

TOWN OF SHALLOTTE, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2019



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FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor
And the Board of Commissioners
Shallotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Shallotte, 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's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Shallotte ABC Board, which represents 72.31 percent, 67.86 percent and 96.37 percent, respectively, of the assets, net position and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Shallotte ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Shallotte ABC Board and the Shallotte Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Shallotte, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 Shallotte, North Carolina. The individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019 on our consideration of the Town of Shallotte's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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 Shallotte's internal control over financial reporting and compliance.

W Greene PLLC

Whiteville, North Carolina
November 1, 2019

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

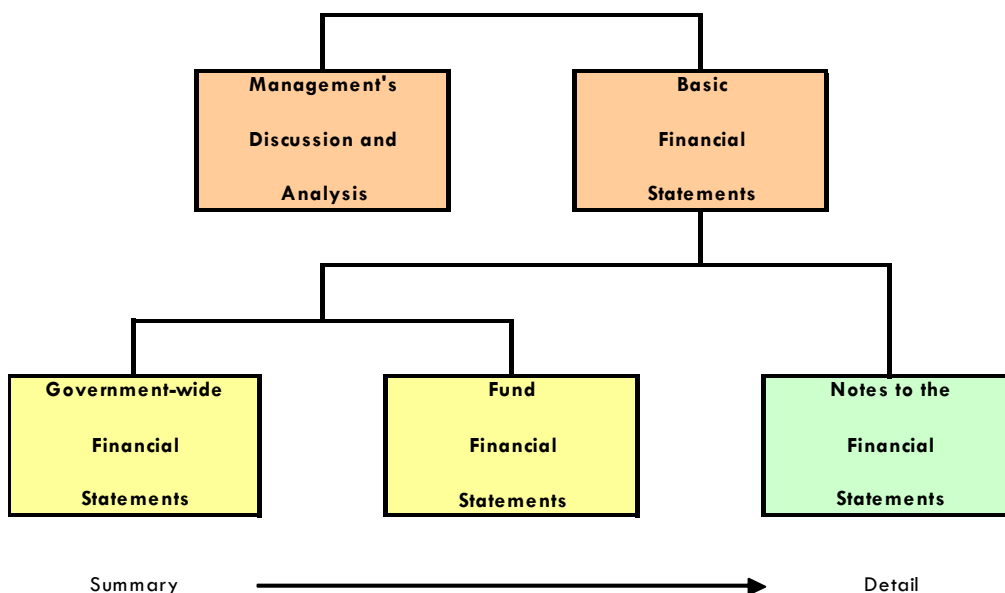
- The assets and deferred outflows of resources of the Town of Shallotte exceeded its liabilities and deferred inflows at the close of the fiscal year by \$34,388,377 (net position).
- The government's total net position increased by \$1,325,372, primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Shallotte's governmental funds reported combined ending fund balances of \$7,821,733 with a net increase of \$147,727 in fund balance. Approximately 8.73 percent of this total amount, or \$682,683, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,988,594, or 100.90 percent of total general fund expenditures for the fiscal year.
- The Town of Shallotte's total debt increased by \$500,726 during the current fiscal year. The key factor in this increase was the Town's new debt obtained for a pumper fire truck purchased during the current year and an increase in pension and OPEB related debt.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 20 through 23) 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 (pages 24 through 35) 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 three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administrative. 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. This includes the water and sewer services offered by the Town of Shallotte. The final category is the component units. Although legally separate from the Town, the ABC Board and Shallotte Tourism Development Authority are important to the Town because the Town exercises control over the Board and the Authority by appointing its members and because the Board is required to distribute a portion of its profits to the Town while the Authority distributes 50% of the occupancy taxes it collects to the Town.

The government-wide financial statements are on pages 20 through 23 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 Shallotte, 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 Shallotte 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* that 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 Shallotte adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 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 Shallotte has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Shallotte uses enterprise funds to account for its water and sewer activity. This fund is the same as those functions shown in 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 are on pages 36 through 72 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Shallotte's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 74 of this report.

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

Government-Wide Financial Analysis

Town of Shallotte's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 8,477,975	\$ 8,389,607	\$ 5,130,599	\$ 4,978,864	\$ 13,608,574	\$ 13,368,471
Capital assets	15,550,436	14,469,961	10,378,964	10,409,913	25,929,400	24,879,874
Deferred outflows of resources	617,657	367,348	193,733	100,947	811,390	468,295
Total assets and deferred outflows of resources	24,646,068	23,226,916	15,703,296	15,489,724	40,349,364	38,716,640
Long-term liabilities outstanding	4,364,694	4,014,961	365,850	263,362	4,730,544	4,278,323
Other liabilities	825,851	732,729	355,092	499,156	1,180,943	1,231,885
Deferred inflows of resources	45,809	157,814	3,691	8,239	49,500	166,053
Total liabilities and deferred inflows of resources	5,236,354	4,905,504	724,633	770,757	5,960,987	5,676,261
Net position:						
Net investment in capital assets	12,140,534	11,147,830	10,300,587	10,331,536	22,441,121	21,479,366
Restricted	623,749	568,099	-	-	623,749	568,099
Unrestricted	6,645,431	6,605,483	4,678,076	4,387,431	11,323,507	10,992,914
Total net position	\$ 19,409,714	\$ 18,321,412	\$ 14,978,663	\$ 14,718,967	\$ 34,388,377	\$ 33,040,379

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 Shallotte exceeded liabilities and deferred inflows by \$34,388,377 as of June 30, 2019. The Town's net position increased by \$1,325,372 for the fiscal year ended June 30, 2019. However, a large portion (65.26%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Shallotte uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Shallotte's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Shallotte's net position, \$623,749, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,323,507 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.83%.
- Increases in the following revenues for the 2018-2019 year contributed to the increase in total unrestricted governmental net position – (1) sales tax; (2) district fire fees; and (3) federal and state grants.

Management's Discussion and Analysis (Continued)

The Town of Shallotte's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 774,746	\$ 666,063	\$ 3,251,556	\$ 3,149,996	\$ 4,026,302	\$ 3,816,059
Operating grants and contributions	605,294	155,652	206,484	-	811,778	155,652
Capital grants and contributions	-	58,255	-	-	-	58,255
General Revenues						
Property taxes	2,384,174	2,368,267	-	-	2,384,174	2,368,267
Other taxes	1,928,244	39,095	-	-	1,928,244	39,095
Grants and contributions	-	1,854,579	-	-	-	1,854,579
Other	141,977	86,817	183,524	257,265	325,501	344,082
Total revenues	5,834,435	5,228,728	3,641,564	3,407,261	9,475,999	8,635,989
Expenses:						
General Government	985,645	805,508	-	-	985,645	805,508
Public Safety	2,814,877	2,483,946	-	-	2,814,877	2,483,946
Transportation	444,267	427,275	-	-	444,267	427,275
Environmental Protection	-	1,346	-	-	-	1,346
Economic and Physical Development	115,815	87,750	-	-	115,815	87,750
Cultural and Recreation	331,086	296,480	-	-	331,086	296,480
Interest on long-term debt	72,540	74,402	-	-	72,540	74,402
Water and Sewer	-	-	3,386,397	3,132,445	3,386,397	3,132,445
Total expenses	4,764,230	4,176,707	3,386,397	3,132,445	8,150,627	7,309,152
Increase(Decrease) in net position before transfers	1,070,205	1,052,021	255,167	274,816	1,325,372	1,326,837
Transfers	-	-	-	-	-	-
Change in net position	1,070,205	1,052,021	255,167	274,816	1,325,372	1,326,837
Net position, July 1 (consolidated)	18,321,412	17,359,759	14,718,967	14,408,257	33,040,379	31,768,016
Restatement	18,097	(90,368)	4,529	35,894	22,626	(54,474)
Net Position, July 1- Restated	18,339,509	17,269,391	14,723,496	14,444,151	33,063,005	31,713,542
Net position, June 30	\$ 19,409,714	\$ 18,321,412	\$ 14,978,663	\$ 14,718,967	\$ 34,388,377	\$ 33,040,379

Governmental activities. Governmental activities increased the Town's net position by \$1,070,205, thereby accounting for 80.75% of the total increase in the net position of the Town of Shallotte. Key elements of this increase are as follows:

- The Town had the following increases in these revenues for 2018-2019 from 2017-2018:
Sales Tax – 11.20%
District Fees – 11.70%
Federal & State Grants – 180.46%

Business-type activities. Business-type activities increased the Town of Shallotte's net position by \$255,167. Key elements of this increase are as follows:

- Water and sewer revenues increased during the year, as well as operating grants.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Shallotte'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 Shallotte's financing requirements.

The general fund is the chief operating fund of the Town of Shallotte. At the end of the current fiscal year, Town of Shallotte's fund balance available in the General fund was \$7,350,642, while total fund balance reached \$7,914,463. The Town currently has an available fund balance of 122.57% of general fund expenditures, while the total balance represents 133.35% of the same amount.

At June 30, 2019, the governmental funds of Town of Shallotte reported a combined fund balance of \$7,821,733 with a net increase in fund balance of \$147,727.

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. The Town revised its budget throughout the year for the following reasons:

1. Purchase of real estate that was planned for 2017-2018 year but delayed.
2. Purchase of additional real estate that became available during 2018-2019.
3. Record receipt and expenditure of FEMA funds.

Proprietary Funds. The Town of Shallotte's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,678,076. The total change in net position for the water and sewer fund was an increase of \$255,167. The change in net position in the Water and Sewer Fund is a result of an increase in System Development Fees compared to the prior fiscal year. The Town also received FEMA proceeds and a grant to cover the cost of mapping its water and sewer lines.

Capital Asset and Debt Administration

Capital assets. The Town of Shallotte's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$25,929,400 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following additions.

- Purchase of vehicles and equipment.
- Purchase of real estate.

The Town of Shallotte's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 7,073,084	\$ 6,386,360	\$ 113,068	\$ 113,068	\$ 7,186,152	\$ 6,499,428
Buildings and Distribution systems	2,605,343	2,701,134	9,464,846	9,665,151	12,070,189	12,366,285
Furniture	22,404	20,003	287,361	232,675	309,765	252,678
Machinery and Equipment	377,713	388,594	-	-	377,713	388,594
Computer Software	5,553	-	-	-	5,553	-
Infrastructure	3,422,396	3,483,097	-	-	3,422,396	3,483,097
Construction in Progress	344,842	162,094	216,495	84,920	561,337	247,014
Vehicles and Motorized Equipment	1,699,101	1,328,679	297,194	314,099	1,996,295	1,642,778
Total	\$ 15,550,436	\$ 14,469,961	\$ 10,378,964	\$ 10,409,913	\$ 25,929,400	\$ 24,879,874

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

Long-term Debt. As of June 30, 2019, the Town of Shallotte had total debt outstanding of \$5,111,378. Of this, \$-0- is debt backed by the full faith and credit of the Town of Shallotte.

The Town of Shallotte's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment purchase debt	\$ 3,409,902	\$ 3,322,131	\$ 78,377	\$ 78,377	\$ 3,488,279	\$ 3,400,508
Compensated absences	146,654	156,235	51,110	47,798	197,764	204,033
Total OPEB liability	192,745	162,554	34,014	48,582	226,759	211,136
Pension related debt (LERS)	680,978	426,253	241,151	127,394	922,129	553,647
Pension related debt (LEO)	276,447	241,328	-	-	276,447	241,328
Total	\$ 4,706,726	\$ 4,308,501	\$ 404,652	\$ 302,151	\$ 5,111,378	\$ 4,610,652

Town of Shallotte Outstanding Debt

The Town of Shallotte's total debt increased by \$500,726 during the fiscal year. The key factors in this increase were the purchase of a new fire truck for \$381,311 and an increase of \$368,482 in the net pension liability for the Local Government Employees Retirement System (LGERS).

The Town of Shallotte has a Baa rating from Moody's Investor Service and BBB from Standard and Poor's Corporation and a rating of 76. The average rating for all municipalities rated by the Municipal Council with populations of 5,000 or less is 75. This bond rating is a clear indication of the sound financial condition of the Town of Shallotte.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Shallotte is \$55,196,649. The Town of Shallotte does not have any authorized but un-issued debt at June 30, 2019.

Additional information regarding the Town of Shallotte's long-term debt can be found beginning on page 68 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- The County's unemployment rate as of July 2019 was 5.2% while the state average was 4.4%. This represents a 7.69% increase from July 2018.
- Construction activity has increased in 2018-2019 as evidenced by the increase in system development fees. Construction is expected to continue this trend for 2019-2020.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

- The property tax rate for the 2019-2020 year was increased slightly by \$.0025 to offset the reduction in property tax revenues due to revaluation.
- Fire fees have been increased by ten percent in order to continue to provide excellent service to the community in regards to Fire and EMT services.
- Construction on the Riverwalk project is expected to begin in the 2019-2020 year.

Business-type Activities.

- The water rate for the 2019-2020 year is to include a \$.05 increase which is due to the County increasing the Town's wholesale water purchase price by \$.05. The sewer rate for 2019-2020 will remain the same from 2018-2019.
- The 2019-2020 budget includes an expenditure for the purchase of a new type of radio read meter manufactured by Kamstrup. These meters will enable the Town to read them directly from Town Hall and eliminate the need for drive by.
- The Town's sewer lines are expected to be fully mapped by the end of the 2019-2020 year. The water lines should be finished in the early part of the 2019-2020 year.

Requests for Information

This report is designed to provide an overview of the Town 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 following:

Isaac Norris, Jr.
Finance Officer
Town of Shallotte
PO Box 2287
Shallotte, NC 28459
(910)754-4032
www.townofshallotte.org
inorris@townofshallotte.org



Basic Financial Statements

TOWN OF SHALLOTTE, NORTH CAROLINA

Statement of Net Position

June 30, 2019

	Primary Government				Shallotte Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total	Shallotte ABC Board	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 7,442,516	\$ 4,159,582	\$ 11,602,098	\$ 282,221	\$ 215,513
Receivables (net):					
Ad Valorem Taxes	173,712	-	173,712	-	-
Interest	47,018	-	47,018	-	-
Accounts Receivable	-	604,311	604,311	-	5,907
Due from Other Governments	428,150	136,636	564,786	-	-
Due from Component Units	54,944	-	54,944	-	-
Internal Balances	(79,682)	79,682			
Inventories	-	2,179	2,179	283,552	-
Prepaid Items	58,934	11,595	70,529	-	-
Restricted Cash and Cash Equivalents	352,383	136,614	488,997	-	-
Total Current Assets	8,477,975	5,130,599	13,608,574	565,773	221,420
Noncurrent Assets:					
Capital Assets					
Land, Nondepreciable Improvements, and Construction in Progress	7,417,926	329,563	7,747,489	8,250	-
Other Capital Assets, Net of Depreciation	8,132,510	10,049,401	18,181,911	4,054	-
Total Noncurrent Assets	15,550,436	10,378,964	25,929,400	12,304	-
Total Assets					
	24,028,411	15,509,563	39,537,974	578,077	221,420
DEFERRED OUTFLOWS OF RESOURCES					
Pension Deferrals	609,640	193,233	802,873	37,530	-
OPEB Deferrals	8,017	500	8,517	-	-
Total Deferred Outflows of Resources					
	\$ 617,657	\$ 193,733	\$ 811,390	37,530	

TOWN OF SHALLOTTE, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2019

	Primary Government				Shallotte Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total	Shallotte ABC Board	
LIABILITIES					
Current Liabilities:					
Accounts Payable and					
Accrued Liabilities	\$ 483,819	\$ 179,676	\$ 663,495	68,065	-
Due to Primary Government				52,515	2,429
Customer Deposits	-	136,614	136,614	-	-
Current Portion of Long-Term Liabilities	342,032	38,802	380,834	-	-
Total Current Liabilities	825,851	355,092	1,180,943	120,580	2,429
Long-Term Liabilities:					
Net Pension Liability	680,978	241,151	922,129	32,501	-
Total Pension Liability	276,447	-	276,447	-	-
Total OPEB Liability	192,745	34,014	226,759	-	-
Due in More Than One year	3,214,524	90,685	3,305,209	-	-
Total Liabilities	5,190,545	720,942	5,911,487	153,081	2,429
DEFERRED INFLOWS OF RESOURCES					
Pension Deferrals	31,951	1,248	33,199	168	-
OPEB Deferrals	13,845	2,443	16,288	-	-
Prepaid Taxes	13	-	13	-	-
Total Deferred Inflows of Resources	45,809	3,691	49,500	168	-
NET POSITION					
Net Investment in Capital Assets	12,140,534	10,300,587	22,441,121	12,304	-
Restricted for:					
Transportation	25,000	-	25,000	-	-
Stabilization by State Statute	504,887	-	504,887	-	5,907
Cemetery	8,423	-	8,423	-	-
Pursuant to Loan Requirements	85,439	-	85,439	-	-
Capital Improvements	-	-	-	110,639	-
Working Capital	-	-	-	63,484	-
Unrestricted	6,645,431	4,678,076	11,323,507	275,931	213,084
Total Net Position	\$ 19,409,714	\$ 14,978,663	\$ 34,388,377	\$ 462,358	\$ 218,991

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 985,645	\$ 2,429	\$ 49,000	\$ -	
Public Safety	2,814,877	768,142	269,317	-	
Transportation	444,267	-	134,267	-	
Economic & Physical Development	115,815	4,175	145,000	-	
Cultural and Recreational	331,086	-	4,220	-	
Environmental Protection	-	-	3,490	-	
Interest on long-term debt	72,540	-	-	-	
Total Governmental Activities	4,764,230	774,746	605,294	-	
Business-Type Activities:					
Water and Sewer	3,386,397	3,251,556	206,484	-	
Total Business-Type Activities	\$ 3,386,397	\$ 3,251,556	\$ 206,484	\$ -	
Total Primary Government	\$ 8,150,627	\$ 4,026,302	\$ 811,778	\$ -	
Component Units:					
ABC Board	2,090,322	2,150,025	-	-	
Shallotte Tourism Development Authority	76,260	-	-	-	
Total Component Units	\$ 2,166,582	\$ 2,150,025	\$ -	\$ -	

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Activities (Continued)
For the Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Shallotte Tourism Development Authority	
	Governmental Activities	Business-Type Activities	Totals	Shallotte ABC Board	Shallotte Tourism Development Authority
Primary Government:					
Governmental Activities:					
General Government	\$ (934,216)	\$ -	\$ (934,216)	\$ -	\$ -
Public Safety	(1,777,418)	-	(1,777,418)	-	-
Transportation	(310,000)	-	(310,000)	-	-
Economic & Physical Development	33,360	-	33,360	-	-
Cultural and Recreational	(326,866)	-	(326,866)	-	-
Environmental Protection	3,490	-	3,490	-	-
Interest on long-term debt	(72,540)	-	(72,540)	-	-
Total Governmental Activities	(3,384,190)	-	(3,384,190)	-	-
Business-Type Activities:					
Water and Sewer	-	71,643	71,643	-	-
Total Business-Type Activities	-	71,643	71,643	-	-
Total Primary Government	(3,384,190)	71,643	(3,312,547)	-	-
Component Unit:					
ABC Board				59,703	-
Shallotte Tourism Development Authority				-	(76,260)
Total Component Unit	-	-	-	59,703	(76,260)
General Revenues:					
Property Taxes, Levied for General Purpose	2,384,174	-	2,384,174	-	-
Other Taxes and Licenses	1,928,244	-	1,928,244	-	80,958
Investment Earnings	60,503	29,122	89,625	1,764	22
Miscellaneous	81,474	154,402	235,876	-	-
Transfers	-	-	-	-	-
Total General Revenues and Transfers	4,454,395	183,524	4,637,919	1,764	80,980
Change in Net Position	1,070,205	255,167	1,325,372	61,467	4,720
Net Position, Beginning, previously reported	18,321,412	14,718,967	33,040,379	400,891	214,271
Restatement	18,097	4,529	22,626	-	-
Net Position, Beginning, restated	18,339,509	14,723,496	33,063,005	400,891	214,271
Net Position, Ending	\$ 19,409,714	\$ 14,978,663	\$ 34,388,377	\$ 462,358	\$ 218,991

TOWN OF SHALLOTTE, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2019

	Major Funds		
	General Fund	Riverfront Development Capital Project Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 7,422,553	\$ 19,963	\$ 7,442,516
Restricted Cash	352,383	-	352,383
Receivables (net):			
Ad Valorem Taxes	173,712	-	173,712
Due from Component Units	54,944	-	54,944
Due from Other Governments	428,150	-	428,150
Due from Other Funds	21,793	-	21,793
Prepaid Expenses	58,934	-	58,934
Total Assets	8,512,469	19,963	8,532,432
LIABILITIES			
Accounts Payable and			
Accrued Liabilities	344,599	90,900	435,499
Due to Other Funds	79,682	21,793	101,475
Total Liabilities	424,281	112,693	536,974
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Receivable	173,712	-	173,712
Prepaid Taxes	13	-	13
Total Deferred Inflows of Resources	173,725	-	173,725
FUND BALANCES			
Nonspendable			
Prepays	58,934	-	58,934
Restricted			
Stabilization by State Statute	504,887	-	504,887
Streets	25,000	-	25,000
Cemetery Maintenance	8,423	-	8,423
Pursuant to Loan Requirements	85,439	-	85,439
Committed	-	-	-
Assigned	-	-	-
Subsequent Year's Expenditures:	1,243,186	-	1,243,186
Unassigned	5,988,594	(92,730)	5,895,864
Total Fund Balances	7,914,463	(92,730)	7,821,733
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,512,469	\$ 19,963	\$ 8,532,432

TOWN OF SHALLOTTE, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2019

		Total Governmental Funds
<hr/>		
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance		\$ 7,821,733
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	\$ 19,986,396	
Accumulated depreciation	<u>(4,435,960)</u>	15,550,436
Deferred outflows of resources related to pensions are not reported in the funds	<u>609,640</u>	609,640
Deferred outflows of resources related to OPEB are not reported in the funds	<u>8,017</u>	8,017
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes	<u>47,018</u>	47,018
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes	<u>173,712</u>	173,712
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment notes	(3,409,902)	
Compensated absences	(146,654)	
OPEB liability	(192,745)	
Total pension liability	(276,447)	
Net pension liability	<u>(680,978)</u>	(4,706,726)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(31,951)</u>	(31,951)
Deferred inflows of resources related to OPEB are not reported in the funds	<u>(13,845)</u>	(13,845)
Other liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	<u>(48,320)</u>	<u>(48,320)</u>
Net position of governmental activities		<u>\$ 19,409,714</u>

TOWN OF SHALLOTTE, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	Major Funds		
	General Fund	Riverfront Development Capital Project Fund	Total Governmental Funds
Revenues			
Ad Valorem Taxes	\$ 2,406,273	\$ -	\$ 2,406,273
Other Taxes and Licenses	620	-	620
Unrestricted Intergovernmental	1,902,343	-	1,902,343
Restricted Intergovernmental	1,368,662	-	1,368,662
Permits and Fees	32,484	-	32,484
Sales and Services	4,175	-	4,175
Investment Earnings	60,503	-	60,503
Miscellaneous	64,331	-	64,331
Total Revenues	5,839,391	-	5,839,391
Expenditures			
Current			
General Government	945,645	-	945,645
Public Safety	2,548,556	-	2,548,556
Transportation	336,406	-	336,406
Economic and Physical Development	109,603	-	109,603
Cultural and Recreation	274,700	-	274,700
Debt Service			-
Principal	293,540	-	293,540
Interest and Other charges	72,540	-	72,540
Capital Outlay			-
General Government	719,411	155,080	874,491
Public Safety	555,537	-	555,537
Transportation	73,150	-	73,150
Economic and Physical Development	5,950	-	5,950
Total Expenditures	5,935,038	155,080	6,090,118
Excess (Deficiency) of Revenues Over Expenditures	(95,647)	(155,080)	(250,727)
Other Financing Sources (Uses)			
Transfers from Other Funds	-	62,350	62,350
Transfers to Other Funds	(62,350)	-	(62,350)
Installment Purchase Obligations Issued	381,311	-	381,311
Sale of Capital Assets	17,143	-	17,143
Total Other Financing Sources (Uses)	336,104	62,350	398,454
Net Change in Fund Balance	240,457	(92,730)	147,727
Fund Balance - Beginning as Previously Reported	7,655,909	-	7,655,909
Prior Period Adjustment	18,097	-	18,097
Fund Balance - Beginning as Restated	7,674,006	-	7,674,006
Fund Balance - End of Year	\$ 7,914,463	\$ (92,730)	\$ 7,821,733

TOWN OF SHALLOTTE, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Governmental Funds

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	\$ 147,727
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	1,509,128	
Depreciation expense	<u>(428,652)</u>	1,080,476

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	151,540
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Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities	13,344
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OPEB benefit payments paid and administrative costs paid in the current year are not included on the Statement of Activities	5,186
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Change in unavailable revenue for tax revenues	(8,404)	
Interest earned on ad valorem taxes	<u>(13,695)</u>	(22,099)

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

Debt issuance	(381,311)	
Debt retirement	<u>293,540</u>	(87,771)

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:

Pension Expense	(193,759)	
OPEB expense	(34,020)	
Compensated absences	<u>9,581</u>	<u>(218,198)</u>

Total changes in net position of governmental activities	<u>\$ 1,070,205</u>
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TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2019

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 2,302,234	\$ 2,302,234	\$ 2,406,273	\$ 104,039
Other Taxes and Licenses	550	550	620	70
Unrestricted Intergovernmental	1,619,750	1,619,750	1,902,343	282,593
Restricted Intergovernmental	934,550	1,238,719	1,368,662	129,943
Permits and Fees	21,550	21,550	32,484	10,934
Sales and Services	2,500	2,500	4,175	1,675
Investment Earnings	38,000	38,000	60,503	22,503
Miscellaneous	30,481	37,433	64,331	26,898
Total Revenues	4,949,615	5,260,736	5,839,391	578,655
Expenditures				
General Government	933,012	1,801,668	1,665,056	136,612
Public Safety	3,152,855	3,274,424	3,104,093	170,331
Transportation	833,483	861,429	409,556	451,873
Economic and Physical Development	150,114	150,114	115,553	34,561
Cultural and Recreation	320,757	320,757	274,700	46,057
Debt Service				
Principal	366,080	313,460	293,540	19,920
Interest and Other Charges	-	72,540	72,540	-
Total Expenditures	5,756,301	6,794,392	5,935,038	859,354
Revenues Over (Under) Expenditures	(806,686)	(1,533,656)	(95,647)	1,438,009
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	(62,350)	(62,350)	-
Sale of Capital Assets	-	11,000	17,143	6,143
Installment Purchase Obligations Issued	385,000	385,000	381,311	(3,689)
Total Other Financing Sources (Uses)	385,000	333,650	336,104	2,454
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(421,686)	(1,200,006)	240,457	1,440,463
Appropriated Fund Balance	421,686	1,200,006	-	(1,200,006)
Net Change in Fund Balance	\$ -	\$ -	240,457	\$ 240,457
Fund Balance - Beginning as Previously Reported			7,655,909	
Prior Period Adjustment			18,097	
Fund Balance - Beginning as Restated			<u>7,674,006</u>	
Fund Balance - End of Year			<u>\$ 7,914,463</u>	

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Water and Sewer Fund
<hr/>	
ASSETS	
Current Assets	
Cash and Investments	\$ 4,159,582
Accounts Receivable (net)	604,311
Due from Other Funds	79,682
Due from Other Governments	136,636
Inventories	2,179
Prepaid Expenses	11,595
Restricted Cash and Cash Equivalents	136,614
Total Current Assets	<u>5,130,599</u>
Noncurrent Assets	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	329,563
Other Capital Assets, Net of Depreciation	10,049,401
Total Noncurrent Assets	<u>10,378,964</u>
Total Assets	<u>15,509,563</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferrals	193,233
OPEB Deferrals	500
Total Deferred Outflows of Resources	<u>\$ 193,733</u>

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Water and Sewer Fund
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 179,676
Customer Deposits	136,614
Notes Payable	38,802
Total Current Liabilities	<u>355,092</u>
Noncurrent Liabilities	
Notes Payable	39,575
Compensated Absences Payable	51,110
Net Pension Liability	241,151
Total OPEB Liability	34,014
Total Noncurrent Liabilities	<u>365,850</u>
Total Liabilities	<u>720,942</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Deferrals	1,248
OPEB Deferrals	2,443
Total Deferred Inflows of Resources	<u>3,691</u>
NET POSITION	
Net Investment in Capital Assets	10,300,587
Unrestricted	4,678,076
Total Net Position	<u>\$ 14,978,663</u>



TOWN OF SHALLOTTE, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2019

	Water and Sewer Fund
Operating Revenues	
Water Charges	\$ 1,045,158
Sewer Charges	1,735,329
Water and Sewer Taps	129,873
System Development Fees	339,443
Transmission Recovery Fees	1,753
Other Operating Revenues	71,152
Total Operating Revenues	<u>3,322,708</u>
Operating Expenses	
Water Treatment and Distribution	1,078,228
Waste Collection and Treatment	1,356,469
Depreciation	453,276
Total Operating Expenses	<u>2,887,973</u>
Operating Income (Loss)	<u>434,735</u>
Nonoperating Revenues (Expenses)	
Investment Earnings	29,122
Grants	206,484
Capital Charges to Brunswick County	(498,424)
Interest Expense	-
Total Nonoperating Revenues (Expenses)	<u>(262,818)</u>
Total Income (Loss) Before Contributions and Transfers	171,917
Capital Contributions	<u>83,250</u>
Change in Net Position	<u>255,167</u>
Total Net Position - Previously Reported	14,718,967
Beginning Net Position - Restated	<u>14,723,496</u>
Total Net Position - End of Year	<u>\$ 14,978,663</u>

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Water and Sewer Fund
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 3,185,903
Cash Paid for Goods and Services	(1,620,116)
Cash Paid to Employees for Services and Benefits	(962,984)
Customer Deposits Received	15,440
Customer Deposits Returned	(12,882)
Other Revenues	71,152
Net Cash Provided(Used) by Operating Activities	<u>676,513</u>
Cash Flows from Noncapital Financing Activities	
Decrease in Due from Other Funds	19,920
Capital Charges paid to Brunswick County	(498,424)
Federal and State Grants	206,484
Net Cash Provided(Used) by Noncapital Financing Activities	<u>(272,020)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(339,077)
Installment Obligation Issued	-
Interest Paid on Bond Maturities and Equipment Contracts	-
Principal Paid on Bond Maturities and Equipment Contracts	-
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>(339,077)</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>29,122</u>
Net Increase(Decrease) in Cash and Cash Equivalents	94,538
Cash and Cash Equivalents - Beginning of Year	<u>4,201,658</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 4,296,196</u></u>

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Cash Flows (Continued)
Proprietary Fund
For the Year Ended June 30, 2019

	Water and Sewer Fund
<hr/>	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 434,735
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	453,276
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	34,017
(Increase) Decrease in Due From Other Governments	(99,670)
(Increase) Decrease in Prepaids	(10,785)
(Increase) Decrease in Inventories	(679)
(Increase) Decrease in Deferred Outflows of Resources - Pensions	(92,286)
(Increase) Decrease in Deferred Outflows of Resources - OPEB	(500)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(142,106)
Increase (Decrease) in Customer Deposits	2,558
Increase (Decrease) in OPEB Liability	(14,568)
Increase (Decrease) in Net Pension Liability	113,757
Increase (Decrease) in Deferred Inflows of Resources - Pensions	(5,476)
Increase (Decrease) in Deferred Inflows of Resources - OPEB	928
Increase (Decrease) in Compensated Absences Payable	3,312
Total Adjustments	241,778
Net Cash Provided(Used) by Operating Activities	\$ 676,513

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Town of Shallotte ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Shallotte ABC Board, 4715 Main Street, Shallotte, NC 28459.

Shallotte Tourism Development Authority

The members of Shallotte Tourism Development Authority (the Authority) governing board are appointed by the Town. In addition, the Authority is required by State Statute to pay the Town a collection fee for collecting occupancy taxes on its behalf and at its discretion, distributes 50% of its "net revenue" to the Town for tourism related expenditures. Net revenue is the occupancy taxes collected each month less the collection fee due to the Town. The Authority, which has a June 30 year end, is presented as if it were a general fund. Complete financial statements for the Authority may be obtained from the Shallotte Town Hall at 110 Cheers Street, Shallotte, NC 28459.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Fund Accounting (Continued)

the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The Town reports the following major governmental funds:

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

Riverfront Development Capital Project Fund. This fund is used to account for construction and development on the riverfront.

The Town reports the following major enterprise fund:

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 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. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 nonoperating 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's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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 are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Shallotte because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town, ABC Board and the Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town, ABC Board, and the Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town, ABC Board and the Authority 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, ABC Board and the Authority 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The Town has no investments in securities at June 30, 2019.

2. Cash and Cash Equivalents

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S.136-41.1 through 136-41.4. The Town has also received cash from a local source that is restricted to the perpetual care of a family cemetery. The Town has agreed to upkeep the cemetery as it becomes necessary. The Town has received funds from a local real estate developer to hold as “a guarantee” that work on streets in the development will be completed according to federal, state and local regulations. The Town has also received an earnest deposit from an interested developer for a future development project. Money pursuant to loan requirements are classified as restricted because of the requirements set forth by the USDA in the loan contract.

Town of Shallotte Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 228,521
Administration – Cemetery Care	8,423
Economic Development	30,000
Pursuant to Loan Requirements	85,439
Total Governmental Activities	352,383
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	136,614
Total Restricted Cash	\$ 488,997

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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.

5. Allowances for Doubtful Accounts

The Town reviews its water and sewer receivables periodically for accounts that are delinquent. If it is determined that no further collections may be made, an allowance for doubtful accounts is set up for these accounts. If the Board wishes, these accounts are later approved to be written off the books of the Town.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Inventory and Prepaid Items

The inventories of the Town and ABC Board are valued at cost (first-in, first-out) and lower of cost (first-in, first-out) or market, respectively. The inventories of the Town's enterprise fund and those of the ABC Board consist of materials and supplies held for consumption. The costs of these inventories are recorded as an expense as the inventories are consumed.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$0; buildings, improvements, substations, lines, and other plant and distribution systems, \$20,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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	10-75
Buildings	50
Vehicles	6
Furniture and Equipment	10
Computer Equipment	3

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

Asset Class	Estimated Useful Lives
Building and Improvements	10-35
Land and Improvements	5-15
Furniture and Fixtures	5-10

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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 recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to thirty (30) and ten (10), respectively, days earned vacation leave with such leave being fully vested when earned. The Town has assumed a last-in, first-out method of using accumulated compensated time. No amount has been designated as a current liability in the government-wide financial statements. For the Town's government-wide and proprietary funds and ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Compensated Absences (Continued)

The Town's and the ABC Board's sick leave policies provide for an unlimited accumulation of hours and 240 hours, respectively, of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town nor the ABC Board does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid expenses – Prepaid expenses represent fund balance amounts that are not in spendable form. This represents items that have already been spent that are for a future period.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Assets/Fund Balances (Continued)

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.

Restricted for Cemetery Perpetual Care – portion of fund balance that is restricted due to the requirements that the resources are to be spent to care for the cemetery.

Restricted for Loan Requirements – portion of fund balance that is restricted due to the requirements in the loan contract with the USDA.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Shallotte'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 similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that Town of Shallotte intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation and only the Board has the authority to amend it.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Assets/Fund Balances (Continued)

The Town of Shallotte has not adopted a formal fund balance policy. It has decided to follow the general guidance in Governmental Accounting Standards #54 regarding the spending order of unrestricted fund balance. Funds are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, 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 Shallotte's employer contributions are recognized when due and the Town of Shallotte 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. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town, the ABC Board and the Authority 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, the ABC Board's, or the Authority's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the ABC Board and the Authority, these deposits are considered to be held by the Town's, the ABC Board's and the Authority's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town, the ABC Board and the Authority have no formal policy regarding custodial credit risk for deposits but rely 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.

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**A. Assets (Continued)****1. Deposits (Continued)**

At June 30, 2019, the Town's deposits had a carrying amount of \$10,875,929 and a bank balance of \$10,953,391. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$279,996 and the bank balance was \$281,461. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Authority was \$215,513 and the bank balance was \$215,513. All of the bank balance was covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$500. At June 30, 2019, the ABC Board's petty cash fund was \$2,225.

2. Investments

At June 30, 2019, the Town of Shallotte had \$1,214,666 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk. The Authority did not have any investments at June 30, 2019. Neither the ABC Board nor the Authority have a policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>06/30/2019</u>
General Fund:	
Taxes receivable	\$ -
Total General Fund	-
Enterprise Fund:	
Utilities receivable	227
Total Enterprise Fund	227
Total	\$ 227

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,386,360	\$ 686,724	\$ -	\$ 7,073,084
Construction in Progress	162,094	185,048	2,300	344,842
Total capital assets not being depreciated	6,548,454	871,772	2,300	7,417,926
Capital assets being depreciated:				
Buildings	3,687,590	-	-	3,687,590
Equipment	1,325,734	62,733	-	1,388,467
Furniture	91,888	5,018	-	96,906
Computer equipment	61,770	-	-	61,770
Computer software	83,409	5,950	-	89,359
Vehicles and motorized equipment	2,993,050	532,804	328,260	3,197,594
Infrastructure	4,013,634	33,150	-	4,046,784
Total capital assets being depreciated	12,257,075	639,655	328,260	12,568,470
Less accumulated depreciation for:				
Buildings	986,456	95,791	-	1,082,247
Equipment	937,140	73,614	-	1,010,754
Furniture	71,885	2,617	-	74,502
Computer equipment	61,770	-	-	61,770
Computer software	83,409	397	-	83,806
Vehicles and motorized equipment	1,664,371	162,382	328,260	1,498,493
Infrastructure	530,537	93,851	-	624,388
Total accumulated depreciation	4,335,568	428,652	328,260	4,435,960
Total capital assets being depreciated, net	7,921,507			8,132,510
Governmental activity capital assets, net	\$ 14,469,961			\$ 15,550,436

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

General Government	\$ 40,534
Public Safety	232,761
Transportation	101,265
Economic and Physical Development	-
Cultural and Recreational	54,092
Total	<u>\$ 428,652</u>

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**A. Assets (Continued)****4. Capital Assets (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 113,068	\$ -	\$ -	113,068
Construction in progress	84,920	131,575	-	216,495
Total capital assets not being depreciated	197,988	131,575	-	329,563
Capital assets being depreciated:				
Plant and distribution systems	14,067,526	175,630	-	14,243,156
Furniture and maintenance equipment	555,523	92,176	-	647,699
Vehicles	487,036	22,946	-	509,982
Total capital assets being depreciated	15,110,085	290,752	-	15,400,837
Less accumulated depreciation for:				
Plant and distributions systems	4,402,375	375,935	-	4,778,310
Furniture and maintenance equipment	322,848	37,490	-	360,338
Vehicles	172,937	39,851	-	212,788
Total accumulated depreciation	4,898,160	453,276	-	5,351,436
Total capital assets being depreciated, net	10,211,925			10,049,401
Water and Sewer fund capital assets, net	\$ 10,409,913			\$ 10,378,964

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 8,250	\$ -	\$ -	\$ 8,250
Total capital assets not being depreciated	8,250	-	-	8,250
Capital assets being depreciated:				
Buildings and improvements	180,541	-	-	180,541
Land improvements	8,853	-	-	8,853
Furniture and equipment	97,443	-	-	97,443
Total capital assets being depreciated	286,837	-	-	286,837
Less accumulated depreciation for:				
Buildings and improvements	173,145	4,943	-	178,088
Land improvements	8,853	-	-	8,853
Furniture and equipment	92,294	3,548	-	95,842
Total accumulated depreciation	274,292	8,491	-	282,783
Total capital assets being depreciated, net	12,545			4,054
Total ABC Board capital assets, net	\$ 20,795			\$ 12,304

The Shallotte Tourism Development Authority had no fixed assets as of June 30, 2019.

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Shallotte is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government 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 serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Shallotte employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Shallotte's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Shallotte were \$205,204 for the year ended June 30, 2019.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2019, the Town reported a liability of \$922,129 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 liability 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, 2018 (measurement date), the Town's proportion was 0.03887%, which was an increase of 0.002630% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$249,063. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 142,263	\$ 4,774
Changes of assumptions	244,698	-
Net difference between projected and actual earnings on pension plan investments	126,581	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,151	-
Town contributions subsequent to the measurement date	205,204	-
Total	<u>\$ 738,897</u>	<u>\$ 4,774</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

\$205,204 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2020	\$	251,090
2021		165,425
2022		34,132
2023		78,272
2024		-
Thereafter		-
	\$	<u>528,919</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	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 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 SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

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%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Sensitivity of the Town's proportionate share of the net pension liability 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 one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,215,035	\$ 922,129	\$ (158,242)

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance****1. Plan Description**

The Town of Shallotte administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	<u>13</u>
Total	<u><u>14</u></u>

2. Summary of Significant Accounting Policies:

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. 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	2.5 percent
Salary Increases	3.50 percent to 7.35 percent
Discount Rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2015 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$26,689 as benefits came due for the year ended June 30, 2019.

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

At June 30, 2019, the Town reported a total pension liability of \$276,447. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$27,711.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,985	\$ 17,344
Changes of assumptions	10,647	11,081
Town benefit payments and plan administrative expense subsequent to the measurement date	13,344	-
Total	<u>\$ 63,976</u>	<u>\$ 28,425</u>

\$13,344 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 3,892
2021	3,892
2022	3,892
2023	4,296
2024	6,172
Thereafter	63
	<u>\$ 22,207</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 297,726	\$ 276,447	\$ 257,017

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

	2019
Beginning balance	\$ 241,328
Service Cost	16,615
Interest on the total pension liability	7,204
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	47,966
Changes of assumptions or other inputs	(9,977)
Benefit payments	(26,689)
Other changes	-
Ending balance of the total pension liability	\$ 276,447

The plan currently uses mortality tables that vary by age, 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.

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)*****Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions***

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 249,063	\$ 27,711	\$ 276,774
Pension Liability	922,129	276,447	1,198,576
Proportionate share of the net pension liability	0.03887%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	142,263	39,985	182,248
Changes of assumptions	244,698	10,647	255,345
Net difference between projected and actual earnings on plan investments	126,581	-	126,581
Changes in proportion and differences between contributions and proportionate share of contributions	20,151	-	20,151
Benefit payments and administrative costs paid subsequent to the measurement date	205,204	13,344	218,548
Deferred Inflows of Resources			
Differences between expected and actual experience	4,774	17,344	22,118
Changes of assumptions	-	11,081	11,081
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$56,247 which consisted of \$37,157 from the Town and \$19,090 from the law enforcement officers. No amounts were forfeited.

The Town has also elected for all employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan. The Town contributes five percent of the employee's monthly compensation to the plan, and the employees may make voluntary contributions. Total contributions for the year ended June 30, 2019 were \$127,680, which consisted of \$92,347 from the Town and \$35,333 from the employees. No amounts were forfeited.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer Healthcare Plan (the HC Plan). As of July 1, 2015, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Government Employees' Retirement System (System) and have at least 20 years of creditable service with the Town. For employees with 20 years of experience, the Town pays 50% of the cost of coverage for employees' benefits through private insurers for five (5) years or until eligible for Medicare. For employees with 25 years of experience, the Town pays 75% of the cost of coverage for five (5) years or until eligible for Medicare. For employees with 30 years of experience, the Town pays 100% of the cost of coverage for five (5) years or until eligible for Medicare. For those employees who retire with less than 20 years of service, they are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Retirees are not allowed to have dependent coverage through the Town's plan. The Town may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HC Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement & Firefighter Employees:
Retirees receiving benefits	0	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	30	23
Total	30	23

Total OPEB Liability

The Town's total OPEB liability of \$226,759 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefits (OPEB)

Healthcare Benefits (Continued)

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases, including wage inflation	3.50%–7.75% General Employees 3.50%–7.35% Law Enforcement 3.50%–7.75% Firefighters
Discount rate	3.89%
Healthcare cost trend rate	7.50%, for 2017 decreasing to an ultimate rate of 5% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 211,136
Changes for the year	
Service Cost	17,351
Interest	7,411
Changes of benefit terms	-
Differences between expected and actual experience	3,766
Changes in assumptions or other inputs	(6,921)
Benefit payments	(5,984)
Net Changes	<u>15,623</u>
Balance at June 30, 2019	<u>\$ 226,759</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefits (OPEB)

Healthcare Benefits (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	\$ 248,399	\$ 226,759	\$ 207,062

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

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 198,159	\$ 226,759	\$ 261,008

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$22,872. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,331	\$ 1,658
Changes of assumptions	-	14,630
Benefit payments and administrative costs made subsequent to the measurement date	5,186	-
Total	\$ 8,517	\$ 16,288

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefits (OPEB)

Healthcare Benefits (Continued)

\$5,186 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2020	\$	(1,890)
2021		(1,890)
2022		(1,890)
2023		(1,890)
2024		(1,890)
Thereafter		(3,507)
	<u>\$</u>	<u>(12,957)</u>

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the NC League of Municipalities program, Municipal Insurance Trust of North Carolina. The Basic Employee Life Earning means base salary, but excludes commissions, bonuses, overtime pay, and any other extra compensation received by the employee. The maximum coverage is \$200,000. The amount of life insurance will equal the amount described above, multiplied by the appropriate percentage:

<u>Age of Employee</u>	
Under the age 65	100.0%
Age 65 through 69	65.0%
Age 70 through 74	45.0%
Age 75 and over	30.0%

The reduced amount of insurance will be adjusted to the next higher multiple of \$1000 if not already a multiple of \$1,000. The plan provides a living benefit of 50% of the life benefit, with a maximum payment of \$100,000 for terminal illness expected to result in death within 12 months. To be eligible an individual must have at least \$10,000 of life insurance.

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****2. Other Employment Benefit (Continued)**

The Town also provides Employee AD&D Insurance Benefits. This Accidental Death and Dismemberment Insurance principal sum is also one times earnings, rounded to the next higher \$1,000, subject to a minimum of \$25,000. The AD&D benefit is a percentage of the principal sum based on the type of loss as shown in the table below:

<u>Accidental Loss of:</u>	<u>% of Principal Sum</u>
Life	100.0%
Both hands or both feet	
or sight in both eyes	100.0%
One hand and one foot	100.0%
Either hand or foot and	
sight of one eye	100.0%
One hand or one foot	50.0%
Sight of one eye	50.0%
Max any one accident	100.0%

Annual earning means base salary, but excludes commissions, bonuses, overtime pay, and any other extra compensation received from the employer. This policy maximum is also \$200,000. Loss must occur within 90 days after the accident. The amount of life insurance will equal the amount described above, multiplied by the appropriate percentage:

<u>Age of Employee</u>	
Under the age 65	100.0%
Age 65 through 69	65.0%
Age 70 through 74	45.0%
Age 75 and over	30.0%

The reduced amount of insurance will be adjusted to the next higher multiple of \$1,000, if not already a multiple of \$1,000.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefit (Continued)

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$	205,204
Benefit payments made and administrative expenses for LEOSSA		13,344
Benefit payments made for OPEB		5,186
Differences between expected and actual experience		185,579
Changes of assumptions		255,345
Net difference between projected and actual		126,581
Changes in proportion and differences between employer contributions and proportionate share of contributions		20,151
Charge on refunding		-
Total	\$	<u>811,390</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources (Continued)

Deferred inflows of resources at year-end is composed of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 173,712
Prepaid Taxes	13	13
Changes in assumptions	25,711	-
Difference between expected and actual experience	23,776	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	<u>\$ 49,500</u>	<u>\$ 173,725</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town 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 \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police liability and property in excess of \$1,000,000 and \$1,000,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Commercial health insurance is carried for employees with no lifetime limit.

The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the Interlocal Risk Financing Fund of North Carolina in the amount of \$5,000,000. The Town is in an area of the State that has been mapped and designated as an "X" area by the Federal Emergency Management Agency.

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 bonded under a blanket bond for \$110,000. The finance officer and tax collector are each individually bonded for \$150,000 and \$10,000, respectively. The Authority's finance officer is individually bonded for \$50,000.

The Authority carries commercial insurance with a limit of \$1,000,000 coverage.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management (Continued)

The Shallotte ABC Board 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 ABC Board has property, general liability, and workers' compensation and employee health coverage. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each Board member is bonded in the amount of \$100,000 under a public employees' blanket dishonesty bond. In accordance with G.S. 18B-803(b) and (c), all employees are bonded in the amount of \$100,000 under a public employees' blanket dishonesty bond.

5. Claims, Judgements and Contingent Liabilities

At June 30, 2019, the Town did not have any litigation pending.

6. Long-Term Obligations

a. Installment Purchases

In August 2007, the Town entered into an agreement with USDA for two loans, one for \$495,000 and one for \$485,000, to finance the construction of its new fire station and another loan of \$475,000 to acquire a building to be used as a new police station headquarters. All three loans carry an interest rate of 4.125% and require thirty payments of \$29,067, \$28,480 and \$27,892, respectively beginning August 7, 2009. All three loans are secured by the buildings constructed. The outstanding principal balances at June 30, 2019 were \$390,564, \$382,671 and \$374,791, respectively.

On March 13, 2014, the Town obtained a loan of \$948,219 from a local bank to purchase a 100ft. aerial platform truck. The loan carries an interest rate of 3.21% and is payable in 15 annual payments of \$80,640 which includes principal and interest beginning March 13, 2015. The loan is secured by the platform truck. The principal balance at June 30, 2019 was \$680,565.

On June 24, 2015, the Town entered into an installment financing agreement with a local utility corporation for a loan of \$2,000,000. The loan is a non-interest bearing loan that requires 10 annual payments of \$200,000. The first payment was due August 1, 2015. The Town used the proceeds of this loan to purchase real estate in June 2015. The principal balance at June 30, 2019 was \$1,200,000.

On October 3, 2017, the Town obtained a loan from a local bank to purchase a 2018 Pumper Truck. The loan carries an interest rate of 2.06% and is payable in 3 annual payments of \$40,404 which includes principal and interest beginning October 5, 2017. The loan is secured by the pumper truck. The principal balance at June 30, 2019 was \$78,377.

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****6. Long-Term Obligations (Continued)**

On September 6, 2018, the Town obtained a loan from a local bank to purchase a Pumper Fire Truck. The loan carries an interest rate of 3.30% and is payable in annual payments of \$54,567 which includes principal and interest beginning July 2019. The loan is secured by the truck. The principal balance at June 30, 2019 was \$381,311.

Annual debt service requirements of the installment purchases as of June 30, 2019, including \$744,274 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 342,032	\$ 78,614	\$ 38,802	\$ 1,615
2021	343,809	76,837	39,575	842
2022	348,827	71,819	-	-
2023	354,023	66,624	-	-
2024	359,402	61,244	-	-
2025-2029	973,670	220,428	-	-
2030-2034	309,792	117,404	-	-
2035-2039	378,347	48,847	-	-
2040-2044	-	-	-	-
2045-2049	-	-	-	-
2050-2054	-	-	-	-
2055-2059	-	-	-	-
Total	\$ 3,409,902	\$ 741,817	\$ 78,377	\$ 2,457

At June 30, 2019, the Town of Shallotte had no bonds authorized or unissued and had a legal debt margin of \$55,196,649.

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****6. Long-Term Obligations (Continued)****b. Changes in Long-Term Liabilities**

	Balance 07/01/18	Increases	Decrease	Balance 06/30/19	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 3,322,131	\$ 381,311	\$ 293,540	\$ 3,409,902	\$ 342,032
Net pension liability (LGERS)	426,253	254,725	-	680,978	-
Total pension liability (LEO)	241,328	35,119	-	276,447	-
Total OPEB liability	162,554	30,191	-	192,745	-
Compensated absences	156,235	-	9,581	146,654	-
Governmental activity long-term liabilities	<u>\$ 4,308,501</u>	<u>\$ 701,346</u>	<u>\$ 303,121</u>	<u>\$ 4,706,726</u>	<u>\$ 342,032</u>
Business-type activities:					
Installment purchases	\$ 78,377	\$ -	\$ -	\$ 78,377	\$ 38,802
Net Pension Liability (LGERS)	127,394	113,757	-	241,151	-
Total OPEB liability	48,582	-	14,568	34,014	-
Compensated absences	47,798	3,312	-	51,110	-
Business-type activity long-term liabilities	<u>\$ 302,151</u>	<u>\$ 117,069</u>	<u>\$ 14,568</u>	<u>\$ 404,652</u>	<u>\$ 38,802</u>

Compensated absences typically have been liquidated in the General Fund.

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 15,550,436	\$ 10,378,964
less: long-term debt	3,409,902	78,377
Add: unexpended debt proceeds	-	-
Net Investment in Capital Assets	<u>\$ 12,140,534</u>	<u>\$ 10,300,587</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

D. Interfund Balances and Activity

Balances Due to/from other funds at June 30, 2019, consist of the following:

Due to the Water and Sewer Fund from the General Fund	\$ 79,682
Due to the General Fund from the Capital Project Fund	21,793
Total	<u>\$ 101,475</u>

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

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the Capital Project Fund	\$ 62,350
Total	<u>\$ 62,350</u>

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 7,914,463
Less:	
Prepaid expenses	58,934
Stabilization by State Statute	504,887
Streets	25,000
Pursuant to Loan Requirements	85,439
Cemetery Maintenance	8,423
Appropriated Fund Balance in 2019-2020 budget	1,243,186
Remaining Fund Balance	<u>5,988,594</u>

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

IV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 1, 2019, which is the date the financial statements were available to be issued.

V. RESTATEMENTS**Prior Period Adjustment**

During the fiscal year ended June 30, 2019, the Town determined accounts payable were incorrect from the previous year. Therefore, an adjustment to beginning fund balance and beginning net position has been recorded to account for the correction. These adjustments increased fund balance and net position by \$22,626.

***Required Supplementary
Financial Data***

TOWN OF SHALLOTTE, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
Shallotte's proportion of the net pension liability (asset) (%)	0.03887%	0.03624%	0.03650%	0.03575%	0.03569%	0.04100%
Shallotte's proportion of the net pension liability (asset) (\$)	\$ 922,129	\$ 553,647	\$ 774,652	\$ 160,444	\$ (210,480)	\$ 494,207
Shallotte's covered-employee payroll	\$ 2,487,618	\$ 2,282,832	\$ 2,200,262	\$ 2,214,492	\$ 2,082,896	\$ 2,004,756
Shallotte's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.07%	24.25%	35.21%	7.25%	(10.11%)	24.65%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Town of Shallotte's Contributions

Required Supplementary Information

Last Six Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 205,204	\$ 191,702	\$ 170,704	\$ 158,269	\$ 146,470	\$ 136,714
Contributions in relation to the contractually required contribution	205,204	191,702	170,704	158,269	146,470	136,714
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shallotte's covered employee payroll	\$ 2,576,720	\$ 2,487,618	\$ 2,282,832	\$ 2,200,262	\$ 2,214,492	\$ 2,082,896
Contributions as a percentage of covered-employee payroll	7.96%	7.71%	7.48%	7.19%	6.61%	6.56%

TOWN OF SHALLOTTE, NORTH CAROLINA

Schedule of Changes in Total Pension Liability

June 30, 2019

Law Enforcement Officers' Special Separation Allowance

	2019	2018	2017
Beginning balance	\$ 241,328	\$ 237,977	\$ 218,291
Service cost	16,615	15,237	17,033
Interest on the total pension liability	7,204	8,976	7,793
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	47,966	(25,824)	-
Changes of assumptions or other inputs	(9,977)	15,853	(5,140)
Benefit payments	(26,689)	(10,891)	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 276,447</u>	<u>\$ 241,328</u>	<u>\$ 237,977</u>

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

June 30, 2019

Law Enforcement Officers' Special Separation Allowance

	2019	2018	2017
Total pension liability	\$ 276,447	\$ 241,328	\$ 237,977
Covered payroll	681,413	638,465	651,975
Total pension liability as a percentage of covered payroll	40.57%	37.80%	36.50%

Notes to the schedules:

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



TOWN OF SHALLOTTE, NORTH CAROLINA

Schedule of Changes in the Total OPEB Liability and Related Ratios

June 30, 2019

<u>Total OPEB Liability</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 17,351	\$ 18,481
Interest	7,411	6,016
Changes of benefit terms	-	-
Differences between expected and actual experience	3,766	(2,156)
Changes of assumptions	(6,921)	(11,062)
Benefit payments	<u>(5,984)</u>	<u>-</u>
Net changes in Total OPEB Liability	15,623	11,279
Total OPEB Liability - Beginning	<u>211,136</u>	<u>199,857</u>
Total OPEB Liability - Ending	<u>\$ 226,759</u>	<u>\$ 211,136</u>
 Covered Payroll	 \$ 2,386,292	 \$ 2,386,292
Total OPEB Liability as a percentage of covered payroll	9.50%	8.85%

Notes to Schedule

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

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



Major Governmental Funds

General Fund

TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 2,384,113	
Penalties and Interest		22,160	
Total Ad Valorem Taxes	\$ 2,302,234	2,406,273	\$ 104,039
Other Taxes and Licenses			
Beer & Wine Licenses		620	
Total Other Taxes and Licenses	550	620	70
Unrestricted Intergovernmental			
Local Option Sales Tax		1,329,423	
Utility Sales Tax		384,898	
Telecommunications Tax		42,748	
Video Franchise Tax		75,295	
ABC Profit Distribution		49,000	
Court Facility Fees		684	
Beer and Wine Tax		20,295	
Total Unrestricted Intergovernmental	1,619,750	1,902,343	282,593
Restricted Intergovernmental			
Powell Bill Allocation		134,267	
Federal Grants		297,919	
State Grants		100,000	
Police Grants		1,250	
Occupancy Taxes		42,481	
Collection Fees - Tourism Authority		2,429	
Law Enforcement - Drug Monies		662	
SRFTC Donation		7,500	
Fire Department Donations		30	
Police Department Donations		2,564	
District Fire Fees		767,458	
Sunnyside Revenue		4,220	
Controlled Substance Tax		877	
ABC - Law Enforcement		3,515	
Solid Waste Disposal Tax		3,490	
Total Restricted Intergovernmental	1,238,719	1,368,662	129,943
Permits and Fees			
Various Permits		32,484	
Total Permits and Fees	21,550	32,484	10,934
Sales and Services			
Farmers' Market Revenue		4,175	
Total Sales and Services	2,500	4,175	1,675

TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Investment Earnings			
General		60,503	
Total Investment Earnings	38,000	60,503	22,503
Miscellaneous			
Other		64,331	
Total Miscellaneous	37,433	64,331	26,898
Total Revenues	5,260,736	5,839,391	578,655
Expenditures			
Governing Body			
Salaries and Employee Benefits		37,307	
Other Expenditures		37,600	
Capital Outlay		692,741	
Total Governing Body	791,719	767,648	24,071
Administration			
Salaries and Employee Benefits		426,262	
Other Expenditures		444,476	
Capital Outlay		26,670	
Total Administration	1,009,949	897,408	112,541
Police Department			
Salaries and Employee Benefits		1,169,442	
Other Expenditures		272,416	
Capital Outlay		112,726	
Total Police	1,657,408	1,554,584	102,824
Fire Department			
Salaries and Employee Benefits		889,526	
Other Expenditures		209,889	
Capital Outlay		442,811	
Total Fire Department	1,608,347	1,542,226	66,121
Firetraining Facility			
Other Expenditures		7,283	
Total Firetraining Facility	8,669	7,283	1,386
Transportation Department			
Streets and Highways:			
Salaries and Employee Benefits		135,496	
Other Expenditures		200,910	
Capital Outlay		73,150	
Total Transportation Department	861,429	409,556	451,873

TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Economic and Physical Development			
Planning:			
Salaries and Employee Benefits		95,131	
Other Expenditures		14,472	
Capital Outlay		5,950	
Total Economic and Physical Development	150,114	115,553	34,561
Cultural and Recreational			
Parks:			
Salaries and Employee Benefits		174,271	
Other Expenditures		100,429	
Total Cultural and Recreation	320,757	274,700	46,057
Debt Service			
Principal Retirement		293,540	
Interest and Other Charges		72,540	
Total Debt Service	386,000	366,080	19,920
Total Expenditures	6,794,392	5,935,038	859,354
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,533,656)	(95,647)	1,438,009
Other Financing Sources (Uses)			
Transfers In:			
Capital Projects Fund	-	-	-
Transfers Out:			
Capital Projects Fund	(62,350)	(62,350)	-
Sale of Capital Assets	11,000	17,143	6,143
Installment Purchase Obligations Issued	385,000	381,311	(3,689)
Total Other Financing Sources (Uses)	333,650	336,104	2,454
Fund Balance Appropriated	1,200,006	-	(1,200,006)
Net Change in Fund Balance	\$ -	240,457	\$ 240,457
Fund Balance - Beginning as previously reported		7,655,909	
Prior Period Adjustment		18,097	
Fund Balance - Beginning as restated		7,674,006	
Fund Balance - End of Year		\$ 7,914,463	

Major Governmental Fund

Capital Project Fund

TOWN OF SHALLOTTE, NORTH CAROLINA

Riverfront Development Capital Project Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2019

		Actual		Totals	Variance
	Project	Prior	Current	to	Positive
	Authorization	Year	Year	Date	(Negative)
Revenues					
Restricted Intergovernmental:					
State Grants	\$ 800,000	\$ -	\$ -	-	(800,000)
Investment Earnings	-	-	-	-	-
Total Revenues	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(800,000)</u>
Expenditures					
Governing Body					
Capital Outlay	1,500,000	-	155,080	155,080	1,344,920
Waste Collection and Treatment					
Capital Outlay	2,210,000	-	-	-	2,210,000
Total Expenditures	<u>3,710,000</u>	<u>-</u>	<u>155,080</u>	<u>155,080</u>	<u>3,554,920</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,910,000)</u>	<u>-</u>	<u>(155,080)</u>	<u>(155,080)</u>	<u>2,754,920</u>
Other Financing Sources (Uses)					
Loan Proceeds	1,900,000	-	-	-	(1,900,000)
Transfers in:					
General Fund	990,000	-	62,350	62,350	(927,650)
Total Other Financing Sources (Uses)	<u>2,890,000</u>	<u>-</u>	<u>62,350</u>	<u>62,350</u>	<u>(2,827,650)</u>
Appropriated Fund Balance	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(92,730)</u>	<u>\$ (92,730)</u>	<u>\$ (92,730)</u>
Fund Balance - Beginning			<u>-</u>		
Fund Balance - Ending			<u>\$ (92,730)</u>		

Enterprise Funds

TOWN OF SHALLOTTE, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenues			
Water Charges	\$ 1,102,736	\$ 1,045,158	\$ (57,578)
Sewer Charges	1,816,330	1,735,329	(81,001)
Tap Fees	115,500	129,873	14,373
System Development Fees	195,471	339,443	143,972
Transmission Recovery Fees	-	1,753	1,753
Other Operating Revenue	32,439	71,152	38,713
Total Operating Revenues	3,262,476	3,322,708	60,232
Nonoperating Revenues			
Investment Earnings	16,800	29,122	12,322
Grants	254,619	206,484	(48,135)
Total Nonoperating Revenues	271,419	235,606	(35,813)
Total Revenues	3,533,895	3,558,314	24,419
Expenditures			
Water Treatment and Distribution			
Salaries and Employee Benefits	437,123	437,661	(538)
Repairs and Maintenance	70,900	65,107	5,793
Other Expenditures	673,025	565,016	108,009
Capital Outlay	401,906	183,252	218,654
Total Water Treatment and Distribution	1,582,954	1,251,036	331,918
Waste Collection and Treatment			
Salaries and Employee Benefits	567,436	525,323	42,113
Repairs and Maintenance	348,811	206,179	142,632
Other Expenditures	572,571	630,244	(57,673)
Capital Outlay	481,905	155,825	326,080
Total Waste Collection and Treatment	1,970,723	1,517,571	453,152
Debt Service			
Principal Retirement	41,418	-	41,418
Interest Expense	-	-	-
Total Debt Service	41,418	-	41,418
Total Expenditures	3,595,095	2,768,607	826,488
Revenues Over (Under) Expenditures	(61,200)	789,707	850,907
Other Financing Sources (Uses)			
Loan Proceeds	(19,920)	-	19,920
Transfers	19,920	-	(19,920)
Capital Charges - paid to Brunswick County	(499,000)	(498,424)	576
Sale of Fixed Assets	-	-	-
Total Other Financing Sources (Uses)	(499,000)	(498,424)	576
Appropriated Fund Balance	560,200	-	(560,200)
Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ 291,283	\$ 291,283

TOWN OF SHALLOTTE, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
<hr/>			
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		<u>\$ 291,283</u>	
Reconciling Items:			
Depreciation Expense		(453,276)	
Capital Outlay		339,077	
Principal Retirement		-	
Installment Loan Proceeds		-	
(Increase) Decrease in Accrued Vacation		(3,312)	
(Increase) Decrease in Net Pension Liability		(113,757)	
(Increase) Decrease in OPEB Liability		14,568	
Increase (Decrease) in Deferred Outflows of Resources Pensions		92,286	
Increase (Decrease) in Deferred Outflows of Resources OPEB		500	
(Increase) Decrease in Deferred Inflows of Resources OPEB		(928)	
(Increase) Decrease in Deferred Inflows of Resources Pensions		5,476	
Capital Contributions		<u>83,250</u>	
Total Reconciling Items		<u>(36,116)</u>	
Change in Net Position		<u><u>\$ 255,167</u></u>	



Other Schedules

TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2019

Fiscal Year	Uncollected Balance 7-1-18	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-19
2018-19	\$ -	\$ 2,381,762	\$ 2,330,023	\$ 51,739
2017-18	47,546	-	18,746	28,800
2016-17	22,278	-	8,363	13,915
2015-16	18,978	-	8,024	10,954
2014-15	21,243	-	8,332	12,911
2013-14	13,232	-	1,685	11,547
2012-13	14,310	-	964	13,346
2011-12	12,948	-	1,237	11,711
2010-11	20,012	-	1,223	18,789
2009-10	11,569	-	11,569	-
2008-09	-	-	-	-
	<u>\$ 182,116</u>	<u>\$ 2,381,762</u>	<u>\$ 2,390,166</u>	173,712

Less: Allowance for Uncollectible Accounts:

General Fund

-

Ad Valorem Taxes Receivable - Net

\$ 173,712Reconcilement with Revenues

Ad Valorem Taxes - General Fund

2,406,273

Reconciling Items:

Interest and Penalties Collected

(22,160)

Taxes Released

6,053

Taxes Written Off

-

Total Collections and Credits

\$ 2,390,166

TOWN OF SHALLOTTE, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2019

	Town-Wide		Total Levy	
	Property Valuation	Rate Per \$100	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:				
Property Taxed at				
Current Year's Rate	\$ 687,807,728	0.345	\$ 2,372,936	\$ 2,205,565
Penalties	-		1,407	1,407
	<u>687,807,728</u>		<u>2,374,343</u>	<u>2,206,972</u>
Discoveries:				
Current Year Taxes	2,368,921	0.345	8,173	8,115
Penalties	-		-	-
	<u>2,368,921</u>		<u>8,173</u>	<u>8,115</u>
Abatements:				
Property Taxes -				
Current Year's Rate	(218,539)	0.345	(754)	(754)
	<u>(218,539)</u>		<u>(754)</u>	<u>(754)</u>
Total Property Valuations	<u>\$ 689,958,110</u>			
Net Levy			2,381,762	2,214,333
Uncollected Taxes at June 30, 2019			51,739	51,739
Current Year's Taxes Collected			<u>\$ 2,330,023</u>	<u>\$ 2,162,594</u>
Current Levy Collection Percentage			<u>97.83%</u>	<u>97.66%</u>



COMPLIANCE SECTION

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Shallotte, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Shallotte, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Shallotte's basic financial statements, and have issued our report thereon dated November 1, 2019. Our report includes a reference to other auditors who audited the financial statements of the Town of Shallotte ABC Board, as described in our report on the Town of Shallotte's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Shallotte ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that 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 the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

W Greene, PLLC

Whiteville, North Carolina
November 1, 2019

TOWN OF SHALLOTTE, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2019

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(s)?

_____ Yes X None Reported

Noncompliance material to financial statements noted

_____ Yes X No

TOWN OF SHALLOTTE, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2019

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported



TOWN OF SHALLOTTE

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Town of Shallotte, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2019

SECTION II. FINANCIAL STATEMENT FINDINGS
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None Reported

TOWN OF SHALLOTTE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2019

Finding: 2018-1

Status: Corrected

