 2023. The Town of Landis' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Landis complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Landis and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Landis' compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Landis' federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Landis' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Town of Landis' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Landis' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Landis' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town of Landis' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in*

*internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
March 28, 2024

*This page left blank intentionally.*



# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

## **Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

### **Report on Compliance for Each Major State Program**

#### ***Opinion on Each Major State Program***

We have audited the Town of Landis, North Carolina's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Landis' major state programs for the year ended June 30, 2023. The Town of Landis' major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Landis complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Landis and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Town of Landis' compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Landis' state programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Landis' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Town of Landis' compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Landis' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Landis' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town of Landis' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control*

*over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
March 28, 2024

*This page left blank intentionally.*

**TOWN OF LANDIS, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1. Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted Yes

**Federal Awards**

Internal control over major federal programs:

- Material weakness (es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? No

Identification of major federal programs:

<b><u>Federal Program</u></b>	<b><u>AL#</u></b>
Covid-19 Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? No

**TOWN OF LANDIS, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**State Awards**

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major state programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major state programs:

**Program Name**

State Reserve Grant (SRP)

Auditee qualified as state low-risk auditee? No

# TOWN OF LANDIS, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

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

#### Material Weakness/Non-Compliance

##### Finding 2023-001

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting. N.C.G.S. 159-33 requires local governments to submit semiannual reports on the status of deposits and investments. North Carolina General Statute 159-34 requires the Town to have an audit as soon as possible after the close of each fiscal year.

**Condition:** The Town's operating bank account was not reconciled timely. There was a delay in providing the year-end bank reconciliation to the external auditors. Furthermore, we noted delays in journal entries being booked to reconcile the bank account, along with other monthly accounting entries necessary to accurately report to activity and balances of the Town. The Town's required semiannual report on the status of deposits and investments, form LGC-203, and the annual audit report were also not timely filed.

**Effect:** Lack of timely bank reconciliations greatly increases the risk of an error or irregularities going undetected and can result improper financial reporting. Financial reports used for budget monitoring throughout the year may not properly reflect account balances. Financial reports provided to the Board of Aldermen may not be accurate or reliable. The Town was not in compliance with general statute reporting requirements.

**Cause:** There was significant turnover in key financial personnel in the current year.

**Recommendation:** Management should implement and maintain a monthly close process to ensure bank reconciliations and other essential bookkeeping and reporting procedures are performed on a timely basis. Additional training and/or outside assistance should be utilized as necessary to ensure accurate and timely financial reporting on an ongoing basis.

**Views of Responsible Officials and Planned Corrective Action:** The Town agrees with this finding. Please refer to the Corrective Action Plan section of this report.

## TOWN OF LANDIS, NORTH CAROLINA

### SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

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

##### Material Weakness

##### Finding 2023-002

**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 judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates 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 could occur in financial reporting. Financial reports used for budget monitoring throughout the year may not properly reflect account balances.

**Cause:** There was significant turnover in key financial personnel in the current year.

**Identification of Repeat Finding:** This is a repeat finding that has been modified from the immediate previous audit, 2022-002.

**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 as part of the year-end close process. Additional training and/or outside assistance should be utilized as necessary to ensure accurate year-end financial reporting.

**Views of Responsible Officials and Planned Corrective Action:** The Town agrees with this finding. Please refer to the Corrective Action Plan section of this report.



**TOWN OF LANDIS, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**3. Federal Award Findings, Responses and Questioned Costs**

None

**4. State Award Findings, Responses and Questioned Costs**

None

*This page left blank intentionally.*



**TOWN OF LANDIS, NORTH CAROLINA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2023-001**

**Name of Contact Person:** Jeneen McMillen, Finance Director

**Corrective Action:** Management now has a system in place that will reduce the likelihood of errors in financial reporting. The bank reconciliations are up to date so the semiannual reports can be filed. Management is requiring that all bank reconciliations be completed by the 10<sup>th</sup> of the following month. Management has remained consistent.

**Proposed Completion Date:** March 31, 2024

**Finding 2023-002**

**Name of Contact Person:** Jeneen McMillen, Finance Director

**Corrective Action:** Because of the corrective actions in Finding 2023-001 management is requiring all bank reconciliations be completed by the 10<sup>th</sup> of the following month. This will ensure that all reports are filed on time and all items are given to the auditors in a timely manner, so the audit can be finished on time. A workflow process has been established that utilizes the current financial software. This provides ease in tracking and shows workflow. The Town has also engaged a third party consultant to assist with audit preparation, including posting of year end closing entries.

**Proposed Completion Date:** March 31, 2024

**TOWN OF LANDIS, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2022-001**

**Status:** Corrected.

**Finding 2022-002**

**Status:** Modified and repeated in the current year as Finding 2023-002.

**TOWN OF LANDIS, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipients</u>
<b>Federal Awards:</b>					
<u>U.S. Department of the Treasury</u>					
Direct Program:					
Covid-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 843,670	\$ -	\$ -
 <u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environmental Quality					
Clean Water State Revolving Fund (CWSRF) Cluster					
Capitalization Grants for Clean Water					
State Revolving Funds - Principal Forgiveness Loan	66.458	CS370652-02	167,011	-	-
Total Clean Water State Revolving Fund (CWSRF) Cluster			167,011	-	-
 <u>U.S. Department of Justice</u>					
Passed-through N.C. Department of Safety					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PROJ015105	7,752	-	-
			7,752	-	-
Total federal awards			1,018,433	-	-
 <b>State Grants:</b>					
<u>N.C. Department of Transportation</u>					
Powell Bill allocation			-	46,798	-
 <u>N.C. Department of Environmental Quality</u>					
State Reserve Grant (SRP)		E-SRP-W-18-0170	-	473,969	-
Total state awards			-	520,767	-
Total federal and state awards			\$ 1,018,433	\$ 520,767	\$ -

**Notes to the Schedule of Expenditures of Federal and State Awards:**

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Landis under the programs of the federal government and the state of North Carolina for the period ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Town of Landis, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Landis.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Cost Rate**

Town of Landis has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

*This page left blank intentionally.*