

TOWN OF LAKE WACCAMAW
LAKE WACCAMAW, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2020

**Town of Lake Waccamaw
Financial Statements
June 30, 2020**

Mayor

Daniel Hilburn

Town Commissioner's

Frank Carroll - West Ward

Terry Littrell - West Ward

Matt Wilson - East Ward

Rosemary Dorsey - East Ward

Town Clerk

Crystal Jacobs

Town Manager

Gordon Hargrove
Through June 2020

Damon Kempinski
As of August 2020

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FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

Independent Auditors' Report

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

Report on the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lake Waccamaw ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. 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 Lake Waccamaw 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 Lake Waccamaw ABC Board 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 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.

Members

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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 unit, each major fund, and the aggregate remaining fund information of the Town of Lake Waccamaw, North Carolina as of June 30, 2020, 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 Management's Discussion and Analysis, 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 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 Lake Waccamaw, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and 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 January 28, 2021 on our consideration of the Town of Lake Waccamaw's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Lake Waccamaw's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
January 28, 2021

Management's Discussion and Analysis

As management of the Town of Lake Waccamaw, we offer readers of the Town of Lake Waccamaw's financial statements this narrative overview and analysis of the financial activities of the Town of Lake Waccamaw for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

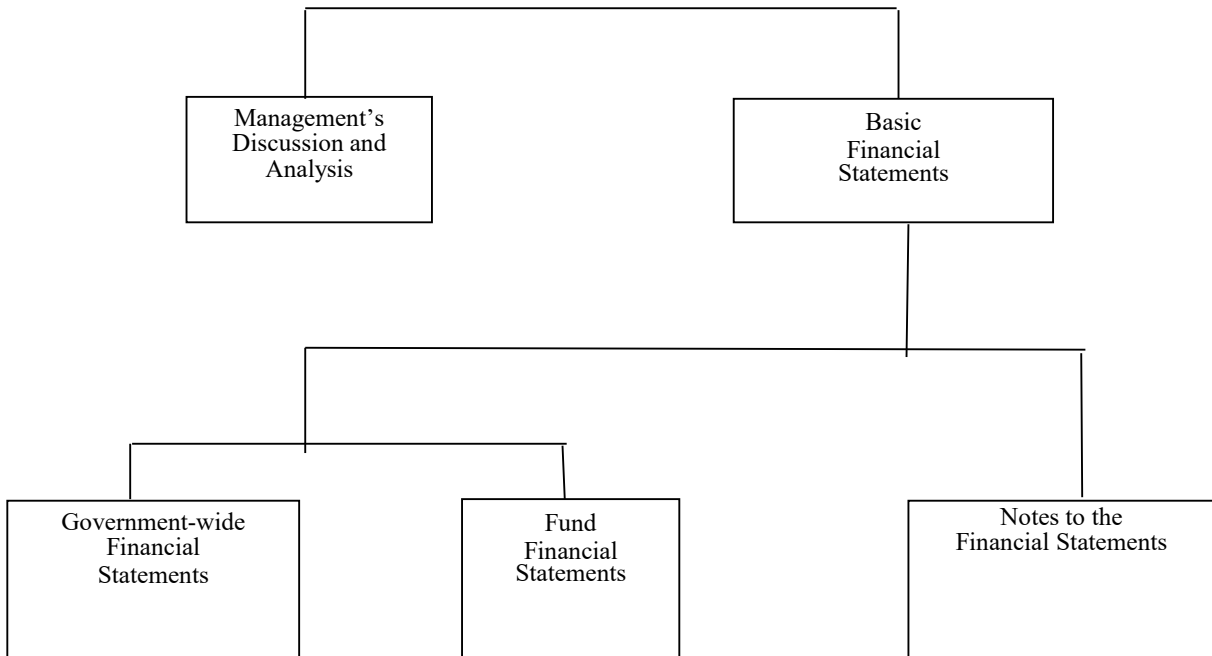
- The assets and deferred outflows of resources of the Town of Lake Waccamaw exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,916,922 (*net position*).
- The government's total net position increased by \$27,224, primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Lake Waccamaw governmental funds reported combined ending fund balances of \$1,521,087, an increase of \$119,842 in comparison with the prior year. Approximately 23.79 percent of this total amount, or \$361,768 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,076,929 or 92.73 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Lake Waccamaw's basic financial statements. The Town of Lake Waccamaw'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 Lake Waccamaw.

Required Components of Annual Financial Report

Figure 1



Summary-----Details

Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are 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) a component unit. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water, sewer and sanitation services offered by the Town of Lake Waccamaw. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lake Waccamaw, 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 Lake Waccamaw can be divided into two categories: governmental funds and proprietary funds.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow directly behind the basic financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Lake Waccamaw’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information follows directly behind the notes to the financial statements.

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

Government-Wide Financial Analysis
Town of Lake Waccamaw's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,556,435	\$ 1,434,537	\$ 1,687,408	\$ 1,635,752	\$ 2,990,972	\$ 3,070,289
Capital assets	2,119,412	2,129,907	8,010,206	8,259,129	10,129,618	10,389,036
Deferred outflows of resources	83,073	96,323	41,391	53,401	124,464	149,724
Total liabilities and deferred outflows of resources	<u>3,758,920</u>	<u>3,660,767</u>	<u>9,739,005</u>	<u>9,948,282</u>	<u>13,245,054</u>	<u>13,609,049</u>
Long-term liabilities outstanding	111,440	147,444	1,149,340	1,242,344	1,260,780	1,389,788
Other liabilities	75,639	74,092	155,300	168,663	230,939	242,755
Deferred inflow of resources	5,885	9,442	-	1,072	5,885	10,514
Total liabilities and deferred inflows of resources	<u>192,964</u>	<u>230,978</u>	<u>1,304,640</u>	<u>1,412,079</u>	<u>1,497,604</u>	<u>1,643,057</u>
Net position:						
Net investment in capital assets	2,073,649	2,046,666	6,843,869	7,002,579	8,917,518	9,049,245
Restricted	361,768	426,551	-	-	361,768	426,551
Unrestricted	1,047,140	880,278	1,590,496	1,533,624	2,637,636	2,413,902
Total net position	<u>\$ 3,482,557</u>	<u>\$ 3,353,495</u>	<u>\$ 8,434,365</u>	<u>\$ 8,536,203</u>	<u>\$ 11,916,922</u>	<u>\$ 11,889,698</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Lake Waccamaw exceeded liabilities and deferred inflows by \$11,916,922 as of June 30, 2020. The Town's net position increased by \$27,224 for the fiscal year ended June 30, 2020. However, the largest portion (74.83%) reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment). The Town of Lake Waccamaw uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lake Waccamaw's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$361,768, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,463,636 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.16%, which is slightly above the statewide average of 99.21%.

Government-Wide Financial Analysis

Town of Lake Waccamaw's Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 40,470	\$ 39,582	\$ 1,002,660	\$ 1,078,310	\$ 1,043,130	\$ 1,117,892
Operating grants & contributions	130,349	386,229	-	198,177	130,349	584,406
Capital grants & contributions	-	-	-	-	-	-
General revenues:						
Property taxes	530,455	536,699	-	-	530,455	536,699
Other taxes	523,367	501,178	-	-	523,367	501,178
Other	55,967	136,696	11,175	18,464	67,142	155,160
Total revenues	1,280,608	1,600,384	1,013,835	1,294,951	2,294,443	2,895,335
Expenses:						
General government	335,198	300,430	-	-	335,198	300,430
Public safety	591,436	473,239	-	-	591,436	473,239
Transportation	186,003	167,020	-	-	186,003	167,020
Environmental Protection	14,369	18,817	-	-	14,369	18,817
Cultural & Recreation	22,462	27,712	-	-	22,462	27,712
Interest on Long-term Debt	2,078	3,757	-	-	2,078	3,757
Water, sewer, & sanitation	-	-	1,115,673	1,368,805	1,115,673	1,368,805
Total expenses	1,151,546	990,975	1,115,673	1,368,805	2,267,219	2,359,780
Increase (Decrease) in net position before transfers	129,062	609,409	(101,838)	(73,854)	27,224	535,555
Transfers	-	-	-	-	-	-
Increase (Decrease) in net position	129,062	609,409	(101,838)	(73,854)	27,224	535,555
Net position, July 1	3,353,495	2,744,086	8,536,203	8,610,057	11,889,698	11,354,143
Net position, June 30	\$ 3,482,557	\$ 3,353,495	\$ 8,434,365	\$ 8,536,203	\$ 11,916,922	\$ 11,889,698

Governmental activities. Governmental activities increased the Town's net position by \$129,062. Key elements of this increase are as follows:

- Increased in local option sales tax

Business-type activities: Business-type activities decreased the Town of Lake Waccamaw's net position by \$101,838. Key elements of this decrease are as follows:

- Depreciation expense

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Lake Waccamaw. At the end of the current fiscal year, the Town of Lake Waccamaw's fund balance available in the General Fund was \$1,076,929 while total fund balance reached \$1,521,087.

At June 30, 2020, the governmental funds of the Town of Lake Waccamaw reported a combined fund balance of \$1,521,087 with a net increase in fund balance of \$119,842.

General Fund Budgetary Highlights: During the fiscal year, the Town had few budgetary amendments. 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 budgetary amendments for FY 19-20 were due to necessary increases in appropriations in order to meet and maintain service needs of the Town's departments.

Proprietary Funds. The Town of Lake Waccamaw's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$1,590,496. The total decrease in net position was \$101,838.

Capital Assets and Debt Administration

Capital Assets. The Town of Lake Waccamaw's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$10,389,036 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

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

- Camera System
- Rescue equipment
- Turnout Gear
- Park Improvements

**Town of Lake Waccamaw's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,094,378	\$ 1,094,378	\$ 152,665	\$ 152,665	\$ 1,247,043	\$ 1,247,043
Buildings and Distribution Systems and Infrastructure	481,905	410,811	7,696,032	7,969,239	8,177,937	8,380,050
Equipment & Vehicles	543,129	624,718	157,009	132,725	700,138	757,443
Construction in Progress	-	-	4,500	4,500	4,500	4,500
Total	\$ 2,119,412	\$ 2,129,907	\$ 8,010,206	\$ 8,259,129	\$ 10,129,618	\$ 10,389,036

Additional information on the Town's capital assets can be found in note 3.A. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, the Town of Lake Waccamaw has debt outstanding of \$1,212,099, which is backed by the full faith and credit of the Town.

**Outstanding Debt
Figure 5**

	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct placement installment purchases	\$ 45,763	\$ 83,241	\$ -	\$ -	\$ 45,763	\$ 83,241
Revolving Loan	-	-	1,166,336	1,256,550	1,166,336	1,256,550
Total	\$ 45,763	\$ 83,241	\$ 1,166,336	\$ 1,256,550	\$ 1,212,099	\$ 1,339,791

Town of Lake Waccamaw Outstanding Debt. The Town of Lake Waccamaw total debt decreased by \$127,692 (9.53%) during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Lake Waccamaw is \$21,349,957. The Town had no bonds authorized but unissued at June 30, 2020.

Economic Factors and Next Year’s Budgets and Rates

The Town of Lake Waccamaw is located in Columbus County which is experiencing an unemployment rate of approximately 6.4% and the primary elements of the local economy, textiles and agriculture, have experienced losses in the past years. These conditions are mitigated somewhat, however by the Town of Lake Waccamaw’s property values and recreational nature of the community as a whole. These factors and the Town’s good tax collection rate may help the Town to possibly be in better condition than other surrounding towns located in the County.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Tax and other revenues are not expected to change significantly. The tax rate remains the same as in the previous year. There are no expected increases in expenditures.

Business-type Activities: The water and sewer rates are expected to remain the same next year. There was no fund balance appropriated in the Water / Sewer Fund.

Requests for Information

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Lake Waccamaw, P.O. Box 145, Lake Waccamaw, NC 28450. One can also call (910)-646-3700, visit our website www.lakewaccamaw.com or send an email to lwtownmanager@embarqmail.com for more information.

BASIC FINANCIAL STATEMENTS

Town of Lake Waccamaw, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government			Lake Waccamaw ABC Board
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets:				
Cash and cash equivalents	\$ 1,189,474	\$ 1,547,441	\$ 2,736,915	\$ 159,373
Taxes Receivable (Net)	5,169	-	5,169	-
Accrued Interest Receivable on Taxes	24	-	24	-
Accounts Receivable (Net)	118,739	117,078	235,817	-
Due From Other Governments	2,298	-	2,298	-
Inventories	-	6,304	6,304	102,380
Prepaid Expenses	-	-	-	-
Internal Balances	17,743	(17,743)	-	-
Restricted cash and cash equivalents	222,988	34,328	257,316	-
Total Current Assets	1,556,435	1,687,408	3,243,843	261,753
Non-current Assets:				
Capital Assets:				
Land, Non-depreciable Improvements, and Construction in Progress	1,094,378	157,165	1,251,543	-
Other Capital Assets, Net of Depreciation	1,025,034	7,853,041	8,878,075	2,153
Total Capital Assets	2,119,412	8,010,206	10,129,618	2,153
Total Assets	3,675,847	9,697,614	13,373,461	263,906
Deferred Outflows of Resources				
Contributions to Pension Plan in Current Fiscal Year	31,961	17,453	49,414	6,414
Pension Deferrals	51,112	23,938	75,050	-
Total Deferred Outflows of Resources	83,073	41,391	124,464	6,414
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	30,155	22,278	52,433	46,953
Accrued Interest Payable	-	2,852	2,852	-
Current portion of long-term liabilities	45,484	95,842	141,326	-
Payable from restricted assets	-	34,328	34,328	-
Total current liabilities	75,639	155,300	230,939	46,953
Long-Term Liabilities:				
Due in more than one year	8,285	1,093,010	1,101,295	-
Accrued Vacation	24,019	-	24,019	240
Total Pension Liability	59,380	-	59,380	-
Net Pension Liability	103,155	56,330	159,485	5,189
Total long-term liabilities	194,839	1,149,340	1,344,179	5,429
Total Liabilities	270,478	1,304,640	1,575,118	52,382
Deferred Inflows of Resources				
Prepaid Taxes	-	-	-	-
Pension Deferrals	5,885	-	5,885	-
Total Deferred Inflows of Resources	5,885	-	5,885	-
Net Position				
Net Investment in Capital Assets	2,073,649	6,843,869	8,917,518	2,153
Restricted for:				
Stabilization by State Statute	138,780	-	138,780	-
Other functions	222,988	-	222,988	69,024
Unrestricted	1,047,140	1,590,496	2,637,636	146,761
Total Net Position	\$ 3,482,557	\$ 8,434,365	\$ 11,916,922	\$ 217,938

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Lake Waccamaw ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 335,198	\$ 40,420	\$ 55,714	\$ -	\$ (239,064)	\$ -	\$ (239,064)	\$ -
Public safety	591,436	50	29,674	-	(561,712)	-	(561,712)	-
Transportation	186,003	-	44,961	-	(141,042)	-	(141,042)	-
Environmental protection	14,369	-	-	-	(14,369)	-	(14,369)	-
Cultural and recreation	22,462	-	-	-	(22,462)	-	(22,462)	-
Interest on Long-Term Debt	2,078	-	-	-	(2,078)	-	(2,078)	-
Total governmental activities	1,151,546	40,470	130,349	-	(980,727)	-	(980,727)	-
Business-type activities:								
Water	216,211	302,801	-	-	-	86,591	86,591	-
Sewer	711,406	505,773	-	-	-	(205,633)	(205,633)	-
Sanitation	188,056	194,085	-	-	-	6,029	6,029	-
Total business-type activities	1,115,673	1,002,659	-	-	-	(113,013)	(113,013)	-
Total primary government	\$ 2,267,219	\$ 1,043,129	\$ 130,349	\$ -	(980,727)	(113,013)	(1,093,740)	-
Component Unit:								
Lake Waccamaw ABC Board	\$ 600,831	\$ 638,247	\$ -	\$ -	-	-	-	37,416
Total Component Unit	\$ 600,831	\$ 638,247	\$ -	\$ -	-	-	-	37,416
General revenues:								
Taxes:								
Property taxes, levied for general purpose					530,455	-	530,455	-
Other taxes and license					523,367	-	523,367	-
Unrestricted investment earnings					10,122	-	10,122	5
Miscellaneous					45,845	11,175	57,020	-
Loss on Asset Disposal					-	-	-	-
Total general revenues not including transfers					1,109,789	11,175	1,120,964	5
Transfers					-	-	-	-
Total general revenues and transfers					1,109,789	11,175	1,120,964	5
Change in net position					129,062	(101,838)	27,224	37,421
Net position, beginning					3,353,495	8,536,203	11,889,698	180,517
Net position, ending					\$ 3,482,557	\$ 8,434,365	\$ 11,916,922	\$ 217,938

Town of Lake Waccamaw, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Fund	
	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 1,189,474	\$ 1,189,474
Restricted Cash	222,988	222,988
Receivables, net:		
Taxes	5,169	5,169
Accounts	118,739	118,739
Due from other governments	2,298	2,298
Due from other funds	17,743	17,743
Total assets	\$ 1,556,411	\$ 1,556,411
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 30,155	\$ 30,155
Total liabilities	30,155	30,155
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	5,169	5,169
Prepaid taxes	-	-
Total deferred inflows of resources	5,169	5,169
Fund balances:		
Restricted:		
Stabilization by State Statute	138,780	138,780
Streets	117,498	117,498
Public Safety	105,490	105,490
Assigned:		
Subsequent Year's Expenditures	82,390	82,390
Unassigned	1,076,929	1,076,929
Total fund balances	1,521,087	1,521,087
Total liabilities, deferred inflows of resources and fund balances	\$ 1,556,411	\$ 1,556,411

Town of Lake Waccamaw, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$	1,521,087
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	4,296,396	
Accumulated depreciation	<u>(2,176,984)</u>	2,119,412
Deferred outflows of resources related to pensions are not reported in the funds		51,112
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		31,961
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		24
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		5,169
Deferred inflows of resources related to pensions are not reported in the funds		(5,885)
Net pension asset (liability)	(103,155)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	(45,763)	
Total pension asset (liability)	<u>(59,380)</u>	(208,298)
Other liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(32,025)</u>
Net position of governmental activities	<u>\$</u>	<u>3,482,557</u>

Town of Lake Waccamaw, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund	
	General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 531,048	\$ 531,048
Other taxes and licenses	394,849	394,849
Unrestricted intergovernmental	127,409	127,409
Restricted intergovernmental	131,458	131,458
Permits and fees	1,850	1,850
Investment earnings	10,122	10,122
Miscellaneous	84,465	84,465
Total revenues	1,281,201	1,281,201
EXPENDITURES		
Current:		
General government	326,516	326,516
Public safety	508,581	508,581
Transportation	179,480	179,480
Environmental protection	660	660
Cultural and recreational	106,566	106,566
Economic Development	-	-
Debt Service:		
Principal	35,799	35,799
Interest & Other Charges	3,757	3,757
Total expenditures	1,161,359	1,161,359
Excess (deficiency) of revenues over expenditures	119,842	119,842
OTHER FINANCING SOURCES (USES)		
Transfers from (to) other funds	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	119,842	119,842
Fund balances, beginning	1,401,245	1,401,245
Fund balances, ending	\$ 1,521,087	\$ 1,521,087

Town of Lake Waccamaw, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds		\$ 119,842
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	117,550	
Depreciation expense for governmental assets	(128,045)	(10,495)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		31,961
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(267)
Change in accrued interest on taxes receivable		(326)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government 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.</p>		
New long-term debt issued	-	
Principal payments on long-term debt	37,478	
Increase in accrued interest payable	-	37,478
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences & related liabilities		4,408
Pension expense		(53,539)
Total changes in net position of governmental activities		\$ 129,062

Town of Lake Waccamaw, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 512,703	\$ 527,828	\$ 531,048	\$ 3,220
Other taxes and licenses	313,568	362,305	394,849	32,544
Unrestricted intergovernmental revenues	120,800	130,187	127,409	(2,778)
Restricted intergovernmental revenues	199,967	101,233	131,458	30,225
Permits and fees	2,100	1,700	1,850	150
Investment Earnings	9,000	10,000	10,122	122
Miscellaneous	59,625	112,123	84,465	(27,658)
Total revenues	<u>1,217,763</u>	<u>1,245,376</u>	<u>1,281,201</u>	<u>35,825</u>
Expenditures:				
Current:				
General government	372,100	342,321	326,516	15,805
Public safety	568,203	539,296	508,581	30,715
Transportation	184,779	181,739	179,480	2,259
Environmental protection	5,350	660	660	-
Cultural and recreation	169,721	109,177	106,566	2,611
Debt Service:				
Principal retirement	-	35,798	35,799	(1)
Interest and fees	-	3,757	3,757	-
Total expenditures	<u>1,300,153</u>	<u>1,212,748</u>	<u>1,161,359</u>	<u>51,389</u>
Revenues over/(under) expenditures	(82,390)	32,628	119,842	87,214
Other financing sources (uses):				
Transfer from (to) other fund:				
Sewer fund	-	(472)	-	472
Total other financing sources (uses)	<u>-</u>	<u>(472)</u>	<u>-</u>	<u>472</u>
Appropriated Fund Balance	<u>82,390</u>	<u>(32,156)</u>	<u>-</u>	<u>32,156</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	119,842	<u>\$ 119,842</u>
Fund balance, beginning of year			<u>1,401,245</u>	
Fund balance, end of year			<u>\$ 1,521,087</u>	

Town of Lake Waccamaw, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,231,617	\$ 310,669	\$ 5,155	\$ 1,547,441
Accounts receivable (net)	30,908	62,391	23,779	117,078
Due from other governments	-	-	-	-
Inventories	6,304	-	-	6,304
Due From Other Funds	-	-	-	-
Restricted cash and cash equivalents	10,528	20,771	3,029	34,328
Total current assets	<u>1,279,357</u>	<u>393,831</u>	<u>31,963</u>	<u>1,705,151</u>
Noncurrent assets:				
Capital assets:				
Land and other non-depreciable assets	31,274	125,891	-	157,165
Other capital assets, net of depreciation	410,346	7,442,695	-	7,853,041
Capital Assets (net)	<u>441,621</u>	<u>7,568,586</u>	<u>-</u>	<u>8,010,206</u>
Total noncurrent assets	<u>441,621</u>	<u>7,568,586</u>	<u>-</u>	<u>8,010,206</u>
Total Assets	<u>1,720,978</u>	<u>7,962,417</u>	<u>31,963</u>	<u>9,715,357</u>
Deferred Outflows of Resources				
Contributions to pension plan	6,640	10,813	-	17,453
Pension Deferrals	9,107	14,831	-	23,938
Total deferred outflows of resources	<u>15,747</u>	<u>25,644</u>	<u>-</u>	<u>41,391</u>
Liabilities				
Current liabilities:				
Accounts Payable and Accrued Liabilities	4,673	14,605	3,000	22,278
Due to Other Funds	-	-	17,743	17,743
Compensated Absences - Current	2,436	3,193	-	5,629
Accrued Interest Payable	-	2,852	-	2,852
Loans Payable - Current	-	90,213	-	90,213
Liabilities payable from restricted assets:				
Customer Deposits	10,528	20,771	3,029	34,328
Total Current Liabilities	<u>17,637</u>	<u>131,634</u>	<u>23,772</u>	<u>173,043</u>
Noncurrent Liabilities				
Net Pension Liability	21,431	34,899	-	56,330
Compensated Absences	7,308	9,578	-	16,885
Loans Payable-Noncurrent	-	1,076,125	-	1,076,125
Total Noncurrent liabilities	<u>28,739</u>	<u>1,120,602</u>	<u>-</u>	<u>1,149,340</u>
Total Liabilities	<u>46,376</u>	<u>1,252,236</u>	<u>23,772</u>	<u>1,322,383</u>
Deferred Inflows of Resources				
Pension deferrals	-	-	-	-
Net Position				
Net Investment in Capital Assets	441,621	6,402,248	-	6,843,869
Unrestricted	<u>1,248,728</u>	<u>333,577</u>	<u>8,191</u>	<u>1,590,496</u>
Total Net Position of Business-Type Activities	<u>\$ 1,690,349</u>	<u>\$ 6,735,825</u>	<u>\$ 8,191</u>	<u>\$ 8,434,365</u>

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

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Operating revenues:				
Sanitation charges	\$ -	\$ -	\$ 194,085	\$ 194,085
Charges for Services	291,626	501,243	-	792,869
Other operating revenues	11,175	4,530	-	15,705
Total operating revenues	<u>302,801</u>	<u>505,773</u>	<u>194,085</u>	<u>1,002,659</u>
Operating Expenses:				
Sanitation services	-	-	188,056	188,056
Water treatment and distribution	182,130	-	-	182,130
Sewer operations	-	432,474	-	432,474
Depreciation	34,080	260,632	-	294,712
Total operating expenses	<u>216,210</u>	<u>693,106</u>	<u>188,056</u>	<u>1,097,372</u>
Operating income (loss)	<u>86,591</u>	<u>(187,333)</u>	<u>6,029</u>	<u>(94,713)</u>
Nonoperating revenues (expenses):				
Investment earnings	-	-	-	-
Interest and fees	-	(18,300)	-	(18,300)
Sales Tax Refund	1,598	6,993	-	8,591
Miscellaneous income	585	1,999	-	2,584
Total nonoperating revenues (expenses)	<u>2,183</u>	<u>(9,308)</u>	<u>-</u>	<u>(7,125)</u>
Income (Loss) Before Contributions and Transfers	88,774	(196,641)	6,029	(101,838)
Capital Contributions	-	-	-	-
Transfers (to) from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Income (Loss) After Contributions and Transfers	<u>88,774</u>	<u>(196,641)</u>	<u>6,029</u>	<u>(101,838)</u>
Change in Net Position	88,774	(196,641)	6,029	(101,838)
Total Net Position, Beginning	<u>1,601,575</u>	<u>6,932,466</u>	<u>2,162</u>	<u>8,536,203</u>
Total Net Position, Ending	<u>\$ 1,690,349</u>	<u>\$ 6,735,825</u>	<u>\$ 8,191</u>	<u>\$ 8,434,365</u>

Town of Lake Waccamaw, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Cash flows from operating activities:				
Cash received from customers and users	\$ 305,934	\$ 516,579	\$ 198,180	\$ 1,020,693
Cash paid for goods and services	(65,500)	(242,349)	(200,786)	(508,635)
Cash paid to employees for services	(114,074)	(182,197)	-	(296,271)
Customer deposits received / (returned)	(915)	585	(452)	(782)
Net cash provided by (used in) operating activities	<u>125,445</u>	<u>92,618</u>	<u>(3,058)</u>	<u>215,005</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(907)	(44,882)	-	(45,789)
Principal paid on bond maturities and equipment contracts	-	(90,214)	-	(90,214)
Interest paid on bond maturities and equipment contracts	-	(18,538)	-	(18,538)
Sales tax refund	1,598	6,993	-	8,591
Miscellaneous income	585	1,999	-	2,584
Net cash provided by (used in) capital and related financing activities	<u>1,276</u>	<u>(144,642)</u>	<u>-</u>	<u>(143,366)</u>
Cash flows from non-capital financing activities:				
Increase (Decrease) in due to other funds	93,857	(94,790)	17,743	16,810
Net cash provided by (used in) non-capital financing activities	<u>93,857</u>	<u>(94,790)</u>	<u>17,743</u>	<u>16,810</u>
Cash flows from investment activities:				
Interest on investments	-	-	-	-
Net increase (decrease) in cash and cash equivalents	220,578	(146,814)	14,685	88,449
Cash and cash equivalents, July 1	<u>1,021,567</u>	<u>478,254</u>	<u>8,184</u>	<u>1,508,005</u>
Cash and cash equivalents, June 30	<u>\$ 1,242,145</u>	<u>\$ 331,440</u>	<u>\$ 22,869</u>	<u>\$ 1,596,454</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 86,591	\$ (187,333)	\$ 6,029	\$ (94,713)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	34,080	260,632	-	294,712
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	3,133	10,806	4,095	18,034
(Increase) decrease in inventory	(1,053)	-	-	(1,053)
(Increase) decrease in net pension asset	-	-	-	-
(Increase) decrease in deferred outflows of resources for pensions	4,590	7,420	-	12,010
Increase (decrease) in accounts payable, accrued liabilities and advance	(35)	3,648	(12,730)	(9,117)
Increase (decrease) in accrued vacation pay	289	(1,182)	-	(893)
Increase (decrease) in net pension liability	(829)	(1,292)	-	(2,121)
Increase (decrease) in deferred inflows of resources for pensions	(406)	(666)	-	(1,072)
Increase (decrease) in customer deposits	(915)	585	(452)	(782)
Total adjustments	<u>38,854</u>	<u>279,951</u>	<u>(9,087)</u>	<u>309,718</u>
Net cash provided by (used in) operating activities	<u>\$ 125,445</u>	<u>\$ 92,618</u>	<u>\$ (3,058)</u>	<u>\$ 215,005</u>

TOWN OF LAKE WACCAMAW, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Lake Waccamaw is a municipal corporation which is governed by an elected mayor and a four 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 Lake Waccamaw ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Lake Waccamaw ABC Board, Highway 74, Lake Waccamaw, North Carolina 28450.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. 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 fund:

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, transportation, and environmental protection services.

The Town doesn't have any non-major governmental funds.

The Town reports the following major enterprise funds:

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

Sewer Fund - This fund is used to account for the Town's sewer operations.

Sanitation Fund - This fund is used to account for the Town's sanitation 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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Lake Waccamaw because the tax is levied by Columbus 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 by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Enterprise Fund Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning investment contracts are accountable for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The Town of Lake Waccamaw did not have any investments at June 30, 2020.

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 is essentially demand deposits and is considered cash and cash equivalents. The ABC Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. In addition, the amount maintained in a money market account as security for a loan on a fire truck is restricted until the loan is paid. Also the cash received for the Fire District taxes and the funds in the Fireman's Relief Fund account are restricted. 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 G.S. 136-41.4.

Town of Lake Waccamaw-Restricted Cash

Governmental Activities

General Fund	
Streets	\$ 117,498
Public Safety	105,490
Total Governmental Activities	<u>\$ 222,988</u>

Business-type Activities

Water Fund	
Customer Deposits	\$ 10,528
Sewer Fund	
Customer Deposits	20,771
Sanitation Fund	
Customer Deposits	3,029
Total Business-type Activities	<u>\$ 34,328</u>
Total Restricted Cash	<u>\$ 257,316</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

The inventories of the Town's Enterprise Fund and those of the Town of Lake Waccamaw ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The Town defines capital assets as assets with an individual cost of \$500 or more. 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 of the Town are depreciated on a straight--line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 Years
Other Improvements	50 Years
Equipment	10 Years
Furniture and Fixtures	10 Years
Computer Equipment	10 Years
Vehicles	6 Years
Miscellaneous	3 Years

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

	<u>Useful Life</u>
Furniture and Equipment	5-7 Years
Office Equipment	7 Years

8. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meets the criterion for this category- property taxes receivable and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

10. Compensated Absences

The vacation policy of the Town allows for the maximum accumulation of up to 240 vacation hours per calendar year. On December 31, any employee with more than thirty days or 240 hours of accumulated leave shall have the excess accumulation rolled into their sick leave account. Annual leave is earned on a monthly basis in accordance with the following schedule of service: less than two years service: 8.0 hours per month; two to ten years: 10.0 hours per month; ten to fifteen years: 12.0 hours per month and over fifteen years of service: 14.0 hours per month. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The vacation policy of the ABC Board provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within the fund as the leave is earned.

Both the Town and the ABC Board's sick leave policies provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has 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.

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in 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 Public Safety – portion of fund balance that is restricted for Fire department.

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

Assigned Fund Balance - portion of fund balance that the Town of Lake Waccamaw 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; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

The Town of Lake Waccamaw does not have a formal revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (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 Lake Waccamaw's employer contributions are recognized when due and the Town of Lake Waccamaw 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.

NOTE II: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

None noted.

NOTE III: DETAIL NOTES ON ALL FUNDS

A. - Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$2,994,231, and a bank balance of \$2,999,344. The carrying amount of deposits for the ABC Board was \$159,373 and the bank balance was \$195,693. The bank balance of the ABC Board was fully covered by federal depository insurance. Of the Town's bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$50 and the ABC Board's totaled \$800.

2. Accounts Receivable

The amounts presented in the Balance Sheet and the Statement of Net Position are shown below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Charges for Services Receivable-Billed	\$ -	\$ 82,257
Charges for Services Receivable-Unbilled	-	34,821
County/Motor Vehicle	2,298	-
Franchise Tax Receivable	19,513	-
Local Option Sales Tax Receivable	99,226	-
Total	<u>\$ 121,037</u>	<u>\$ 117,078</u>

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts.

<u>Fund</u>	<u>6/30/2020</u>
General Fund:	
Taxes Receivable	<u>\$ 7,800</u>
Enterprise Funds:	
Accounts Receivable	<u>\$ 2,916</u>

4. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 1,094,378	\$ -	\$ -	\$ 1,094,378
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>1,094,378</u>	<u>-</u>	<u>-</u>	<u>1,094,378</u>
Capital assets being depreciated				
Buildings & Infrastructure	1,035,389	84,104	-	1,119,493
Equipment	858,972	33,446	-	892,418
Vehicles	1,190,107	-	-	1,190,107
Total capital assets being depreciated	<u>3,084,468</u>	<u>117,550</u>	<u>-</u>	<u>3,202,018</u>
Less accumulated depreciation for:				
Buildings & Infrastructure	624,578	13,010	-	637,588
Equipment	642,190	35,527	-	677,717
Vehicles	782,171	79,508	-	861,679
Total accumulated depreciation	<u>2,048,939</u>	<u>\$ 128,045</u>	<u>\$ -</u>	<u>2,176,984</u>
Total capital assets being depreciated, net	<u>1,035,529</u>			<u>1,025,034</u>
Governmental activity capital assets, net	<u>\$ 2,129,907</u>			<u>\$ 2,119,412</u>

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

General Government	\$ 11,191
Public Safety	96,766
Transportation	6,379
Cultural & Recreational	13,709
Total Depreciation Expense	<u>\$ 128,045</u>

Business-type activities:

<u>Water Fund</u>	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 26,774	\$ -	\$ -	\$ 26,774
Construction in Progress	4,500	-	-	4,500
Total capital assets not being depreciated	<u>31,274</u>	<u>-</u>	<u>-</u>	<u>31,274</u>
Capital assets being depreciated				
Plant and distribution systems	3,085,051	-	-	3,085,051
Vehicles and Equipment	192,076	907	-	192,983
Total Capital assets being depreciated	<u>3,277,127</u>	<u>907</u>	<u>-</u>	<u>3,278,034</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,656,220	30,281	-	2,686,501
Vehicles and Equipment	177,388	3,799	-	181,187
Total accumulated depreciation	<u>2,833,608</u>	<u>\$ 34,080</u>	<u>\$ -</u>	<u>2,867,688</u>
Total capital assets being depreciated, net	<u>443,519</u>			<u>410,346</u>
Water fund capital assets, net	<u>\$ 474,793</u>			<u>\$ 441,620</u>

<u>Sewer Fund</u>	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 125,891	\$ -	\$ -	\$ 125,891
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>125,891</u>	<u>-</u>	<u>-</u>	<u>125,891</u>
Capital assets being depreciated:				
Plant and distribution systems	11,137,697	-	-	11,137,697
Vehicles and Equipment	256,920	44,882	-	301,802
Total capital assets being depreciated	<u>11,394,617</u>	<u>44,882</u>	<u>-</u>	<u>11,439,499</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,597,289	242,926	-	3,840,215
Vehicles and Equipment	138,883	17,706	-	156,589
Total accumulated depreciation	<u>3,736,172</u>	<u>\$ 260,632</u>	<u>\$ -</u>	<u>3,996,804</u>
Total capital assets being depreciated, net	<u>7,658,445</u>			<u>7,442,695</u>
Sewer fund capital assets, net	<u>7,784,336</u>			<u>7,568,586</u>
Business-type activities capital assets, net	<u>\$ 8,259,129</u>			<u>\$ 8,010,206</u>

Discretely presented component unit

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Furniture and Equipment	\$ 44,290	\$ -	\$ -	\$ 44,290
Total capital assets being depreciated	<u>44,290</u>	<u>-</u>	<u>-</u>	<u>44,290</u>
Less accumulated depreciation for:				
Furniture and Equipment	39,327	2,810	-	42,137
Total Accumulated Depreciation	<u>39,327</u>	<u>\$ 2,810</u>	<u>\$ -</u>	<u>42,137</u>
ABC Capital Assets, Net	<u>\$ 4,963</u>			<u>\$ 2,153</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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 Lake Waccamaw employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Lake Waccamaw's contractually required contribution rate for the year ended June 30, 2020, 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 the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Lake Waccamaw were \$49,414 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$159,486 for its proportionate share of the net pension liability. The net liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.005840%, which was a decrease of .0000910% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2020, the Town recognized pension expense of \$74,930. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected & actual experience	\$ 27,308	\$ -
Changes of assumptions	25,994	-
Net difference between projected and actual earnings on pension plan investments	3,890	-
Changes in proportion & differences between Town contributions and proportionate share of contributions	10,583	-
Town contributions subsequent to the measurement date	49,414	-
Total	<u>\$ 117,189</u>	<u>\$ -</u>

\$42,680 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 33,881
2021	11,886
2022	17,208
2023	4,800
2024	-
Thereafter	-
Total	<u>\$ 67,775</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 contains a provision to reflect mortality improvements.

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

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

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

Asset Class	Target Allocation	Long-Term Real Rate of Return
Fixed Income	29.00%	1.40%
Global Equity	42.00%	5.30%
Real Estate	8.00%	4.30%
Alternatives	8.00%	8.90%
Credit	7.00%	6.00%
Inflation Protection	6.00%	4.00%
	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LRS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 364,773	\$ 159,486	\$ (11,150)

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

b. Law Enforcement Officers Special Separation

1. Plan Description

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

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	-
Terminated plan members entitled to but not year receiving benefits	-
Active Plan Members	4
Total	<u>4</u>

A separate report was not issued for the plan.

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 and refunds are recognized when due and payable in accordance with the terms of the plan.

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

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 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, 2018.

Mortality rates are based on the RP-2000 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 had no benefits come due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$59,380. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$4,876.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,849	\$ 3,539
Changes of assumptions	4,426	2,346
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
	<u>\$ 7,275</u>	<u>\$ 5,885</u>

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

Year ended June 30:	
2021	\$ (94)
2022	(94)
2023	(28)
2024	(30)
2025	761
Thereafter	875

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 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	(2.26%)	(3.26%)	(4.26%)
Total pension liability	\$ 65,263	\$ 59,380	\$ 53,904

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

	2020
Beginning balance	\$ 48,969
Service cost	3,188
Interest on the total pension liability	1,782
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	3,312
Changes of assumptions or other inputs	2,129
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 59,380</u>

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

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

Total Expenses, Liabilities, and Deferred Outflows and Inflows of Resource Related to Pensions

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension Expense	\$ 74,930	\$ 4,876	\$ 79,806
Pension Liability	\$ 159,486	\$ 59,380	\$ 218,866
Proportionate share of the net pension liability	0.0058%	n/a	
Deferred of Outflows of Resources			
Difference between expected and actual experiences	\$ 27,308	\$ 2,849	\$ 30,157
Changes in assumptions	25,994	4,426	30,420
Net difference between projected and actual earnings on plan investment	3,890	-	3,890
Changes in proportion and differences between contributions and proportionate share of contributions	10,583	-	10,583
Benefit payments and administrative costs paid subsequent to measurement date	49,414	-	49,414
Deferred of Inflows of Resources			
Difference between expected and actual experiences	-	3,539	3,539
Changes in assumptions	-	2,346	2,346
Net difference between projected and actual earnings on	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

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 financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$7,613, which consisted of \$7,593 from the Town and \$20 from the law enforcement officers.

2. Other Employment Benefits

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

Contributions to pension plan in current fiscal year	\$ 49,414
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	30,157
Change of assumptions	30,420
Net difference between projected and actual	3,890
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,583
Charge on refunding	-
Total	<u><u>\$ 124,464</u></u>

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

Taxes Receivable, less penalties (General Fund)	\$ 5,169
Differences between expected and actual experience	3,539
Change of assumptions and other inputs	2,346
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Total	<u><u>\$ 11,054</u></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 two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total 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 professionals liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town does not carry flood insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The finance officer is bonded for \$50,000. The tax collector is bonded for \$25,000. The remaining employees are covered for employee dishonesty and forgery or alteration up to a limit of \$25,000 per occurrence and up to a limit of \$5,000 per occurrence for theft of money or securities inside or outside the premises.

The Lake Waccamaw 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, auto liability, workers' compensation, and employee health coverages. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

5. Claims, Judgments and Contingent Liabilities

As of June 30, 2020, the Town was not involved in any legal actions that, in the opinion of management and the Town's attorney, would have an adverse or material effect on the Town's financial position.

6. Long-Term Obligations

a. Installment Loans

On December 22, 2014, the Town entered into a direct borrowing loan from BB&T for the purchase of a fire truck. Annual payments are \$23,760 for seven years and include interest at 2.550%. The balance on the loan at June 30, 2020 was \$45,763. Failure to pay or late payments will result in additional interest at an equal rate to the prime rate.

On August 29, 2016 the Town obtained a direct borrowing loan from BB&T for the purchase of two police vehicles. Annual payments are \$15,795 and include interest at 2.26%. The note was paid off on December 1, 2020. The balance on the loan at June 30, 2020 was \$0. Failure to pay or late payments will result in additional interest at an equal rate to the prime rate.

Annual debt service requirements to maturity for the governmental installment loans (assuming no changes in terms) are as follows:

Governmental Activities

Year Ending June 30,	Principal	Interest	Total
2021	\$ 22,594	\$ 1,167	\$ 23,761
2022	23,167	591	23,758
2023	-	-	-
Total	\$ 45,761	\$ 1,758	\$ 47,519

Description of loans serviced by the Water and Sewer Funds:

Bella Coola Revolving Loan

The Town entered an agreement with the NCDENR-Division of Water Quality on September 12, 2002 \$ 28,946 for the approval of a \$588,000 note. This note is payable over a 20 year period at 2.82%. The Town had drawn and received loan proceeds of \$289,462 by June 30, 2006. Principal payments of \$14,473 are due annually.

North Carolina Clean Water Revolving Loan

The Town entered an agreement with the NCDEQ-Division of Water Improvement on April 23, 2016 814,763 for the approval of a \$1,018,454 note. This note is payable over a 20 year period at 2.00%. The Town had drawn and received loan proceeds of \$957,004 by June 30, 2016. Principal payments of \$50,923 are due annually.

North Carolina Water Pollution Control Revolving Fund

In December 2012, the Town accepted financial assistance for the Phase 4 Sewer System Improvements 322,627 Project. The total assistance was \$996,132. One half of this principal amount will be forgiven, and the interest rate on the loan is zero percent. The term of the loan is scheduled for 20 years.

Total \$ 1,166,336

Annual debt service requirements to maturity for the Town's Business-type activities are as follows:

Fiscal Year Ended	Revolving Loans	
	Principal	Interest
2021	\$ 90,213	17,112
2022	90,213	15,685
2023	75,740	14,258
2024	75,740	13,240
2025	75,740	12,221
2026-2030	378,701	45,830
2031-2035	329,066	20,369
2036-2040	50,923	1,018
Total	<u>\$ 1,166,336</u>	<u>\$ 139,733</u>

Changes in Long – Term Liabilities

	Balance			Balance	
	June 30, 2020	Increases	Decreases	June 30, 2020	Current Portion of Balance
Governmental Activities:					
Direct borrowing & direct placement installment purchases	\$ 83,241	\$ -	\$ 37,478	\$ 45,763	\$ 37,478
Net Pension Obligation (LEO)	48,969	10,411	-	59,380	-
Compensated Absences	36,433	-	4,408	32,025	8,006
Net Pension Liability(LGERS)	101,681	1,474	-	103,155	-
Governmental activity long-term liabilities	\$ 270,324	\$ 11,885	\$ 41,886	\$ 240,323	\$ 45,484
Business-type Activities:					
Water Fund					
Compensated Absences	\$ 9,455	\$ 289	\$ -	\$ 9,744	\$ 2,436
Net Pension Liability (LGERS)	22,260	-	829	21,431	-
Water Fund long-term liabilities	\$ 31,715	\$ 289	\$ 829	\$ 31,175	\$ 2,436
Sewer Fund					
Revolving Loans	\$ 1,256,550	\$ -	\$ 90,214	\$ 1,166,336	\$ 90,213
Compensated Absences	13,953	-	1,182	12,771	3,193
Net Pension Liability(LGERS)	36,191	-	1,292	34,899	-
Sewer Fund long-term liabilities	\$ 1,306,694	\$ -	\$ 92,688	\$ 1,214,006	\$ 93,406
Business-type activity long-term liabilities	\$ 1,338,409	\$ 289	\$ 93,517	\$ 1,245,181	\$ 95,842

At June 30, 2020, the Town of Lake Waccamaw had a legal debt margin of \$21,349,957. There were no authorized bonds that had not been issued as of June 30, 2020.

C. Interfund Balances and Activity

The balances due between the General Fund and the Water and Sewer Funds result from postings to the internal balance accounts rather than the central depository account throughout the year. All funds are self-supported, and balances will be adjusted through the central depository in the subsequent year.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 2,119,412	\$ 8,010,206
less: long-term debt	45,763	1,166,336
	<u>\$ 2,073,649</u>	<u>\$ 6,843,870</u>

E. Fund Balance

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

Total Fund Balance-General Fund	\$ 1,521,087
Less:	
Stabilization by Statute	138,780
Street-Powell Bill	117,498
Appropriated Fund Balances in 2021 Budget	82,390
Public Safety	105,490
Remaining Fund Balance	<u>\$ 1,076,929</u>

NOTE IV: JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with several other municipalities and counties, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$7,500 to the Council during the fiscal year ended June 30, 2020.

NOTE V: 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 monies 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.

NOTE VI: SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through January 28, 2021, the date the financial statements were available to be issued. There were no items to report.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional statements required by the Local Government Commission of North Carolina.

Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Lake Waccamaw's proportion of the net pension liability (asset) (%)	0.00584%	0.00675%	0.00711%	0.00730%	0.00635%	-0.00923%
Lake Waccamaw's proportion of the net pension liability (asset) (\$)	\$ 159,486	\$ 160,132	\$ 108,621	\$ 154,930	\$ 28,498	\$ (54,434)
Lake Waccamaw's covered payroll	\$ 538,883	\$ 559,807	\$ 560,560	\$ 549,640	\$ 540,550	\$ 544,171
Lake Waccamaw's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	29.60%	28.60%	19.40%	28.19%	5.24%	-10.46%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

* 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 Lake Waccamaw, North Carolina
Town of Lake Waccamaw's Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 49,414	\$ 42,680	\$ 43,367	\$ 41,174	\$ 36,867	\$ 39,285
Contributions in relation to the contractually required contribution	49,414	42,680	43,367	41,174	36,867	39,285
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lake Waccamaw's covered payroll	\$ 538,883	\$ 559,807	\$ 560,560	\$ 549,640	\$ 540,550	\$ 544,171
Contributions as a percentage of covered payroll	9.17%	7.62%	7.49%	7.49%	6.82%	7.14%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 48,969	\$ 53,333	\$ 46,784
Service Cost	3,188	3,853	3,290
Interest on the total pension liability	1,782	1,613	1,806
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	3,312	(2,543)	(3,638)
Changes in assumptions or other inputs	2,129	(2,733)	5,091
Benefit Payments	-	(4,554)	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 59,380</u>	<u>\$ 48,969</u>	<u>\$ 53,333</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 59,380	\$ 48,969	\$ 53,333
Covered payroll	\$ 148,775	\$ 186,838	\$ 182,917
Total pension liability as a percentage of covered payroll	39.91%	26.21%	26.70%

Note to the schedules:

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

SUPPLEMENTARY STATEMENTS

This section contains additional statements required by the Local Government Commission of North Carolina.

Town of Lake Waccamaw, North Carolina
General Fund
Comparative Balance Sheets
June 30, 2020 and June 30, 2019

	June 30, 2020	June 30, 2019
Assets		
Cash and cash equivalents	\$ 1,189,474	\$ 1,002,200
Restricted Cash	222,988	297,721
Receivables (net):		
Taxes	5,169	5,436
Accounts	118,739	116,002
Due from other funds	17,743	10,382.00
Due from the County	2,298	2,446
Total assets	<u>\$ 1,556,411</u>	<u>\$ 1,434,187</u>
Liabilities and fund balances		
Liabilities:		
Due to other funds	\$ -	\$ -
Accounts payable and accrued liabilities	30,155	27,506
Total liabilities	<u>30,155</u>	<u>27,506</u>
Deferred Inflows of Resources		
Property taxes receivable	<u>5,169</u>	<u>5,436</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	138,780	128,830
Streets	117,498	192,527
Public Safety	105,490	105,194
Assigned:		
Subsequent year's expenditures	82,390	80,715
Unassigned	1,076,929	893,979
Total fund balances	<u>1,521,087</u>	<u>1,401,245</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,556,411</u>	<u>\$ 1,434,187</u>

Town of Lake Waccamaw, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Final Budget	Actual		Actual
Revenues				
Ad Valorem taxes:				
Taxes	\$ 525,949	\$ 528,991	\$ 3,042	\$ 538,366
Penalties and interest	1,879	2,057	178	2,986
Total	527,828	531,048	3,220	541,352
Other taxes and licenses:				
Local option sales tax	338,187	371,306	33,119	360,728
Fire District tax	24,043	23,483	(560)	23,249
Privilege license	75	60	(15)	575
Total	362,305	394,849	32,544	384,552
Unrestricted intergovernmental:				
Beer and Wine Tax	21,286	21,286	-	15,923
Tax refunds	18,901	18,901	-	10,086
Utilities Franchise Tax	90,000	87,222	(2,778)	89,587
Total	130,187	127,409	(2,778)	115,596
Restricted intergovernmental revenues:				
FEMA	52,214	52,214	-	285,715
Other Grants	-	29,674	29,674	55,000
Grant Match	3,500	3,500	-	-
Solid Waste Disposal Tax	558	1,109	551	1,030
Powell Bill allocation	44,961	44,961	-	45,514
Total	101,233	131,458	30,225	387,259
Permits and fees:				
Zoning permits	1,700	1,850	150	1,950
Inspection Fees & Permits	-	-	-	100
Total	1,700	1,850	150	2,050
Other Revenue:				
Investment earnings	10,000	10,122	122	6,855
Total	10,000	10,122	122	6,855
Miscellaneous:				
Officers' fees	50	50	-	99
City tags	22	22	-	8
Tank Rental	38,548	38,548	-	37,425
Activity Sponsorships & Donations	27,688	27,689	1	26,268
Other	45,815	18,156	(27,659)	103,573
Total	112,123	84,465	(27,658)	167,373
Total Revenues	\$ 1,245,376	\$ 1,281,201	\$ 35,825	\$ 1,605,037

Town of Lake Waccamaw, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Final Budget	Actual		Actual
Expenditures				
General Government:				
Governing body:				
Board fees & expense	\$ 8,612	\$ 8,611	\$ 1	\$ 8,554
Total governing body	<u>8,612</u>	<u>8,611</u>	<u>1</u>	<u>8,554</u>
Administration:				
Salaries	118,580	116,980	1,600	99,580
Social security	8,949	8,652	297	7,646
Retirement	10,470	7,650	2,820	7,667
Travel & Education	9,400	9,463	(63)	1,692
Utilities	11,000	9,163	1,837	5,323
Telephone	4,300	4,373	(73)	2,489
Audit fees	13,600	14,616	(1,016)	17,410
Repairs and upkeep	7,000	6,796	204	8,780
Maint. & Repair - Bldg./Grounds	4,500	4,016	484	3,565
Supplies and printing	5,200	5,090	110	6,208
Insurance	6,918	6,918	-	7,281
Insurance - group	18,405	17,159	1,246	10,747
Postage	1,500	1,324	176	1,007
City tags	667	668	(1)	236
Legal Fees	9,000	6,284	2,716	7,900
Contract Services	35,000	29,920	5,080	31,314
Surveying	-	-	-	-
Planning board contract	7,500	7,500	-	7,500
Election expense	3,516	-	3,516	-
Unemployment	169	169	-	-
Dues & Subscriptions	4,151	4,151	-	3,674
Sales tax	350	308	42	1,507
Advertising	3,500	2,264	1,236	1,613
Planning and zoning	645	645	-	1,062
Planning board members	-	-	-	-
Computers and software	29,000	28,382	618	30,763
Admin. Vehicle	-	-	-	3,117
Miscellaneous	11,617	16,703	(5,086)	7,573
Copier Lease	3,000	2,938	62	3,105
Capital Outlay	<u>5,772</u>	<u>5,773</u>	<u>(1)</u>	<u>6,545</u>
Total administration	<u>333,709</u>	<u>317,905</u>	<u>15,804</u>	<u>285,304</u>
Taxes:				
Collection fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general government	<u>342,321</u>	<u>326,516</u>	<u>15,805</u>	<u>293,858</u>

Town of Lake Waccamaw, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Final Budget	Actual		Actual
Public safety:				
Police department:				
Salaries - officers	173,598	166,718	6,880	161,427
Social security	13,803	12,325	1,478	12,113
Retirement	17,248	14,751	2,497	11,962
Gas and Oil	7,000	6,378	622	7,267
Maintenance & Repairs	15,800	12,511	3,289	6,172
Utilities	635	965	(330)	2,077
Uniform expense	1,981	1,981	-	271
Telephone	10,200	10,122	78	5,362
Insurance	11,675	11,675	-	13,537
Insurance - group	35,000	32,860	2,140	33,615
Retirement - 401K	16,000	7,892	8,108	7,117
Computer Service	4,054	4,054	-	3,658
Operating supplies	2,600	2,211	389	1,875
Supplies and printing	-	-	-	42
Copier Lease	3,000	3,098	(98)	2,362
Miscellaneous	2,580	3,116	(536)	1,387
Capital Outlay	9,143	9,143	-	998
Total	<u>324,317</u>	<u>299,800</u>	<u>24,517</u>	<u>271,242</u>
Fire and rescue:				
Salaries	76,092	74,305	1,787	37,661
Retirement	3,200	3,216	(16)	2,812
Social Security	6,686	5,686	1,000	2,848
Insurance - group	4,800	4,820	(20)	4,036
Telephone	3,200	3,074	126	1,759
Repairs, maintenance, and supplies	19,000	18,763	237	13,665
Gas and Oil	3,200	2,728	472	4,944
Utilities	4,200	4,516	(316)	6,138
Retirement dues	1,375	1,375	-	1,100
Insurance	29,416	29,416	-	28,030
Travel	45	45	-	-
Maintenance building	1,523	1,523	-	647
Supplies and materials	6,000	3,338	2,662	2,647
Education & Training	-	-	-	76
Computer Software	-	-	-	529
Copier Lease	3,000	2,938	62	2,368
OSFM Grant Match	2,159	2,159	-	-
SCBA Bottles	446	447	(1)	15,450
Miscellaneous	9,147	9,220	(73)	1,335
Capital Outlay	41,490	41,212	278	332,941
Total	<u>214,979</u>	<u>208,781</u>	<u>6,198</u>	<u>458,986</u>
Total public safety	<u>539,296</u>	<u>508,581</u>	<u>30,715</u>	<u>730,228</u>

Town of Lake Waccamaw, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Final Budget	Actual		Actual
Transportation:				
Street department				
Salaries	61,685	59,701	1,984	53,074
Social security	4,500	4,388	112	4,002
Retirement	4,726	4,540	186	3,989
Gas and oil	7,200	6,448	752	7,462
Telephone	750	643	107	745
Insurance	3,757	3,757	-	3,300
Maintenance and repair	3,300	2,770	530	6,139
Supplies and materials	2,200	1,856	344	3,573
Professional services	-	-	-	-
Street signs	775	764	11	439
Street lights	37,000	39,191	(2,191)	36,450
Group insurance	8,892	8,753	139	9,317
Uniforms	1,100	922	178	657
Safety training	600	566	34	675
Capital outlay	2,500	2,442	58	3,924
Postage	-	-	-	-
Travel	254	254	-	351
Maintenance and Improvements - Streets	42,500	42,485	15	78,268
Total	<u>181,739</u>	<u>179,480</u>	<u>2,259</u>	<u>212,365</u>
Environmental protection:				
Fogging:				
Miscellaneous	274	274	-	1,635
Capital Outlay	-	-	-	9,310
Chemicals and fuels	386	386	-	7,872
Total fogging	<u>660</u>	<u>660</u>	<u>-</u>	<u>18,817</u>
Total environmental protection	<u>660</u>	<u>660</u>	<u>-</u>	<u>18,817</u>
Cultural & Recreational:				
Recreation Utilities	10,000	9,441	559	8,382
Recreation Supplies & Materials	2,200	1,148	1,052	5,748
Landscaping and maintenance	-	-	-	33,949
PartF Grant Expense	8,000	10,000	(2,000)	-
Capital outlay	88,495	85,495	3,000	-
Insurance	482	482	-	472
Total cultural and recreational	<u>109,177</u>	<u>106,566</u>	<u>2,611</u>	<u>48,551</u>
Debt Service:				
Principal retirement	35,798	35,799	(1)	66,983
Interest and fees	3,757	3,757	-	3,757
Total debt service	<u>39,555</u>	<u>39,556</u>	<u>(1)</u>	<u>70,740</u>
Total expenditures	<u>1,212,748</u>	<u>1,161,359</u>	<u>51,389</u>	<u>1,374,559</u>
Revenues over (under) expenditures	<u>32,628</u>	<u>119,842</u>	<u>87,214</u>	<u>230,478</u>

Town of Lake Waccamaw, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Other financing sources (uses):				
Transfers from (to) other funds:	(472)	-	472	-
Total	(472)	-	472	-
Appropriated From (Transfer to) Fund Balance	(32,156)	-	32,156	-
Net change in fund balance	\$ -	119,842	\$ 119,842	230,478
Fund balance:				
Beginning of year, July 1		1,401,245		1,170,767
End of year, June 30		\$ 1,521,087		\$ 1,401,245

Town of Lake Waccamaw, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget & Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Operating Revenues:			
Water Revenue	\$ 269,000	\$ 304,099	\$ 35,099
Water Tap & Construction	10,000	10,000	-
Impact Fees	-	-	-
Penalties, Reconnect and Meter Testing	1,200	1,175	(25)
Total Operating Revenues	<u>280,200</u>	<u>315,274</u>	<u>35,074</u>
Nonoperating Revenues:			
Interest on Investments	-	-	-
Sales Tax Refund	1,598	1,598	-
Grant Revenue	-	-	-
Miscellaneous	585	585	-
Total Nonoperating Revenues	<u>2,183</u>	<u>2,183</u>	<u>-</u>
Total Revenues	<u>282,383</u>	<u>317,457</u>	<u>35,074</u>
Expenditures:			
Water System:			
Salaries	85,670	79,016	6,654
Social Security	6,084	5,955	129
Retirement	6,800	9,991	(3,191)
Telephone	1,000	774	226
Maint. & Repair	10,000	4,031	5,969
Water Tank Maintenance	9,887	9,892	(5)
Group Insurance	18,405	19,401	(996)
Utilities	13,000	12,257	743
Insurance	5,421	5,421	-
Gas and Oil	1,700	1,747	(47)
Materials and Supplies	15,000	12,784	2,216
Postage and Billing	2,700	2,823	(123)
Travel	567	458	109
Lab Fees and Permits	3,159	2,741	418
Computer Service	5,926	5,926	-
Computer and Printer	-	-	-
Safety Training	750	520	230
Chemicals	5,000	3,410	1,590
Uniforms	1,800	1,588	212
Bad Debt	-	-	-
Miscellaneous	100	40	60
Total Water System	<u>192,969</u>	<u>178,775</u>	<u>14,194</u>

Town of Lake Waccamaw, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget & Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Capital Outlay:			
Water Projects	907	-	907
Total Capital Outlay	907	-	907
Total Expenditures	193,876	178,775	15,101
Revenues over (under) expenditures	88,507	138,682	50,175
Other Financing Sources (Uses):			
Appropriated From (Transfer to) Fund Balance	(88,507)	-	88,507
Total Other Sources (Uses)	(88,507)	-	88,507
Revenues and Other Sources over Expenditures and Other Financing Uses	\$ -	138,682	\$ 138,682
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Principal retirement		-	
Capital outlay		-	
Bad Debt		(12,473)	
Increase in deferred outflows of resources - pensions		(4,590)	
Decrease in net pension liability		829	
Increase in deferred in flows of resources - pensions		406	
Depreciation		(34,080)	
Total Reconciling items		(49,908)	
Change in net position		\$ 88,774	

Town of Lake Waccamaw, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget & Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Operating Revenues:			
Sewer Revenue	\$ 531,290	\$ 501,243	\$ (30,047)
Sewer Tap & Construction	4,050	4,050	-
Impact Fees	-	-	-
Penalties, Reconnect and Other	500	480	(20)
Total Operating Revenues	<u>535,840</u>	<u>505,773</u>	<u>(30,067)</u>
Nonoperating Revenues:			
Interest on Investments	-	-	-
Miscellaneous	1,633	1,999	366
Sales Tax Refund	6,992	6,993	1
Total Nonoperating Revenues	<u>8,625</u>	<u>8,992</u>	<u>367</u>
Total Revenues	<u>544,465</u>	<u>514,765</u>	<u>(29,700)</u>
Expenditures:			
Sewer System:			
Salaries	139,116	126,849	12,267
Social Security	10,017	9,755	262
Advertising	-	-	-
Retirement	13,099	16,276	(3,177)
Telephone	3,000	2,900	100
Maint. & Repair	105,000	99,216	5,784
Group Insurance	23,265	25,885	(2,620)
Utilities	47,000	46,450	550
Insurance	9,867	9,912	(45)
Gas and Oil	2,500	2,588	(88)
Materials and Supplies	18,000	14,474	3,526
Postage and Billing	2,500	2,823	(323)
Computer Service	2,433	2,433	-
Computer & Printer	75	75	-
Travel	472	363	109
Lab Fees and Permits	22,453	22,064	389
Safety Training	1,000	565	435
Sludge Removal	19,224	19,224	-
Chemicals	20,000	15,694	4,306
Miscellaneous	100	70	30
Grant Match	2,250	2,250	-
Uniforms	2,000	2,042	(42)
Total Sewer System	<u>443,371</u>	<u>421,908</u>	<u>21,463</u>

Town of Lake Waccamaw, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget & Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		
Debt Service:			
Interest and fees	33,011	18,300	14,711
Principal retirement	75,741	90,214	(14,473)
Total debt service	108,752	108,514	238
Capital Outlay:			
Sewer Projects	-	-	-
Miscellaneous Sewer	50,000	49,986	14
Total Capital Outlay	50,000	49,986	14
Total Expenditures	602,123	580,408	21,715
Revenues over (under) expenditures	(57,658)	(65,643)	(7,985)
Other Financing Sources (Uses):			
Loans Received		-	-
Appropriated Fund Balance	57,658		(57,658)
Operating transfers in (out):			
Capital Project	-	-	-
General Fund	-	-	-
Total Other Sources (Uses)	57,658	-	(57,658)
Revenues and Other Sources over Expenditures and Other Financing Uses	\$ -	(65,643)	\$ (65,643)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Principal retirement		90,214	
Capital outlay		44,882	
Increase in deferred outflows of resources - pensions		(7,420)	
Increase in net pension liability		1,292	
Decrease in deferred in flows of resources - pensions		666	
Transfer from Capital Project		-	
Depreciation		(260,632)	
Total Reconciling items		(130,998)	
Change in net position		\$ (196,641)	

Town of Lake Waccamaw, North Carolina
Sanitation Fund
Schedule of Revenues and Expenditures
Budget & Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Operating Revenues:			
Sanitation Fees	\$ 207,823	\$ 194,085	\$ (13,738)
Total Operating Revenues	<u>207,823</u>	<u>194,085</u>	<u>(13,738)</u>
Restricted Intergovernmental Revenues:			
FEMA	-	-	-
Total Restricted Intergovernmental Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating Revenues:			
Miscellaneous Revenues	-	-	-
Total Nonoperating Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>207,823</u>	<u>194,085</u>	<u>(13,738)</u>
Expenditures:			
Sanitation			
Sanitation Contract	207,823	188,056	19,767
Storm Debris Removal	-	-	-
Total Sanitation	<u>207,823</u>	<u>188,056</u>	<u>19,767</u>
Capital Outlay:			
Miscellaneous Sanitation	-	-	-
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>207,823</u>	<u>188,056</u>	<u>19,767</u>
Revenues over (under) expenditures	<u>-</u>	<u>6,029</u>	<u>6,029</u>
Other Financing Sources (Uses):			
Appropriated Fund Balance	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>6,029</u>	<u>\$ 6,029</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Principal retirement		\$ -	
Capital outlay		-	
Depreciation		-	
Total Reconciling items		<u>-</u>	
Change in net position		<u>\$ 6,029</u>	

OTHER SCHEDULES

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Town of Lake Waccamaw, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 534,893	\$ 530,385	\$ 4,508
2018-2019	5,141	-	3,068	2,073
2017-2018	1,098	-	319	779
2016-2017	508	35	-	543
2015-2016	297	113	-	410
2014-2015	690	88	-	778
2013-2014	1,132	34	-	1,166
2012-2013	1,230	-	11	1,219
2011-2012	1,285	-	139	1,146
2010-2011	325	22	-	347
2009-2010	329	-	329	-
Totals	<u>\$ 12,035</u>	<u>\$ 535,185</u>	<u>\$ 534,251</u>	\$ 12,969
Less: Allowance for Uncollectible Accounts: General Fund				<u>7,800</u>
Ad valorem taxes receivable - net				<u>\$ 5,169</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ <u>531,048</u>
Reconciling items:				
Penalties and interest collected				(2,057)
Taxes written off, abatements & adjustments				<u>5,260</u>
Subtotal				<u>\$ 3,203</u>
Total collections and credits				<u>\$ 534,251</u>

Town of Lake Waccamaw, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 267,446,500	0.20	\$ 534,893	\$ 506,898	\$ 27,995
Total Valuation	\$ <u>267,446,500</u>				
Net levy			\$ 534,893	\$ 506,898	\$ 27,995
Uncollected taxes at June 30, 2020			<u>4,508</u>	<u>4,508</u>	<u>-</u>
Current year's taxes collected			\$ <u>530,385</u>	\$ <u>502,390</u>	\$ <u>27,995</u>
Current levy collection percentage			<u>99.16%</u>	<u>99.11%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co, P.A.

P.O Box 398

1626 S. Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

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

To the Honorable Mayor and
Members of the Town Commissioners
Town of Lake Waccamaw, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying 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 Lake Waccamaw, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Lake Waccamaw's basic financial statements, and have issued our report thereon dated January 28, 2021. The financial statements of the Lake Waccamaw 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 Lake Waccamaw'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 Lake Waccamaw's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [20-01].

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies [20-02].

Compliance and Other Matters

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

Town of Lake Waccamaw's Response to Findings

The Town of Lake Waccamaw's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC

January 28, 2021

**Town of Lake Waccamaw
 Schedule of Findings and Responses
 For the Year Ended June 30, 2020**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant Deficiency(s) identified? X yes no

Noncompliance material to financial statements noted yes X no

**Town of Lake Waccamaw
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

Section II. Financial Statement Findings

MATERIAL WEAKNESS

FINDING: 20-01 Lack of Segregation of Duties

Criteria: Internal controls are enhanced when the responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Condition: In reviewing internal control procedures within the Finance Department, we noticed a lack of segregation of duties due to the small number of employees. Internal controls are enhanced when responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Effect: While it may be convenient to have one person authorized to handle multiple phases of a transaction, it does not provide the ideal internal control structure.

Cause: The small number of employees within the Finance Department makes it difficult to achieve an adequate segregation of duties.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

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

SIGNIFICANT DEFICIENCIES

FINDING: 20-02 Inadequate design of internal control over the preparation of the financial statements being

Criteria: There is not an individual within the Town's personnel that possess sufficient accounting knowledge and experience to be able to determine if the financial statements are prepared

Condition: There is a limited number of Town personnel.

Effect: The information within the annual audited financial statements could be materially misstated.

Cause: Town financial resources are limited and are not sufficient to have such a position.

Recommendation: The Town should consider outsourcing this procedure.

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

Town of Lake Waccamaw

ON THE SHORES OF NORTH CAROLINA'S LARGEST NATURAL LAKE

P.O. Box 145

Lake Waccamaw, North Carolina 28450

(910) 646-3700

(910) 646-3860 Fax

email: lwtownmanager@embarqmail.com



Member N.C. League of Municipalities

Corrective Action Plan For the Year Ended June 30, 2020

Section II. Financial Statement Findings

MATERIAL WEAKNESS

20-01 Segregation of Duties

Name of Contact Person: Damon Kempinski, Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.

19-02 Inadequate design of internal control over the preparation of financial statements being audited

Name of Contact Person: Damon Kempinski, Finance Officer

Corrective Action: The Town will start evaluating this deficiency to determine what alternative controls could be used to compensate for this.

Proposed Completion Date: The Board will implement the above procedure immediately.

**Town of Lake Waccamaw
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020**

19-01 Repeated as 20-01

19-02 Repeated as 20-02

19-03 Corrected