



Town of Lucama

Lucama, North Carolina

Financial Statements

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

MAYOR

Jed Simpson

BOARD OF COMMISSIONERS

**Annette Flowers Brenda Blalock
Leo Bass David Johnson
Patricia Uzzell**

TOWN ADMINISTRATOR

Tammy Keesler



**Nunn, Brashear
& Uzzell, P.A.**

**Accountants and Consultants
919-778-1000**

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Town of Lucama
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June 30, 2019

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Financial Section

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Independent Auditors' Report

To the Honorable Mayor
And Members of the Town Council
Lucama, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lucama, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Qualified
Electric Fund	Qualified
Water and Sewer Fund	Qualified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinions on All Funds

Management was unable to provide appropriate level of documentation as evidence to support beginning balances on the financial statements. In addition, there are material misstatements identified from the prior audit and current year revenues and expenditures. The amount by which these departures would affect the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on All Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Lucama, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 46 through 49 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023, on our consideration of the Town of Lucama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lucama's internal control over financial reporting and compliance.

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
June 5, 2023

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Management's Discussion and Analysis

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Management's Discussion and Analysis

As management of Town of Lucama, we offer readers of Town of Lucama's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2019. 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

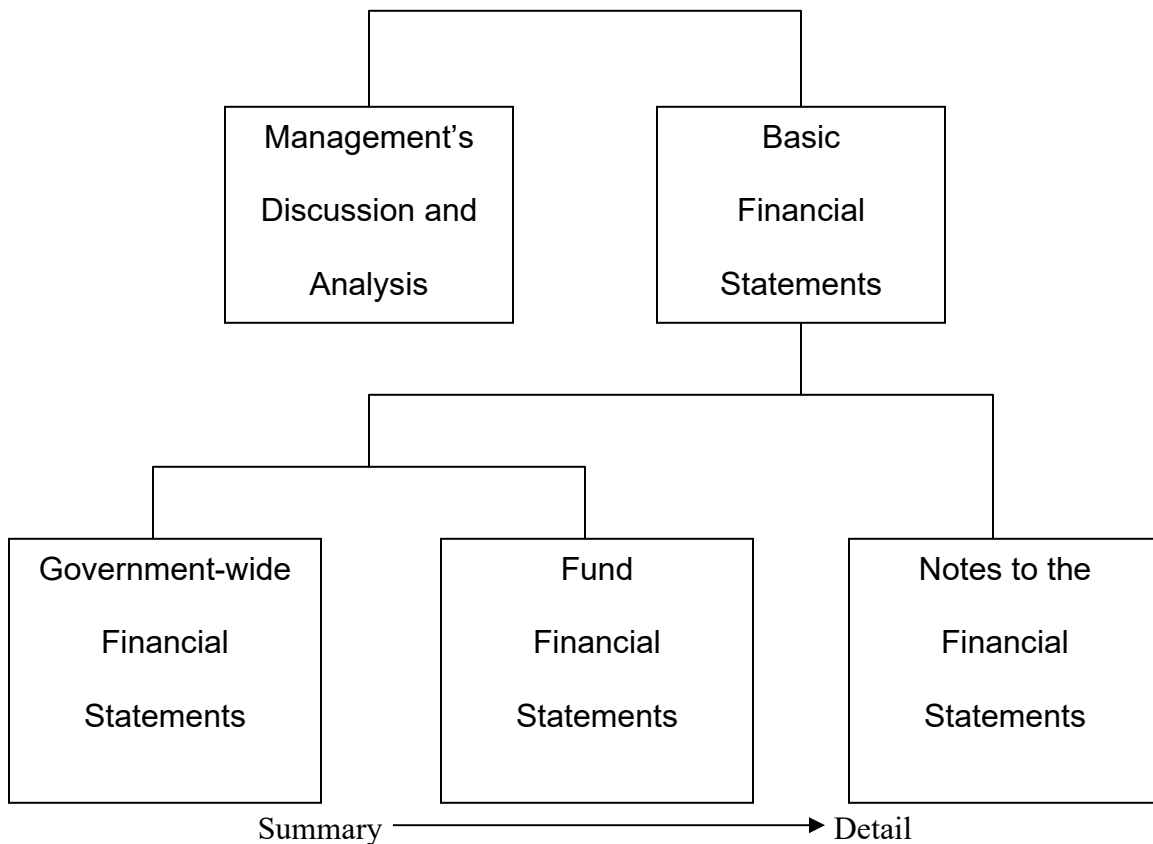
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year by \$10,781,644 (net position).
- The government's total net position increased by \$412,255 during the fiscal year.
- At the close of the fiscal year, the Town's governmental funds reported ending fund balance of \$1,751,444 with a net decrease of \$26,438. Approximately 16.1% of this total amount, or \$282,622, is restricted.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,452,170, or 272.2% of total General Fund expenditures for the fiscal year.
- At the close of the fiscal year, the Town's business-type activities reported combined ending net position of \$7,954,521 with a net increase of \$473,313.
- The Town's total long-term liabilities decreased \$18,496 (2.5%) during the current fiscal year. The debt decrease is due to the decrease in compensated absences, and repayment of outstanding general obligation bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Lucama's basic financial statements. The Town's 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 Town of Lucama.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the Notes. The notes 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Lucama.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lucama, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Lucama 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 or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

**Town of Lucama's Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018 Prior Auditor	2019	2018 Prior Auditor	2019	2018 Prior Auditor
Current assets	\$ 1,824,675	\$ 1,834,721	\$ 7,151,189	\$ 6,528,135	\$ 8,975,864	\$ 8,362,856
Non-current assets	1,070,479	1,113,019	1,763,013	1,856,791	2,833,492	2,969,810
Deferred outflows of resources	11,448	7,185	45,788	40,716	57,236	47,901
Total assets and deferred outflows of resources	<u>2,906,602</u>	<u>2,954,925</u>	<u>8,959,990</u>	<u>8,425,642</u>	<u>11,866,592</u>	<u>11,380,567</u>
Current liabilities	62,313	39,753	303,939	216,048	366,252	255,801
Long-term liabilities	15,278	26,100	694,111	723,340	709,389	749,440
Deferred inflows of resources	1,888	891	7,419	5,046	9,307	5,937
Total liabilities and deferred inflows of resources	<u>79,479</u>	<u>66,744</u>	<u>1,005,469</u>	<u>944,434</u>	<u>1,084,948</u>	<u>1,011,178</u>
Net investment in capital assets	1,070,479	1,113,019	1,115,013	1,194,791	2,185,492	2,307,810
Restricted net position	282,622	270,214	-	-	282,622	270,214
Unrestricted net position	<u>1,474,022</u>	<u>1,504,948</u>	<u>6,839,508</u>	<u>6,286,417</u>	<u>8,313,530</u>	<u>7,791,365</u>
Total net position	<u>\$ 2,827,123</u>	<u>\$ 2,888,181</u>	<u>\$ 7,954,521</u>	<u>\$ 7,481,208</u>	<u>\$ 10,781,644</u>	<u>\$ 10,369,389</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Lucama exceeded liabilities and deferred inflows by \$10,781,644. The Town's net position increased by \$412,255 for the fiscal year. However, a portion \$2,185,492 (20.3%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Lucama uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lucama's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Lucama's net position, \$282,622 (2.6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,313,530 (77.1%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.65%.
- No installment purchase or loan debt issued.
- Grant funds utilized to assist with projects and equipment.

**Town of Lucama's Changes in Net Position
Figure 3**

	2019			2018 Prior Auditor		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 98,957	\$ 2,718,710	\$ 2,817,667	\$ 81,470	\$ 3,343,563	\$ 3,425,033
Grants and contributions	58,449	-	58,449	30,748	-	30,748
General revenues:						
Property taxes	180,716	-	180,716	184,757	-	184,757
Unrestricted intergovernmental	152,585	-	152,585	149,693	-	149,693
Other	11,464	35,685	47,149	2,230	18,852	21,082
Total revenues	502,171	2,754,395	3,256,566	448,898	3,362,415	3,811,313
Expenses:						
General government	185,411	-	185,411	123,602	-	123,602
Public safety	148,383	-	148,383	150,140	-	150,140
Buildings and grounds	186,127	-	186,127	118,029	-	118,029
Environmental protection	812	-	812	31,049	-	31,049
Cultural and recreation	42,496	-	42,496	1,603	-	1,603
Electric	-	1,674,998	1,674,998	-	2,142,865	2,142,865
Water and Sewer	-	606,084	606,084	-	528,441	528,441
Total expenses	563,229	2,281,082	2,844,311	424,423	2,671,306	3,095,729
Increase (decrease) in net position	(61,058)	473,313	412,255	24,475	691,109	715,584
Net position, July 1, as previously reported	2,810,052	7,048,576	9,858,628	2,781,091	6,790,099	9,571,190
Prior period restatement	78,129	432,632	510,761	82,615	-	82,615
Net position, restated	2,888,181	7,481,208	10,369,389	2,863,706	6,790,099	9,653,805
Net position, June 30, as restated	\$ 2,827,123	\$ 7,954,521	\$ 10,781,644	\$ 2,888,181	\$ 7,481,208	\$ 10,369,389

Governmental activities. Governmental activities decreased the Town's net position by \$61,058.

Business-type activities. Business-type activities increased the Town's net position by \$473,313.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Lucama's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Lucama's financing requirements.

The general fund is the chief operating fund of the Town of Lucama. At the end of fiscal year, fund balance available in the General Fund was \$1,452,170, while total fund balance reached \$1,751,444. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 272.2% of total General Fund expenditures, while total fund balances represent 328.3% of that same amount for the year.

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

Revenues were greater than the budgeted amounts primarily due to greater than expected intergovernmental revenues.

Expenditures were greater than the budgeted amounts for the general government, transportation and cultural and recreation category.

Proprietary Fund: Town of Lucama's proprietary funds provide the same type of information found in the basic financial statements but in more detail. Unrestricted net position of the Electric Fund and Water and Sewer Fund at the end of the fiscal year was \$6,246,078, and \$593,430, respectively. The total change in net position for the Electric Fund and Water and Sewer Fund as of June 30, 2019 was \$604,728 and \$(131,415), respectively.

Capital Asset Administration

Capital assets: Town of Lucama's investment in capital assets for its governmental and business-type activities, totals \$2,833,492 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, lines, plants, park facilities and vehicles.

Town of Lucama's Capital Assets
(net of depreciation and amortization)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018 Prior Auditor	2019	2018 Prior Auditor	2019	2018 Prior Auditor
Land	\$ 128,550	\$ 128,550	\$ 269,765	\$ 269,765	\$ 398,315	\$ 398,315
Buildings	837,850	871,729	55,241	57,795	893,091	929,524
Water plant and wells	-	-	3,446	4,430	3,446	4,430
Distribution systems	-	-	1,318,682	1,452,473	1,318,682	1,452,473
Other improvements	15,431	17,178	62,332	70,078	77,763	87,256
Equipment	67,767	67,989	8,195	57	75,962	68,046
Vehicles	-	-	-	2,192	-	2,192
Infrastructure - Streets	20,881	27,573	-	-	20,881	27,573
Construction in progress	-	-	45,352	-	45,352	-
Total	<u>\$ 1,070,479</u>	<u>\$ 1,113,019</u>	<u>\$ 1,763,013</u>	<u>\$ 1,856,790</u>	<u>\$ 2,833,492</u>	<u>\$ 2,969,809</u>

Additional information on the Town's capital assets can be found in Notes to the Basic Financial Statements.

Long-term Liabilities: As of June 30, 2019 and 2018, the Town of Lucama had total long-term liabilities outstanding of \$730,944 and \$749,440, respectively. This debt is backed by the full faith and credit of the Town.

Town of Lucama's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018 Prior Auditor	2019	2018 Prior Auditor	2019	2018 Prior Auditor
Compensated absences	\$ 1,288	\$ 16,155	\$ 5,267	\$ 4,983	\$ 6,555	\$ 21,138
Net pension liability	15,278	9,945	61,111	56,357	76,389	66,302
General obligation bonds	-	-	648,000	662,000	648,000	662,000
Total	<u>\$ 16,566</u>	<u>\$ 26,100</u>	<u>\$ 714,378</u>	<u>\$ 723,340</u>	<u>\$ 730,944</u>	<u>\$ 749,440</u>

Town of Lucama's Outstanding Debt. The Town of Lucama's total debt decreased \$18,496 (2.5%) during the past fiscal year, primarily due to the decrease in net pension liability, repayment of debts and partial forgiveness of notes payable.

Additional information on the Town's long-term debt can be found in Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes and other revenues are expected to be consistent with the prior year, except the ad valorem tax rate will increase to \$0.50 per \$100.

Business-type Activities: The budgeted operating revenues and expenditures in the Enterprise Funds for fiscal year 2020 are consistent with the fiscal year ended June 30, 2019. The Electric Fund is expected to increase by \$140,356 while the Water and Sewer Fund is expected to decrease by \$31,116.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Lucama, 110 South Main Street, Lucama, NC 27851.

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Basic Financial Statements

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Town of Lucama
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,333,964	\$ 5,092,736	\$ 6,426,700
Investments	179,264	1,542,716	1,721,980
Taxes receivable (net)	12,173	-	12,173
Accounts receivable (net)	13,058	415,768	428,826
Due from other governments	31,679	-	31,679
Prepaid expenses	16,652	-	16,652
Restricted cash and cash equivalents	237,885	99,969	337,854
Total current assets	<u>1,824,675</u>	<u>7,151,189</u>	<u>8,975,864</u>
Noncurrent assets:			
Capital assets:			
Land and non-depreciable improvements, and construction in progress	128,550	315,117	443,667
Other capital assets, net of depreciation	941,929	1,447,896	2,389,825
Total capital assets	<u>1,070,479</u>	<u>1,763,013</u>	<u>2,833,492</u>
Total assets	<u>2,895,154</u>	<u>8,914,202</u>	<u>11,809,356</u>
Deferred Outflows of Resources			
Pension deferrals	<u>11,448</u>	<u>45,788</u>	<u>57,236</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	61,025	181,478	242,503
Customer deposits	-	99,969	99,969
Accrued interest	-	2,225	2,225
Compensated absences - current	1,288	5,267	6,555
Current portion of long-term liabilities	-	15,000	15,000
Total current liabilities	<u>62,313</u>	<u>303,939</u>	<u>366,252</u>
Long-term liabilities:			
Net pension liability	15,278	61,111	76,389
Due in more than one year	-	633,000	633,000
Total liabilities	<u>77,591</u>	<u>998,050</u>	<u>1,075,641</u>
Deferred Inflows of Resources			
Prepaid taxes	33	-	33
Pension deferrals	1,855	7,419	9,274
Total deferred inflows of resources	<u>1,888</u>	<u>7,419</u>	<u>9,307</u>
NET POSITION			
Net investment in capital assets	1,070,479	1,115,013	2,185,492
Restricted for:			
Stabilization by State Statute	44,737	-	44,737
Streets	237,885	-	237,885
Unrestricted	<u>1,474,022</u>	<u>6,839,508</u>	<u>8,313,530</u>
Total net position	<u>\$ 2,827,123</u>	<u>\$ 7,954,521</u>	<u>\$ 10,781,644</u>

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

**Town of Lucama
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental Activities:			
General government	\$ 185,411	\$ -	\$ -
Public safety	148,383	-	-
Transportation	186,127	-	30,270
Economic and physical development	-	755	-
Environmental protection	812	85,607	851
Cultural and recreation	42,496	12,595	27,328
Total governmental activities (See Note 1)	563,229	98,957	58,449
Business-type activities:			
Electric	1,674,998	2,246,354	-
Water and Sewer	606,084	472,356	-
Total business-type activities	2,281,082	2,718,710	-
Total primary government	\$ 2,844,311	\$ 2,817,667	\$ 58,449

General revenues:

Taxes:

Property taxes, levied for general purpose

Grant and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning, as previously reported

Restatement (see note VI)

Net position, beginning, as restated

Net position, ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position					
Primary Government					
Governmental Activities		Business-type Activities		Total	
\$	(185,411)	\$	-	\$	(185,411)
	(148,383)		-		(148,383)
	(155,857)		-		(155,857)
	755		-		755
	85,646		-		85,646
	(2,573)		-		(2,573)
	(405,823)		-		(405,823)
	-		571,356		571,356
	-		(133,728)		(133,728)
	-		437,628		437,628
	(405,823)		437,628		31,805
	180,716		-		180,716
	152,585		-		152,585
	4,131		33,547		37,678
	7,333		2,138		9,471
	344,765		35,685		380,450
	(61,058)		473,313		412,255
	2,810,052		7,048,576		9,858,628
	78,129		432,632		510,761
	2,888,181		7,481,208		10,369,389
\$	2,827,123	\$	7,954,521	\$	10,781,644

**Town of Lucama
Balance Sheet
Governmental Funds
June 30, 2019**

	<u>Major Fund</u>
	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,333,964
Restricted cash and cash equivalents	237,885
Investments	179,264
Receivables, net:	
Taxes	12,173
Accounts	13,058
Due from other governments	31,679
Prepaid expenses	16,652
Total assets	<u>1,824,675</u>
 LIABILITIES	
Accounts payable and accrued expenses	<u>61,025</u>
 DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	33
Property taxes receivable	12,173
Total deferred inflows of resources	<u>12,206</u>
 FUND BALANCES	
Nonspendable	
Prepaid expenses	16,652
Restricted	
Stabilization by State Statute	44,737
Streets	237,885
Unassigned	1,452,170
Total fund balances	<u>1,751,444</u>
 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,824,675</u>
	(cont)

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

Town of Lucama
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the Statement of Net

Total Fund Balance, Governmental Funds	\$ 1,751,444
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Gross capital assets at historical cost	2,206,992
Accumulated depreciation	(1,136,513)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Compensated absences	(1,288)
Net pension liability	(15,278)
Deferred outflows of resources related to pensions are not reported in the funds	11,448
Amounts for unavailable revenues considered deferred inflows of resources in fund statements	12,173
Deferred inflows of resources related to pensions are not reported in the funds	(1,855)
Net position of governmental activities	<u><u>\$ 2,827,123</u></u>

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

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

	<u>Major Fund</u>
	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 185,629
Unrestricted intergovernmental	152,585
Restricted intergovernmental	58,449
Premits and fees	755
Sales and services	98,202
Investment earnings	4,131
Miscellaneous	7,333
Total revenues	<u>507,084</u>
EXPENDITURES	
Current:	
General government	159,281
Public safety	155,509
Transportation	172,479
Culture and recreation	46,253
Total expenditures	<u>533,522</u>
Net change in fund balance	(26,438)
Fund balances, beginning, as previously reported	1,782,368
Prior period adjustment (Note VI)	(4,486)
Fund balances, beginning as restated	<u>1,777,882</u>
Fund balances, ending	<u>\$ 1,751,444</u>

(cont)

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

Town of Lucama
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$ (26,438)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(57,217)
Capital asset acquisitions	14,677
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,824
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the	
Change in unavailable revenue for tax revenues	(4,913)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	14,867
Pension expense - NCLGERS	(4,858)
Total changes in net position of governmental activities	<u>\$ (61,058)</u>

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

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Town of Lucama
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2019

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 176,200	\$ 176,200	\$ 185,629	\$ 9,429
Unrestricted intergovernmental	145,000	145,000	152,585	7,585
Restricted intergovernmental	31,000	31,000	58,449	27,449
Permits and fees	450	450	755	305
Sales and services	92,135	92,135	98,202	6,067
Investment earnings	750	750	4,131	3,381
Miscellaneous	750	750	7,333	6,583
Total revenues	446,285	446,285	507,084	60,799
Expenditures:				
Current:				
General government	96,171	96,171	159,281	(63,110)
Public safety	169,594	169,594	155,509	14,085
Transportation	136,440	136,440	172,479	(36,039)
Cultural and recreation	44,080	44,080	46,253	(2,173)
Total expenditures	446,285	446,285	533,522	(87,237)
Net change in fund balance	\$ -	\$ -	(26,438)	\$ (26,438)
Fund balances, beginning, as previously reported			1,782,368	
Prior period adjustment			(4,486)	
Fund balances, beginning as restated			1,777,882	
Fund balances, ending			\$ 1,751,444	

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

Town of Lucama
Statement of Net Position
Proprietary Fund
June 30, 2019

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,509,402	\$ 583,334	\$ 5,092,736
Investments	1,532,845	9,871	1,542,716
Accounts receivable (net) - billed	230,052	36,850	266,902
Accounts receivable (net) - unbilled	125,408	23,458	148,866
Restricted cash and cash equivalents	83,974	15,995	99,969
Total current assets	<u>6,481,681</u>	<u>669,508</u>	<u>7,151,189</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated	54,132	260,985	315,117
Other capital assets, net of depreciation	215,646	1,232,250	1,447,896
Capital assets	<u>269,778</u>	<u>1,493,235</u>	<u>1,763,013</u>
Total noncurrent assets	<u>269,778</u>	<u>1,493,235</u>	<u>1,763,013</u>
Total assets	<u>6,751,459</u>	<u>2,162,743</u>	<u>8,914,202</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>37,203</u>	<u>8,585</u>	<u>45,788</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	128,606	52,872	181,478
Customer deposits	83,974	15,995	99,969
Accrued interest	-	2,225	2,225
Compensated absences - current	4,545	722	5,267
General obligation bonds payable - current	-	15,000	15,000
Total current liabilities	<u>217,125</u>	<u>86,814</u>	<u>303,939</u>
Noncurrent liabilities:			
Net pension liability	49,653	11,458	61,111
Notes payable - noncurrent portion	-	633,000	633,000
Total noncurrent liabilities	<u>49,653</u>	<u>644,458</u>	<u>694,111</u>
Total liabilities	<u>266,778</u>	<u>731,272</u>	<u>998,050</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>6,028</u>	<u>1,391</u>	<u>7,419</u>
NET POSITION			
Net investment in capital assets	269,778	845,235	1,115,013
Unrestricted	6,246,078	593,430	6,839,508
Total net position	<u>\$ 6,515,856</u>	<u>\$ 1,438,665</u>	<u>\$ 7,954,521</u>

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

Town of Lucama
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,239,194	\$ 426,726	\$ 2,665,920
Other operating revenues	7,160	45,630	52,790
Total operating revenues	2,246,354	472,356	2,718,710
OPERATING EXPENSES			
Electric operations	356,003	-	356,003
Electric power purchases	1,276,261	-	1,276,261
Waste collection and treatment	-	168,911	168,911
Water treatment and distribution	-	303,918	303,918
Depreciation	42,734	104,555	147,289
Total operating expenses	1,674,998	577,384	2,252,382
Operating income (loss)	571,356	(105,028)	466,328
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous	-	2,138	2,138
Investment Earnings	33,372	175	33,547
Interest and other charges	-	(28,700)	(28,700)
Total Nonoperating revenues (expenses)	33,372	(26,387)	6,985
Change in net position	604,728	(131,415)	473,313
Total net position - beginning, as previously reported	5,546,373	1,502,203	7,048,576
Prior period adjustment, see Note VI	364,755	67,877	432,632
Total net position - as restated	5,911,128	1,570,080	7,481,208
Total net position - ending	\$ 6,515,856	\$ 1,438,665	\$ 7,954,521

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

Town of Lucama
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash flows from (used for) operating activities:			
Cash received from customers	\$ 2,173,608	\$ 443,224	\$ 2,616,832
Cash paid for goods and services	(1,358,682)	(393,181)	(1,751,863)
Cash paid to or on behalf of employees for services	(218,710)	(54,874)	(273,584)
Customer deposits received, net	13,440	2,560	16,000
Net cash provided (used) by operating activities	609,656	(2,271)	607,385
Cash flows from noncapital financing activities:			
Decrease in due from other governments	-	1,260	1,260
Nonoperating revenues received	-	2,138	2,138
Net cash provided by noncapital financing activities	-	3,398	3,398
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(53,512)	(53,512)
Principal paid on long-term debt	-	(14,000)	(14,000)
Interest paid on long-term debt	-	(28,748)	(28,748)
Net cash used for capital and related financing activities	-	(96,260)	(96,260)
Cash flows from investing activities:			
Purchase of investments	(32,008)	(2,583)	(34,591)
Interest earned	33,372	175	33,547
Net cash provided by investing activities	1,364	(2,408)	(1,044)
Net increase (decrease) in cash and cash equivalents	611,020	(97,541)	513,479
Cash and cash equivalents, beginning	3,982,356	696,870	4,679,226
Cash and cash equivalents, ending	<u>\$ 4,593,376</u>	<u>\$ 599,329</u>	<u>\$ 5,192,705</u>
Cash and cash equivalents	\$ 4,509,402	\$ 583,334	5,092,736
Restricted Cash	83,974	15,995	99,969
	<u>\$ 4,593,376</u>	<u>\$ 599,329</u>	<u>\$ 5,192,705</u>

(cont)

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

Town of Lucama
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating loss to net cash used for operation activities:			
Operating income (loss)	\$ 571,356	\$ (105,028)	\$ 466,328
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	42,734	104,555	147,289
(Increase) decrease in operating assets			
Accounts receivable (net)	(72,746)	(29,132)	(101,878)
Due from other governments	4,129	1,260	5,389
Inventories	-	4,783	4,783
Deferred outflows of resources for pensions	(4,151)	(921)	(5,072)
Increase (decrease) in operating liabilities			
Accounts payable	44,656	22,479	67,135
Customer deposits	13,440	2,560	16,000
Compensated absences	4,402	(4,118)	284
Deferred inflows of resources for pensions	1,932	441	2,373
Net pension liability	3,904	850	4,754
Net cash used for operating activities	\$ 609,656	\$ (2,271)	\$ 607,385

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

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Notes to the Financial Statements

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Town of Lucama

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Lucama, 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 Lucama is a municipal corporation that is governed by an elected mayor and five-member board. As required by generally accepted accounting principles, these financial statements present the Town of Lucama.

B. Basis of Presentation

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

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

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

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

Town of Lucama

Notes to the Financial Statements

The Town of Lucama reports one major governmental fund:

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

The Town reports the following major enterprise fund:

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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Town of Lucama

Notes to the Financial Statements

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

The Town of Lucama considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town of Lucama are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Lucama because the tax is levied by Wilson 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 of Lucama 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 of Lucama's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town of Lucama's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, the Electric Fund, and the Water and Sewer Fund. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, one amendment was made to the original

Town of Lucama

Notes to the Financial Statements

budget. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

The Town of Lucama pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash for transportation because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets as outlined in G.S. 136-41.1 through 136-41.4.

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Lucama Restricted Cash

Governmental Activities:

General Fund

Streets	\$ 237,885
Total Governmental Activities	<u>\$ 237,885</u>

Business-type Activities:

Electric Fund

Customer deposits	83,974
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Water and Sewer Fund

Customer deposits	15,995
Total Business-type Activities	<u>\$ 99,969</u>

Total Restricted Cash	<u><u>\$ 337,854</u></u>
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Town of Lucama

Notes to the Financial Statements

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. 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.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The Town has not adopted minimum capitalization policies. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	11-40
Buildings	15-39
Improvements	15-39
Vehicles	3-5
Maintenance and construction equipment	3-8
Furniture and office equipment	5-11

Town of Lucama

Notes to the Financial Statements

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town of Lucama has one item that meets this criterion, contributions made to the pension plan deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town of Lucama has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-Term Obligations

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

In fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

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

The Town of Lucama's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but 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 of Lucama does not have any obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

Town of Lucama

Notes to the Financial Statements

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid expenses – portion of fund balance that is not an available resource because it represents the balance of items paid for in advance which are not spendable resources.

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

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

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

Town of Lucama

Notes to the Financial Statements

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

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

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

The Town 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.

The Town of Lucama has not formally adopted a minimum fund balance policy for the General Fund as of June 30, 2019.

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Lucama's employer contributions are recognized when due and the Town of Lucama 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

Noncompliance with North Carolina General Statutes

For the fiscal year ended in June 30, 2019, the Town had the following statutory violations:

- a. The Town was unable to provide proof of the adoption of the 2019-2020 budget and there were no 2018-2019 fiscal year budgetary amendments for the Town.
- b. The Town did not file form LGC-203 for June 30, 2019.
- c. The Town did not ensure the completion of a timely audit for the year ending June 30, 2019.
- d. The Town did not follow record retention requirements for 2018-2019 fiscal year.

Town of Lucama

Notes to the Financial Statements

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$63,110, transportation activities by \$36,039, cultural and recreation activities by \$2,173, and water and sewer activities by \$114,527. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All 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 agent in the unit's name. 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 agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository for collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$8,486,534 and a bank balance of \$6,939,145. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$200.

Town of Lucama

Notes to the Financial Statements

2. Investments

At June 30, 2019, the Town of Lucama had \$1,721,979 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AA+ by Standard and Poor's. The City has no policy regarding credit risk.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town limits Certificate of Deposit maturities to less than 12 months.

3. Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2019, were as follows:

	Accounts	Taxes	Due from other	Total
Governmental activities:				
General Fund	\$ 17,682	\$ 17,299	\$ 31,679	\$ 66,660
Allowance for doubtful accounts	(4,624)	(5,126)	-	(9,750)
Total Governmental Activities	\$ 13,058	\$ 12,173	\$ 31,679	\$ 56,910

	Accounts	Allowance for Doubtful	Due from other	Total
Business-type activities:				
Electric Fund	\$ 490,721	\$ (135,261)	\$ -	\$ 355,460
Water and Sewer Fund	95,033	(34,725)	-	60,308
Total Governmental Activities	\$ 585,754	\$ (169,986)	\$ -	\$ 415,768

The due from other governments owed to the Town consists of the following:

Local option sales tax	\$ 13,253
Utility franchise tax	15,168
Solid waste disposal tax	212
Wilson County tax collections	3,046
Total Governmental Activities	<u>\$ 31,679</u>

Town of Lucama

Notes to the Financial Statements

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 128,550	\$ -	\$ -	\$ 128,550
Total capital assets not being depreciated	128,550	-	-	128,550
Capital assets being depreciated				
Buildings	1,291,440	-	-	1,291,440
Other improvements	43,510	-	-	43,510
Equipment	402,974	14,677	-	417,651
Vehicles and other motorized equipment	107,472	-	-	107,472
Infrastructure	218,369	-	-	218,369
Total capital assets being depreciated	2,063,765	14,677	-	2,078,442
Less accumulated depreciation				
Buildings	(419,711)	(33,879)	-	(453,590)
Other improvements	(26,332)	(1,747)	-	(28,079)
Equipment	(334,985)	(14,899)	-	(349,884)
Vehicles and other motorized equipment	(107,472)	-	-	(107,472)
Infrastructure	(190,796)	(6,692)	-	(197,488)
Total accumulated depreciation	(1,079,296)	(57,217)	-	(1,136,513)
Total capital assets being depreciated	984,469	(42,540)	-	941,929
Governmental activities capital assets, net	\$ 1,113,019	\$ (42,540)	\$ -	\$ 1,070,479

Depreciation expense was charged to functions/programs as follows:

General government	\$ 23,620
Public safety	8,217
Transportation	19,448
Environmental protection	812
Cultural and recreation	5,120
Total	<u>\$ 57,217</u>

Town of Lucama

Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Electric Fund				
Capital assets not being depreciated				
Land	\$ 54,132	\$ -	\$ -	\$ 54,132
Capital assets being depreciated				
Buildings	102,129	-	-	102,129
Electric system	910,564	-	-	910,564
Equipment	54,189	-	-	54,189
Vehicles	248,878	-	-	248,878
System improvements	356,081	-	-	356,081
Total capital assets being depreciated	1,671,841	-	-	1,671,841
Less accumulated depreciation				
Buildings	(44,334)	(2,554)	-	(46,888)
Electric system	(780,114)	(32,412)	-	(812,526)
Equipment	(54,132)	(22)	-	(54,154)
Vehicles	(248,878)	-	-	(248,878)
System improvements	(286,003)	(7,746)	-	(293,749)
Total accumulated depreciation	(1,413,461)	(42,734)	-	(1,456,195)
Total capital assets being depreciated, net	258,380	(42,734)	-	215,646
Electric Fund, capital assets, net	\$ 312,512	\$ (42,734)	\$ -	\$ 269,778
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 215,633	\$ -	\$ -	\$ 215,633
Construction in progress	-	45,352	-	45,352
Total capital assets not being depreciated	215,633	45,352	-	260,985
Capital assets being depreciated				
Water plant and wells	265,678	-	-	265,678
Water distribution system	791,582	-	-	791,582
Equipment	17,313	8,160	-	25,473
Vehicles	44,578	-	-	44,578
Sewer System	3,630,730	-	-	3,630,730
Total capital assets being depreciated	4,749,881	8,160	-	4,758,041
Less accumulated depreciation				
Water plant and wells	(261,248)	(984)	-	(262,232)
Water distribution system	(571,730)	(16,911)	-	(588,641)
Equipment	(17,313)	-	-	(17,313)
Vehicles	(42,386)	(2,192)	-	(44,578)
Sewer System	(2,528,559)	(84,468)	-	(2,613,027)
Total accumulated depreciation	(3,421,236)	(104,555)	-	(3,525,791)
Total capital assets being depreciated, net	1,328,645	(96,395)	-	1,232,250
Water and Sewer Fund capital assets, net	\$ 1,544,278	\$ (51,043)	\$ -	\$ 1,493,235
Business-type activities capital assets, net	\$ 1,856,790	\$ (93,777)	\$ -	\$ 1,763,013

Town of Lucama

Notes to the Financial Statements

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Lucama is a participating employer in the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Government Employees' Retirement System is included in the 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Town of Lucama

Notes to the Financial Statements

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. The Town of Lucama employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Lucama's contractually required contribution rate for the year ended June 30, 2019, was 7.82% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Lucama were \$14,247 for the year ended June 30, 2019.

The Town of Lucama has no covered-employees engaged in law enforcement as these services are contracted with Wilson County.

Refunds of Contributions. Town of Lucama employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town of Lucama reported a liability of \$76,389 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town of Lucama's proportion was 0.00322% which was a decrease of 0.00112% from its proportion measured as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the Town recognized pension expense of \$18,210. At June 30, 2019, the Town of Lucama reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Lucama

Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,785	\$ 395
Changes of assumptions	20,271	-
Net difference between projected and actual earnings on pension plan investments	10,486	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	574	8,879
Town contributions subsequent to the measurement date	14,120	-
Total	<u>\$ 57,236</u>	<u>\$ 9,274</u>

\$14,120 reported as deferred outflows of resources related to pensions resulting from the Town of Lucama contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 18,431
2021	10,812
2022	189
2023	4,410
	<u>\$ 33,842</u>

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

Inflation	3.0 percent
Salary increases	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

Town of Lucama

Notes to the Financial Statements

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternative	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 years expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study of the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits 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 liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or percentage point higher (8.00 percent) than the current rate:

Town of Lucama

Notes to the Financial Statements

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 183,494	\$ 76,389	\$ (13,109)

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.

b. Supplemental Retirement Income Plan for 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 general employees (non-law enforcement personnel) employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. The Town of Lucama voluntarily contributes each month an amount equal to 3.5% of each employee's salary. Also, the employees may make voluntary contributions to the plan.

The Town made contributions of \$6,241 for the reporting year. No amounts were forfeited during the reporting year.

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a 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 less than \$25,000. Because all death benefit payments are 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. The Town of Lucama considers these contributions to be immaterial.

Town of Lucama

Notes to the Financial Statements

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 14,120
Differences between expected and actual experience	11,785
Changes of assumptions	20,271
Net difference between projected and actual earnings on pension plan investments	10,486
Changes in proportion and differences between employer contributions and proportionate share of contributions	574
Total	\$ 57,236

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

Source	Statement of Net Position	General Fund Balance Sheet
Differences between expected and actual experience	\$ 395	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,879	-
Prepaid taxes	33	33
Taxes receivable, less penalties (General Fund)	-	12,173
Total	\$ 9,307	\$ 12,206

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

Town of Lucama

Notes to the Financial Statements

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 does not have any buildings or land located in the flood plain; therefore, the Town has not purchased and did not carry flood insurance for the year ended June 30, 2019.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$11,000.

5. Claims, Judgements and Contingent Liabilities

At June 30, 2019, there were no lawsuits against the Town of Lucama that materially impact its financial statements.

6. Long-term Obligations

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$3,400,362.

a. General Obligation Indebtedness

Serviced by the Water and Sewer Fund - On October 23, 2006, the Town issued Series 2006A bonds in the amount of \$631,000 and Series 2006B bonds in the amount of \$169,000. The proceeds from the bonds were used to finance improvements to the Town's sanitary sewer system. The bonds bear interest at 4.375% and 4.125%, respectively, and mature in 2046. The remaining principal balance was \$511,000 and \$137,000, respectively, as of June 30, 2019.

Future maturities of the bonds are as follows:

USDA Series 2006A				USDA Series 2006B		
Year Ending						
June 30,	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 12,000	\$ 22,356	\$ 34,356	\$ 3,000	\$ 5,651	\$ 8,651
2021	12,000	21,831	33,831	3,000	5,527	8,527
2022	13,000	21,306	34,306	3,000	5,404	8,404
2023	13,000	20,738	33,738	3,000	5,280	8,280
2024	13,000	20,169	33,169	4,000	5,156	9,156
2025 - 2029	74,000	91,744	165,744	20,000	23,306	43,306
2030 - 2034	88,000	74,419	162,419	24,000	18,934	42,934
2035 - 2039	105,000	53,637	158,637	28,000	13,695	41,695
2040 - 2044	125,000	29,094	154,094	33,000	7,508	40,508
2045 - 2046	56,000	3,675	59,675	16,000	990	16,990
Total	\$ 511,000	\$ 358,969	\$ 869,969	\$ 137,000	\$ 91,451	\$ 228,451

Town of Lucama

Notes to the Financial Statements

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 16,155	\$ -	\$ 14,867	\$ 1,288	\$ 1,288
Net pension liability (LGERS)	9,945	5,333	-	15,278	-
Governmental activities long-term liabilities	<u>\$ 26,100</u>	<u>\$ 5,333</u>	<u>\$ 14,867</u>	<u>\$ 16,566</u>	<u>\$ 1,288</u>
Business-Type Activities:					
Electric Fund					
Compensated absences	\$ 143	\$ 4,402	\$ -	\$ 4,545	\$ 4,545
Net pension liability (LGERS)	45,749	3,904	-	49,653	-
Total Electric Fund	<u>\$ 45,892</u>	<u>\$ 8,306</u>	<u>\$ -</u>	<u>\$ 54,198</u>	<u>\$ 4,545</u>
Water and Sewer Fund					
Compensated absences	\$ 4,840	\$ -	\$ 4,118	\$ 722	\$ 722
Net pension liability (LGERS)	10,608	850	-	11,458	-
General obligation bonds	662,000	-	14,000	648,000	15,000
Total Water and Sewer Fund	<u>\$ 677,448</u>	<u>\$ 850</u>	<u>\$ 18,118</u>	<u>\$ 660,180</u>	<u>\$ 15,722</u>
Business-type activities liabilities	<u>\$ 723,340</u>	<u>\$ 9,156</u>	<u>\$ 18,118</u>	<u>\$ 714,378</u>	<u>\$ 20,267</u>

C. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital Assets	\$ 1,070,479	\$ 1,763,013
Less: Long-term debt	-	648,000
Net investment in capital assets	<u>1,070,479</u>	<u>1,115,013</u>

D. Fund Balance

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

Total Fund Balance - General Fund	\$ 1,751,444
Less:	
Prepaid Expenses	\$ 16,652
Stabilization by State Statute	44,737
Streets - Powell Bill	237,885
Remaining Fund Balance	<u>\$ 1,452,170</u>

The Town of Lucama has not adopted a formal minimum fund balance policy.

Town of Lucama

Notes to the Financial Statements

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town of Lucama has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of 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 funds.

V. Subsequent Events

Subsequent events have been evaluated through June 5, 2023 which is the date the financial statements were available to be issued.

The entire personnel staff, administrative and maintenance, has been replaced since the fiscal year-end. The governing board, with the exception of two board members, have changed.

A lawsuit by five former employees was filed for discrimination. The lawsuit was settled in July, 2022. The insurance company paid \$80,000 and the Town paid \$20,000. No liability for this settlement has been recorded.

In August, 2018, NC Department of Environmental Quality (NCDEQ) awarded the Town a Clean Water State Revolving Fund (CWSRF) grant for up to \$2,227,200. The final project is projected to be \$1,924,966. No expenses have been occurred as of June 30, 2019.

In March, 2020, NCDEQ awarded the Town a CWSRF loan of \$1,467,500 under the CWSRF loan for sanitary sewer improvements. The project has not started construction as the Division of Water infrastructure has not issued an "Authority to Award" based on outstanding audit reports that are needed to be submitted for the Local Government Commission to approve. For their project, up to \$500,000 of the awarded funds will be forgiven loan funds and recognized as grants. The remaining \$967,500 will be in the form of a 20-year loan, with 0% interest loan, and an annual principal payment of \$48,375.

In March 2022, NCDEQ awarded the Town a Drinking Water State Revolving Fund (DWSRF) loan of \$1,405,000 for construction of an elevated storage tank and replacement of waterlines on Spring Street and Campbell Street. This project is in the design phase and final plans/specifications will be submitted over the next month. As with the sewer project, this project will not be allowed to move forward without audit reports being completed and obtaining Local Government Commission approval. Based on the awarded funds, \$500,000 of funds will be grant funds (forgiven loan). The remaining \$905,000 will be in the form of a 20-year loan, with 0% interest. This will result in an annual debt service payment of \$45,250.

In July, 2021 and July, 2022, the Town received two separate disbursements from the American Rescue Plan Act for funding for revenue replacement. The amount funded was \$183,570 for a total of \$367,140.

Town of Lucama
Notes to the Financial Statements

VI. Restatements

- A. Fund Level – During the fiscal year ended June 30, 2019, the Town determined the fund balance of the General Fund needed restatements as follows:

Restatements:	
Accounts receivable	\$ (8,876)
Accounts payable	(9,376)
Due from other Governments	4,330
Escheats	(211)
Franchise Tax	15,430
Payroll withholdings	(18,213)
Solid Waste Tax	164
State Shared Revenue Sales Tax	12,266
Total Restatement - Fund Level	<u>\$ (4,486)</u>

- Government-Wide – During the fiscal year ended June 30, 2019, the Town determined the fund balance of the Governmental Activities needed restatements as follows:

Restatements:	
Accounts receivable	\$ (8,876)
Accounts payable	(9,376)
Community Building	107,624
Due from other Governments	4,330
Escheats	(211)
Franchise Tax	15,430
Payroll withholdings	(18,213)
Solid Waste Tax	164
State Shared Revenue Sales Tax	12,266
Accumulated Depreciation	(25,009)
Total Restatement - Government Wide	<u>\$ 78,129</u>

Town of Lucama
Notes to the Financial Statements

- B. Business-Type – During the fiscal year ended June 30, 2019, the Town determined the fund balance of the Business-type Activities needed restatements as follows:

	Electric Fund	Water and Sewer Fund	Total
Restatements:			
Accounts receivable	\$ (363,671)	\$ (90,712)	\$ (454,383)
Accrued Interest	-	(2,273)	(2,273)
Cash over (short)	2,655	-	2,655
Customer Deposits	802,851	164,322	967,173
Customer Refund payable	(46,279)	(1,261)	(47,540)
Escheats	1,212	(350)	862
Inventory	(67,272)	-	(67,272)
Payroll withholdings	7,732	(1,850)	5,882
Returned checks	24,946	-	24,946
Sales tax payable	2,581	-	2,581
Accumulated Depreciation	-	1	1
Total Restatement-Business-Type	<u>\$ 364,755</u>	<u>\$ 67,877</u>	<u>\$ 432,632</u>

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Required Supplementary Information

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

*Schedule of the Proportionate Share of the Net Pension Liability -
Local Government Employees' Retirement System

*Schedule of Contributions -
Local Government Employees' Retirement System

Town of Lucama
Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset)
 Local Governmental Employees' Retirement System
 Last Six Fiscal Years *

	<u>2019</u>	<u>2018</u>
Town's proportion of the net pension liability (asset) %	0.00322%	0.00434%
Town's proportionate share of the net pension liability (asset) \$	76,389	\$ 66,302
Town's covered employee payroll	\$ 182,188	\$ 267,091
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.93%	24.82%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%

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

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

Note: Town implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00460%	0.00467%	0.00441%	0.00500%
\$ 97,628	\$ 90,959	\$ (26,008)	\$ 60,269
\$ 271,625	\$ 285,122	\$ 260,231	\$ 288,929
35.94%	7.35%	-9.99%	20.86%
91.47%	98.09%	102.64%	94.35%

Town of Lucama
Schedule of Town Contributions
Local Governmental Employees' Retirement System
Last Six Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 14,247	\$ 17,243	\$ 19,924
Contributions in relation to the contractually required contribution	<u>14,247</u>	<u>17,243</u>	<u>19,924</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 182,188	\$ 231,894	\$ 267,091
Contributions as a percentage of covered-employee payroll	7.82%	7.44%	7.46%

Note: Town implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 21,302	\$ 20,614	\$ 19,073
<u>21,302</u>	<u>20,614</u>	<u>19,073</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 271,625	\$ 285,122	\$ 260,231
7.84%	7.23%	7.33%

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Fund Financial Statements

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

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Town of Lucama
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 175,700	\$ 184,356	\$ 8,656
Penalties and interest	500	1,273	773
Total	<u>176,200</u>	<u>185,629</u>	<u>9,429</u>
Unrestricted intergovernmental:			
Local option sales taxes	67,200	74,841	7,641
Utilities franchise tax	67,000	71,462	4,462
Sales tax refund	5,000	-	(5,000)
Gas tax refund	1,800	1,330	(470)
Beer and wine tax	4,000	4,952	952
Total	<u>145,000</u>	<u>152,585</u>	<u>7,585</u>
Restricted intergovernmental:			
State Powell Bill allocation	30,300	30,270	(30)
Solid waste disposal tax	700	851	151
Parks and Recreation Trust Fund Grant	-	27,328	27,328
Total	<u>31,000</u>	<u>58,449</u>	<u>27,449</u>
Premits and fees			
Zoning permits and fees	<u>450</u>	<u>755</u>	<u>305</u>
Sales and services:			
Solid waste disposal	78,500	83,752	5,252
Late charges	2,000	1,855	(145)
Cable rental fees	1,315	-	(1,315)
Rental income	10,320	12,595	2,275
Total	<u>92,135</u>	<u>98,202</u>	<u>6,067</u>
Investment earnings	<u>750</u>	<u>4,131</u>	<u>3,381</u>
Other Revenues:			
Donations	-	2,255	2,255
Miscellaneous	<u>750</u>	<u>5,078</u>	<u>4,328</u>
Total	<u>750</u>	<u>7,333</u>	<u>6,583</u>
Total revenues	<u>446,285</u>	<u>507,084</u>	<u>60,799</u>

**Town of Lucama
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General government:			
Salaries and benefits	<u>12,918</u>	<u>12,757</u>	<u>161</u>
Administration:			
Salaries and benefits	20,713	48,099	(27,386)
Tax collection fees	-	770	(770)
Operating expenses	13,081	31,220	(18,139)
Insurance	2,750	2,573	177
Contracted services	45,028	61,700	(16,672)
Repairs and maintenance	1,500	2,162	(662)
Capital outlay	181	-	181
Total	<u>83,253</u>	<u>146,524</u>	<u>(63,271)</u>
Total general government	<u>96,171</u>	<u>159,281</u>	<u>(63,110)</u>
Public safety:			
Sheriff contract - Wilson County	146,194	132,109	14,085
Crossroad Volunteer Fire Department	23,400	23,400	-
Total public safety	<u>169,594</u>	<u>155,509</u>	<u>14,085</u>
Transportation:			
Streets and highways:			
Salaries and benefits	42,216	70,895	(28,679)
Operating expenditures	21,681	19,617	2,064
Repairs and maintenance	10,000	12,030	(2,030)
Contracted services	42,900	44,612	(1,712)
Insurance	3,750	3,750	-
Powell Bill expenditures	15,893	15,775	118
Capital outlay	-	5,800	(5,800)
Total transportation	<u>136,440</u>	<u>172,479</u>	<u>(36,039)</u>
Culture and recreation:			
Parks and recreation:			
Parks and recreation	25,000	18,093	6,907
Community projects and events	10,000	10,991	(991)
Total	<u>35,000</u>	<u>29,084</u>	<u>5,916</u>

**Town of Lucama
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Community Building:			
Operating expenses	1,200	788	412
Repairs and maintenance	3,900	4,484	(584)
Capital outlay	2,130	10,706	(8,576)
Total	<u>7,230</u>	<u>15,978</u>	<u>(8,748)</u>
Library:			
Operating expenses	<u>1,850</u>	<u>1,191</u>	<u>659</u>
Total culture and recreation	<u>44,080</u>	<u>46,253</u>	<u>(2,173)</u>
Total expenditures	<u>446,285</u>	<u>533,522</u>	<u>(87,237)</u>
Net change in fund balance	<u>\$ -</u>	(26,438)	<u>\$ (26,438)</u>
Fund balances, beginning, as previously reported		1,782,368	
Prior period adjustment (See Note VI)		<u>(4,486)</u>	
Fund balances, beginning as restated		1,777,882	
Fund balances, ending		<u>\$ 1,751,444</u>	

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Enterprise Funds

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 and 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.

Electric Fund - The fund is used to account for the Town's Electric operations.

Water and Sewer Fund - The fund is used to account for the Town's Water and Sewer operations.

Town of Lucama
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for electricity	\$ 2,120,644	\$ 2,209,782	\$ 89,138
REPS charges	27,570	29,412	1,842
Sales tax revenue	140,000	-	(140,000)
Connection fees new service	3,000	3,180	180
Reconnect fees	7,560	3,980	(3,580)
Total operating revenues	<u>2,298,774</u>	<u>2,246,354</u>	<u>(52,420)</u>
Nonoperating revenues:			
Miscellaneous	500	-	(500)
Interest	6,500	33,372	26,872
Total nonoperating revenues	<u>7,000</u>	<u>33,372</u>	<u>26,372</u>
Total revenues	<u>2,305,774</u>	<u>2,279,726</u>	<u>(26,048)</u>
Expenditures:			
Electrical operations:			
Salaries benefits	326,266	218,710	107,556
Utilities	650	544	106
Repairs and maintenance	18,993	7,596	11,397
Supplies	50,900	31,702	19,198
Sales tax expense	140,238	-	140,238
Insurance	14,300	13,354	946
Other operating expenses	26,499	33,044	(6,545)
Contractual services	45,407	44,966	441
Total Administration	<u>623,253</u>	<u>349,916</u>	<u>273,337</u>
Electrical power purchases	<u>1,682,521</u>	<u>1,276,261</u>	<u>406,260</u>
Total expenditures	<u>2,305,774</u>	<u>1,626,177</u>	<u>679,597</u>

Town of Lucama
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues over expenditures	<u>\$ -</u>	653,549	<u>\$ 653,549</u>

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

Reconciling items:

Increase in compensated absences	(4,402)
Increase in deferred outflows of resources - pensions	4,151
Increase in deferred inflows of resources - pensions	(1,932)
Increase in net pension liability	(3,904)
Depreciation	<u>(42,734)</u>
Total	<u>(48,821)</u>
Change in net position	<u>\$ 604,728</u>

Town of Lucama
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for water	\$ 185,000	\$ 208,092	\$ 23,092
Charges for sewer	184,000	183,822	(178)
Capacity charges	34,250	34,812	562
Tap fees	-	1,100	1,100
Late fees	53,000	44,530	(8,470)
Total operating revenues	<u>456,250</u>	<u>472,356</u>	<u>16,106</u>
Nonoperating revenues:			
Miscellaneous	2,000	2,138	138
Interest	60	175	115
Total nonoperating revenues	<u>2,060</u>	<u>2,313</u>	<u>253</u>
Total revenues	<u>458,310</u>	<u>474,669</u>	<u>16,359</u>
Expenditures:			
Water treatment and distribution:			
Salaries and benefits	57,721	54,874	2,847
Utilities	550	1,092	(542)
Repairs and maintenance	25,700	63,370	(37,670)
Supplies	18,000	17,945	55
Insurance	2,698	2,698	-
Other operating expenses	9,274	11,249	(1,975)
Contractual services	12,300	21,431	(9,131)
Total Administration	<u>126,243</u>	<u>172,659</u>	<u>(46,416)</u>
Waste collection and treatment			
Sewer line cleaning	4,723	-	4,723
Sewer treatment fees	203,089	303,918	(100,829)
Total	<u>207,812</u>	<u>303,918</u>	<u>(96,106)</u>
Debt Service:			
Principal retirement	98,255	14,000	84,255
Interest and fees	-	28,748	(28,748)
Total	<u>98,255</u>	<u>42,748</u>	<u>55,507</u>

Town of Lucama
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Equipment	25,000	8,160	16,840
Water improvements	1,000	45,352	(44,352)
Total	26,000	53,512	(27,512)
Total expenditures	458,310	572,837	(114,527)
Revenues over expenditures	\$ -	(98,168)	\$ (98,168)

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

Reconciling items:	
Decrease in accrued interest	48
Decrease in compensated absences	4,118
Increase in deferred outflows of resources - pensions	921
Increase in deferred inflows of resources - pensions	(441)
Increase in net pension liability	(850)
Capital outlays	53,512
Depreciation	(104,555)
Principal retirement	14,000
Total	(33,247)
Change in net position	\$ (131,415)

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Other Schedules

This section contains additional information required on property taxes.

*Schedule of Ad Valorem Taxes Receivable

*Analysis of Current Tax Levy - Town-wide Levy

Town of Lucama
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 185,480 (a)	\$ 179,263 (b)	\$ 6,217 (c)
2017-2018	7,733	-	3,755	3,978
2016-2017	2,800	-	822	1,978
2015-2016	1,446	-	451	995
2014-2015	833	-	-	833
2013-2014	970	-	41	929
2012-2013	664	-	8	656
2011-2012	506	-	-	506
2010-2011	815	-	-	815
2009-2010	392	-	-	392
2008-2009	581	-	581	-
	<u>\$ 16,740</u>	<u>\$ 185,480</u>	<u>\$ 184,921 (d)</u>	<u>17,299</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>5,126</u>
Ad valorem taxes receivable - net				\$ <u>12,173</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 185,629
Reconciling items:				
Taxes written off				565
Interest collected				<u>(1,273)</u>
Total collections and credits				\$ <u>184,921 (d)</u>

**Town of Lucama
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2019**

				Total Levy	
Town - Wide				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current rate	\$ 42,506,429	0.42	\$ 178,527	\$ 149,401	\$ 29,126
Discoveries	-		6,961	6,961	-
Abatements	(1,905)	0.42	(8)	(8)	-
Total property valuation	<u>\$ 42,504,524</u>				
Net levy			185,480 (a)	156,354	29,126
Unpaid (by taxpayer) taxes at June 30, 2019			(6,217) (c)	(6,217)	-
Current year's taxes collected			<u>\$ 179,263 (b)</u>	<u>\$ 150,137</u>	<u>\$ 29,126</u>
Current levy collection percentage			<u>96.65%</u>	<u>96.02%</u>	<u>100.00%</u>

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Compliance Section

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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To the Honorable Mayor and
Members of the Board of Commissioners
Lucama, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lucama, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Lucama's basic financial statements, and have issued our report thereon dated June 5, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lucama's internal control over financial reporting (internal control) as a basis for determining 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 Lucama's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lucama's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-004 that we consider to be material weaknesses.

Compliance and Other Matters

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

Town of Lucama, North Carolina's Response to Findings

The Town of Lucama's response to the findings identified in our audit is described previously. The Town of Lucama's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
June 5, 2023

Town of Lucama
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

I. Summary of Auditors' Results

Financial Statement

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Qualified

Internal control over financial reporting:

Material weakness identified? X Yes No

Significant deficiency identified that is not considered to be a material weakness? X Yes No

Noncompliance material to financial statements noted Yes X No

Federal Awards

None

State Awards

None

Town of Lucama
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

II. Financial Statement Findings

Finding 2019-001 Statutory Violations

Criteria: NC municipalities are required to comply with NC General Statutes. The Town violated several NC General Statutes for the fiscal year.

Condition: The Town had the following statutory violations related to the fiscal year end audit.

- The Town was unable to provide proof of the adoption of the 2019-2020. The Town failed to adopt budget amendments for the 2018-2019 fiscal year. Additionally, the Town's expenditures exceeded the budgets provided for the fiscal year.
- The Town did not file form LGC-203 for June, 2019.
- The Town did not ensure the completion of a timely audit for the fiscal year ended June 30, 2019.
- The Town did not ensure the compliance with record retention requirements for 2018-2019.

Effect: The Town is not in compliance with NC General Statutes.

Cause: The Town was unable to close its books and timely prepare for an audit, nor provide evidence of appropriately approved budgets or the filing of form LGC-203.

Recommendation: The governing body should adopt procedures to comply with NC General Statutes.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will take appropriate action to comply with NC General Statutes.

Finding 2019-002 Segregation of Duties

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

Condition: Key duties and functions are not segregated among Town personnel. This is especially a concern in the cash management, account receivable, purchasing, and payroll functions.

Effect: Transactions could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

Cause: There are a limited number of personnel for certain functions and lack of board oversight.

Recommendation: The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing board should provide some of these controls. This finding appears to have been corrected with the hiring of new staff in the 2021/2022 fiscal year.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will take appropriate action to segregate duties to the amount economically feasible.

Finding 2019-003 Missing Documentation

Criteria: The Town was unable to provide sufficient documentation for the audit, resulting in a qualified opinion for the fiscal year ending June 30, 2019.

Condition: The Town was unable to provide subsidiary ledgers, copies of filed Forms 941, Minutes of the Board of Commissioners meetings, and several months of bank statements from various accounts.

Effect: The Town was unable to provide sufficient documentation for the audit, resulting in a qualified opinion.

Cause: The Town did not maintain and retain documentation of financial and Board transactions.

Recommendation: The Town needs to implement a procedures and a filing system to allow for the retention of documentation.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will maintain and retain documentation.

Finding 2019-004 Trial Balance Non-existent and Inaccurate Fund Balance

Criteria: The Town did not maintain appropriate trial balances and had inaccurate fund balance.

Condition: The Town did not have staff with appropriate skills, knowledge and experience to maintain a trial balance and accurately report fund balance. In the summer of 2021, the Town hired a third party Certified Public Accountant to recreate the general ledger of the Town. The third-party CPA was unable to find complete documentation of bank statements, supporting invoices, deposit slips, and subsidiary ledgers. Significant adjustments were made to fund balances and various expense accounts.

Effect: The Town was unable to provide sufficient financial data, resulting in a qualified opinion of the financial statements.

Cause: The Town staff did not have the appropriate skills, knowledge or experience necessary to maintain a trial balance and accurately report fund balance.

Recommendation: The Town needs hire staff with the appropriate skills, knowledge and experience to manage the financial activity of the Town. This finding appears to have been corrected with the hiring of new staff in the 2021/2022 fiscal year.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will hire staff with the appropriate skills, knowledge and experience to maintain a trial balance and accurately report fund balance.

III. Federal Awards Findings and Questioned Costs

None Reported

IV. State Awards Findings and Questioned Costs

None Reported

Town of Lucama
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

None Reported

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TOWN OF LUCAMA

Mayor: Jeff Johnson
Town Administrator: Darlene W. Newsome
Town Clerk: Dena Owens
Utility Billing Clerk: Ashleigh Hooks

Commissioners: Michael Best
David Johnson
Peggy Lamm
Judy Mason
Keely Pate

Corrective Action Plan For the Fiscal Year Ended June 30, 2019

Finding 2019 – 001 Statutory Violations

Name of contact person: Darlene Newsome, Town Administrator

Corrective action: Adoption of Budgets, as well as amendments during the fiscal year, additionally requiring that expenditures not exceed the budgets set forth will be corrected.

LGC-203 reports will be filed on required dates as set forth in statutes.

Audit reports will be completed within statutory requirement dates.

Record retention requirements will be adopted as required by statutes.

Proposed Completion: New staff were hired during the 21/22 Fiscal Year. All the above actions have been corrected by hired staff for the 2021-2022 fiscal year, with the exception of timely audit reports. We are working diligently with a third party certified public accountant to rebuild our records in order to compile a set of records to complete audits.

Finding 2019 – 002 Segregation of Duties

Name of contact person: Darlene Newsome, Town Administrator

Corrective action: Duties and functions will be reviewed to determine where segregation is needed. Duties will be separated, and alternative controls will be implemented to compensate for lack of segregation.

Proposed Completion: New staff were hired during the 21/22 Fiscal Year. Segregation of duties has been corrected by hired staff.

Finding 2019 – 003 Missing Documentation

Name of contact person: Darlene Newsome, Town Administrator

Corrective action: Documentation of subsidiary ledgers, filed 941 Tax Reports, minutes of Board of Commissioners meetings, and bank statements from all accounts will be retained by statutory requirements.

Proposed Completion: New staff was hired during the 21/22 Fiscal Year. All the above actions have been corrected by hired staff for the 2021-2022 fiscal year. We are working diligently with a third party certified public accountant to rebuild records in order to compile a set of records to complete audits.

Finding 2019 – 004 Trial Balance Non-existent and Inaccurate Fund Balance

Name of contact person: Darlene Newsome, Town Administrator

Corrective action: Staff with appropriate skills, knowledge and experience will be hired, as well as a third-party CPA to provide sufficient financial support, data, invoices, deposit slips, and subsidiary ledgers, to maintain a trial balance and accurately report fund balance.

Proposed Completion: New staff was hired during the 21/22 Fiscal Year. All the above actions have been corrected by hired staff for the 2021-2022 fiscal year. We are working diligently with a third party certified public accountant to rebuild records in order to compile a set of records to complete audits.