

**TOWN OF LILESVILLE, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**JBW**

**J. B. WATSON & Co., P.L.L.C.**

Certified Public Accountants

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**LOCAL GOVERNMENT OFFICIALS**  
**June 30, 2020**

**Richard Harrington, Mayor**

**Town Council**

Juanita Williams - Mayor Pro Tem

Lewis Adams

John Montgomery

Steve Whitlock

Bernice Bennett

**Administrative Staff**

Lynn Whitlock, Town Clerk, Finance Director

Matthew Walker, Public Works Director

Bobby Gallimore, Tax Collector

Santonia Robinson, Police Chief

Marty Morton, Sanitation Director, Fire Chief

**TOWN OF LILESVILLE, NORTH CAROLINA**

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## **FINANCIAL SECTION**

# **J. B. WATSON & CO., P.L.L.C.**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Lilesville, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Lilesville, 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 (on pages i through x), the Other Postemployment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios (on page 47), the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions (on pages 43 and 44), and the Law Enforcement Officers' Special Separation Allowance's Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll (pages 45 and 46) 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 Town of Lilesville, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and State awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*J. B. Watson + Co., P.L.L.C.*

Wadesboro, North Carolina  
November 25, 2020

## **Management's Discussion and Analysis**

### **Town of Lilesville, North Carolina**

As management of the Town of Lilesville, North Carolina, we offer readers of the Town of Lilesville's financial statements this narrative overview and analysis of the financial activities of the Town of Lilesville 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 Lilesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,761,795 (*net position*).
- The government's total net position increased by \$47,113.
- As of the close of the current fiscal year, the Town of Lilesville's governmental funds reported combined ending fund balances of \$489,742, an increase of \$59,993 in comparison with the prior year. 14.91% of this total amount, or \$73,003, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$412,481, or 33.14% of total General Fund expenditures for the fiscal year.
- The Town of Lilesville's total debt increased by \$417,143.

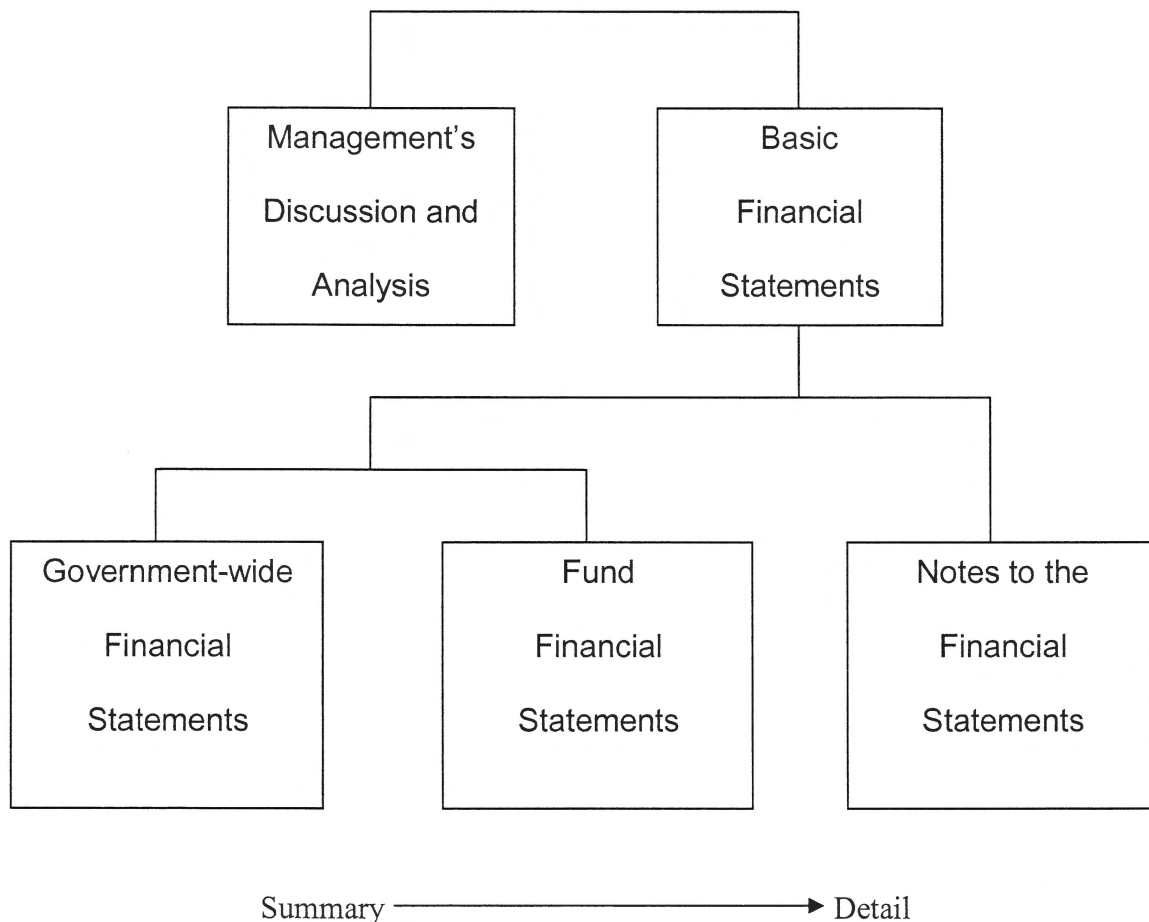
#### **Overview of the Financial Statements**

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

**Management's Discussion and Analysis  
Town of Lilesville, North Carolina**

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 3-1 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 four parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the agency fund statement.

## **Management's Discussion and Analysis**

### **Town of Lilesville, North Carolina**

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. Following the notes is **Required Supplementary Information**. This section contains funding information about the Town's pension plans and postemployment benefits. Also after the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

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

The government-wide financial statements are on 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 Lilesville, 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 the Town of Lilesville can be divided into three categories: governmental funds, proprietary funds, and agency 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

## **Management's Discussion and Analysis**

### **Town of Lilesville, North Carolina**

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 governmental 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 Lilesville 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 Lilesville has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Lilesville uses an enterprise fund to account for its water and sewer operations. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Agency Funds** – Town of Lilesville has one agency fund. *Agency Funds* are used to account for assets held by the Town as an agent for individuals and/or other governments. Town of Lilesville uses an agency fund to account for monies held by the Town to be used for the benefit of injured volunteer firemen.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 13-42 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Lilesville's progress in funding its obligation to provide healthcare benefits to its retired employees and pension benefits to its employees. Required supplementary information can be found beginning on page 43 of this report.

## Management's Discussion and Analysis

### Town of Lilesville, North Carolina

**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.

### Government-Wide Financial Analysis

#### Town of Lilesville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 494,273	\$ 440,719	\$ 279,438	\$ 257,387	\$ 773,711	\$ 698,106
Restricted assets	27,462	22,368	24,561	22,049	52,023	44,417
Capital assets	2,121,905	1,524,504	4,399,599	4,519,910	6,521,504	6,044,414
Deferred outflows of resources	33,015	30,815	15,924	16,026	48,939	46,841
Total assets and deferred outflows of resources	2,676,655	2,018,406	4,719,522	4,815,372	7,396,177	6,833,778
Current and other liabilities	15,314	13,405	32,753	29,626	48,067	43,031
Long-term liabilities:						
Due within one year	117,602	83,312	7,000	7,000	124,602	90,312
Due in more than one year	974,043	553,315	334,068	371,943	1,308,111	925,258
Deferred inflows of resources	98,497	39,114	55,105	21,381	153,602	60,495
Total liabilities and deferred inflows of resources	1,205,456	689,146	428,926	429,950	1,634,382	1,119,096
Net position:						
Net investment in capital assets	1,240,527	1,146,876	4,157,599	4,273,910	5,398,126	5,420,786
Restricted	73,003	67,507	-	-	73,003	67,507
Unrestricted	157,669	114,877	132,997	111,512	290,666	226,389
Total net position	\$1,471,199	\$1,329,260	\$4,290,596	\$4,385,422	\$5,761,795	\$5,714,682

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Lilesville exceeded liabilities and deferred inflows of resources by \$5,761,795 as of June 30, 2020. The Town's net position increased by \$47,113 for the fiscal year ended June 30, 2020. However, the largest portion, \$5,398,126 (93.69%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Lilesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lilesville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Lilesville's net position, \$73,003 (1.27%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$290,666 is unrestricted.



## Management's Discussion and Analysis

### Town of Lilesville, North Carolina

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

- Continued diligence in the collection of property taxes.
- Overall property tax collection rate of 95.77% of current year property taxes.
- Expenditures for the water and sewer operations have been controlled by budgeting procedures to offset the higher cost of operating.

#### Town of Lilesville's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 19,969	\$ 20,038	\$ 311,871	\$ 307,393	\$ 331,840	\$ 327,431
Operating grants and contributions	23,681	23,736	-	-	23,681	23,736
Capital grants and contributions	38,838	41,268	-	-	38,838	41,268
General revenues:						
Property taxes	90,732	88,101	-	-	90,732	88,101
Other taxes	479,410	472,232	-	-	479,410	472,232
Other	46,628	24,356	200	-	46,828	24,356
Total revenues	699,258	669,731	312,071	307,393	1,011,329	977,124
Expenses:						
General government	95,398	87,488	-	-	95,398	87,488
Public safety	404,203	361,902	-	-	404,203	361,902
Transportation	12,899	75,330	-	-	12,899	75,330
Environmental protection	19,605	20,600	-	-	19,605	20,600
Culture and recreation	13,280	14,090	-	-	13,280	14,090
Interest on long-term debt	13,022	10,898	-	-	13,022	10,898
Water and sewer	-	-	405,809	411,420	405,809	411,420
Total expenses	558,407	570,308	405,809	411,420	964,216	981,728
Change in net position before transfers	140,851	99,423	(93,738)	(104,027)	47,113	(4,604)
Transfers	1,088	2,117	(1,088)	(2,117)	-	-
Change in net position	141,939	101,540	(94,826)	(106,144)	47,113	(4,604)
Net Position, July 1	1,329,260	1,227,720	4,385,422	4,491,566	5,714,682	5,719,286
Net position, ending	\$1,471,199	\$1,329,260	\$4,290,596	\$4,385,422	\$5,761,795	\$5,714,682

**Governmental activities:** Governmental activities increased the Town's net position by \$141,939. Key elements of this increase are as follows:

- Public safety grants in the amount of \$38,838.
- Decrease in total OPEB liability of \$63,096.
- Increase in total revenues by \$29,527 or 4.41%.

## **Management's Discussion and Analysis**

### **Town of Lilesville, North Carolina**

**Business-type activities:** Business-type activities decreased the Town of Lilesville's net position by \$94,826. Key elements of this decrease are as follows:

- Depreciation expense on capital assets in the amount of \$120,311.
- Operating expenses held in check with budgeting controls.

### **Financial Analysis of the Town's Funds**

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

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

The General Fund is the chief operating fund of the Town of Lilesville. At the end of the current fiscal year, Town of Lilesville's fund balance available in the General Fund was \$439,943, while total fund balance reached \$485,484. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. The Town currently has an available fund balance of 35.34% of General Fund expenditures, while total fund balance represents 39.00% of the same amount.

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

The Town of Lilesville made several amendments to the original budget. The most significant amendments were associated with public safety capital outlay expenditures, grant revenue and expenditures, and note proceeds.

**Proprietary Funds:** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$132,997. The total decrease in net position was \$94,826. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

**Management's Discussion and Analysis**  
**Town of Lilesville, North Carolina**

**Capital Asset and Debt Administration**

**Capital assets:** The Town of Lilesville's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$6,521,504 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Capital assets were purchased for \$755,464 in governmental-type activities for public safety. These capital assets include a rescue fire truck, a pickup truck, radios, scuba equipment, and other safety equipment.

**Town of Lilesville's Capital Assets**  
**(net of depreciation)**

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Land and construction in progress	\$ 41,492	\$ 41,492	\$ 14,900	\$ 14,900	\$ 56,392	\$ 56,392
Buildings	603,244	610,547	22,752	23,419	625,996	633,966
Equipment	357,897	298,884	1,647	2,125	359,544	301,009
Vehicles	1,119,272	573,581	-	-	1,119,272	573,581
Water and sewer system	-	-	4,360,300	4,479,466	4,360,300	4,479,466
Office equipment	-	-	-	-	-	-
<b>Total</b>	<b>\$2,121,905</b>	<b>\$1,524,504</b>	<b>\$4,399,599</b>	<b>\$4,519,910</b>	<b>\$6,521,504</b>	<b>\$6,044,414</b>

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

**Management's Discussion and Analysis**  
**Town of Lilesville, North Carolina**

**Town of Lilesville's Outstanding Debt**  
**Long-Term Debt**

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Installment purchases	\$ 881,378	\$ 377,628	\$ -	\$ -	\$ 881,378	\$ 377,628
Revenue bonds	-	-	242,000	246,000	242,000	246,000
Compensated absences	9,098	3,693	-	-	9,098	3,693
Net pension liability (LGERS)	34,531	31,657	19,541	17,925	54,072	49,582
Total pension liability (LEO)	37,637	31,552	-	-	37,637	31,552
Total OPEB liability	129,001	192,097	79,527	115,018	208,528	307,115
<b>Total</b>	<b>\$1,091,645</b>	<b>\$ 636,627</b>	<b>\$ 341,068</b>	<b>\$ 378,943</b>	<b>\$1,432,713</b>	<b>\$1,015,570</b>

**Long-term Debt:** As of June 30, 2020, the Town of Lilesville had total debt outstanding of \$1,432,713. The Town of Lilesville's total debt increased by \$417,143 during the past fiscal year primarily due to the increase of installment purchases of \$503,750 and the decrease in the OPEB liability of \$98,587. All payments were made as scheduled.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for the Town of Lilesville is \$1,484,574 and the current legal debt margin is \$603,196. The Town does not have any un-issued authorized bonds as of June 30, 2020.

Additional information regarding the Town of Lilesville's long-term debt can be found in Note 3 of the Basic Financial Statements beginning on page 37 of this report.

**Economic Factors and Next Year's Budgets and Rates**

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

- The Town expects revenues and expenditures to remain steady in the near future.
- The Town expects improvements in the quality of the water and sewer system to reduce maintenance costs and increase revenue.

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities:** Budgeted revenues are 1.10% lower than the original budget for the fiscal year ended June 30, 2020. Budgeted expenses for all areas are also 1.10% lower than the original budget for the fiscal year ended June 30, 2020. This decrease is necessary to more accurately reflect expected revenues and expenses.

## **Management's Discussion and Analysis**

### **Town of Lilesville, North Carolina**

**Business-type Activities:** Budgeted revenues and expenditures for the fiscal year ending June 30, 2021, are 2.38% lower than the original budget for the fiscal year ended June 30, 2020. The budget was prepared to accurately reflect expected revenues and expenses.

#### **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 Lynn Whitlock, PO Box 451, Lilesville, North Carolina, 28091.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 425,268	\$ 226,559	\$ 651,827
Taxes receivable	17,675	-	17,675
Accrued interest receivable on taxes	5,789	-	5,789
Accounts receivable	729	52,879	53,608
Due from other governments	44,812	-	44,812
Restricted cash and cash equivalents	27,462	24,561	52,023
<b>TOTAL CURRENT ASSETS</b>	<b>521,735</b>	<b>303,999</b>	<b>825,734</b>
<b>CAPITAL ASSETS</b>			
Land and construction in progress	41,492	14,900	56,392
Other capital assets, net of depreciation	2,080,413	4,384,699	6,465,112
<b>TOTAL CAPITAL ASSETS</b>	<b>2,121,905</b>	<b>4,399,599</b>	<b>6,521,504</b>
<b>TOTAL ASSETS</b>	<b>2,643,640</b>	<b>4,703,598</b>	<b>7,347,238</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>33,015</b>	<b>15,924</b>	<b>48,939</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	8,106	-	8,106
Accrued interest payable	6,785	-	6,785
Due to other governments	423	8,192	8,615
Payable from restricted assets	-	24,561	24,561
Long-term liabilities:			
Due within one year	117,602	7,000	124,602
Due in more than one year	974,043	334,068	1,308,111
<b>TOTAL LIABILITIES</b>	<b>1,106,959</b>	<b>373,821</b>	<b>1,480,780</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>98,497</b>	<b>55,105</b>	<b>153,602</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,240,527	4,157,599	5,398,126
Restricted for:			
Stabilization by State statute	45,541	-	45,541
Streets	27,462	-	27,462
Unrestricted	157,669	132,997	290,666
<b>TOTAL NET POSITION</b>	<b>\$ 1,471,199</b>	<b>\$ 4,290,596</b>	<b>\$ 5,761,795</b>

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2020**

**Exhibit 2**

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
<b>Governmental activities:</b>							
General government	\$ 95,398	\$ -	\$ -	\$ -	\$ (95,398)	\$ -	\$ (95,398)
Public safety	404,203	-	6,130	38,838	(359,235)	-	(359,235)
Transportation	12,899	-	17,551	-	4,652	-	4,652
Environmental protection	19,605	19,969	-	-	364	-	364
Culture and recreation	13,280	-	-	-	(13,280)	-	(13,280)
Interest on long-term debt	13,022	-	-	-	(13,022)	-	(13,022)
Total governmental activities	<u>558,407</u>	<u>19,969</u>	<u>23,681</u>	<u>38,838</u>	<u>(475,919)</u>	<u>-</u>	<u>(475,919)</u>
<b>Business-type activities:</b>							
Water and sewer	<u>405,809</u>	<u>311,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,938)</u>	<u>(93,938)</u>
	<u>\$ 964,216</u>	<u>\$ 331,840</u>	<u>\$ 23,681</u>	<u>\$ 38,838</u>	<u>(475,919)</u>	<u>(93,938)</u>	<u>(569,857)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					90,732	-	90,732
Other taxes and licenses					479,410	-	479,410
Investment earnings, unrestricted					5,021	-	5,021
Miscellaneous, unrestricted					<u>41,607</u>	<u>200</u>	<u>41,807</u>
<b>Total general revenues not including transfers</b>					616,770	200	616,970
<b>Transfers</b>					<u>1,088</u>	<u>(1,088)</u>	<u>-</u>
<b>Total general revenues and transfers</b>					<u>617,858</u>	<u>(888)</u>	<u>616,970</u>
<b>Change in net position</b>					141,939	(94,826)	47,113
<b>Net position, beginning</b>					<u>1,329,260</u>	<u>4,385,422</u>	<u>5,714,682</u>
<b>Net position, ending</b>					<u>\$ 1,471,199</u>	<u>\$ 4,290,596</u>	<u>\$ 5,761,795</u>

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



**TOWN OF LILESVILLE, NORTH CAROLINA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2020**

**Exhibit 3-1**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 421,010	\$ 4,258	\$ 425,268
Restricted cash and cash equivalents	27,462	-	27,462
Taxes receivable	17,675	-	17,675
Accounts receivable	729	-	729
Due from other governments	44,812	-	44,812
<b>TOTAL ASSETS</b>	<b>\$ 511,688</b>	<b>\$ 4,258</b>	<b>\$ 515,946</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 8,106	\$ -	\$ 8,106
Due to other governments	423	-	423
<b>TOTAL LIABILITIES</b>	<b>8,529</b>	<b>-</b>	<b>8,529</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	17,675	-	17,675
<b>FUND BALANCES</b>			
Restricted:			
Stabilization by State statute	45,541	-	45,541
Streets	27,462	-	27,462
Committed:			
Debt service	-	4,258	4,258
Unassigned	412,481	-	412,481
<b>TOTAL FUND BALANCES</b>	<b>485,484</b>	<b>4,258</b>	<b>489,742</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 511,688</b>	<b>\$ 4,258</b>	<b>\$ 515,946</b>

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2020**

**Exhibit 3-2**

**Fund balances - Total governmental funds (Exhibit 3-1)** **\$ 489,742**

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds:

Capital assets	3,863,128
Less: Accumulated depreciation	(1,741,223)

Deferred outflows of resources related to pensions and OPEB are not reported in the funds.	33,015
---	--------

Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds: Accrued interest receivable on taxes	5,789
---	-------

Earned revenues considered deferred inflows of resources in fund statements.	17,675
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Long-term liabilities used in governmental activities are not financial  
uses and therefore are not reported in the funds:

Net pension liability (LGERS)	(34,531)
Total pension liability (LEO)	(37,637)
Compensated absences	(9,098)
Installment purchases	(881,378)
Total OPEB liability	(129,001)

Deferred inflows of resources related to pensions and OPEB are not reported in the funds.	(98,497)
--	----------

Some liabilities are not due and payable in the current period and therefore are not reported in the funds: Accrued interest payable	(6,785)
--	---------

<b>Net position of governmental activities (Exhibit 1)</b>	<b><u>\$ 1,471,199</u></b>
--	----------------------------

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2020**

**Exhibit 4-1**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 90,154	\$ -	\$ 90,154
Other taxes and licenses	329,374	-	329,374
Unrestricted intergovernmental	150,828	-	150,828
Restricted intergovernmental	62,828	-	62,828
Sales and services	19,969	-	19,969
Investment earnings	5,021	-	5,021
Miscellaneous	20,572	-	20,572
<b>TOTAL REVENUES</b>	<u>678,746</u>	<u>-</u>	<u>678,746</u>
<b>EXPENDITURES</b>			
Current:			
General government	88,389	-	88,389
Public safety	1,021,905	-	1,021,905
Transportation	12,612	-	12,612
Environmental protection	15,008	-	15,008
Culture and recreation	11,487	-	11,487
Debt service:		-	
Principal retirement	86,250	-	86,250
Interest	9,190	-	9,190
<b>TOTAL EXPENDITURES</b>	<u>1,244,841</u>	<u>-</u>	<u>1,244,841</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(566,095)</u>	<u>-</u>	<u>(566,095)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	11,853	11,853
Transfers to other funds	-	(10,765)	(10,765)
Sale of capital assets	35,000	-	35,000
Installment purchase obligations issued	590,000	-	590,000
	<u>625,000</u>	<u>1,088</u>	<u>626,088</u>
<b>NET CHANGE IN FUND BALANCE</b>	58,905	1,088	59,993
<b>FUND BALANCE, beginning</b>	<u>426,579</u>	<u>3,170</u>	<u>429,749</u>
<b>FUND BALANCE, ending</b>	<u>\$ 485,484</u>	<u>\$ 4,258</u>	<u>\$ 489,742</u>

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

**TOWN OF LILESVILLE, 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, 2020**

**Exhibit 4-2**

**Net change in fund balances - total governmental funds (Exhibit 4-1)** \$ 59,993

Amounts reported for governmental activities in the statement of activities  
(Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay expenditures	755,464
Depreciation expense for governmental assets	(142,997)
Net book value of disposed assets not recorded in the fund statements	(15,066)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	11,473
---	--------

OPEB benefit payments and administrative expenses incurred in the current fiscal year are not included on the statement of activities.	4,415
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Increase in accrued interest on property taxes	665
Change in unavailable revenue for tax revenues	(87)

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

New long-term debt issued	(590,000)
Principal payments on long-term debt	86,250
Increase in accrued interest payable	(3,832)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Pension expense	(17,425)
Increase in compensated absences	(5,405)
OPEB plan expense	(1,509)

**Total change in net position of governmental activities (Exhibit 2)** \$ 141,939

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2020**

**Exhibit 5**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 96,900	\$ 96,900	\$ 90,154	\$ (6,746)
Other taxes and licenses	310,000	325,000	329,374	4,374
Unrestricted intergovernmental	154,200	154,200	150,828	(3,372)
Restricted intergovernmental	47,550	65,821	62,828	(2,993)
Sales and services	21,000	21,000	19,969	(1,031)
Investment earnings	6,010	6,010	5,021	(989)
Miscellaneous	19,660	27,160	20,572	(6,588)
<b>TOTAL REVENUES</b>	<u>655,320</u>	<u>696,091</u>	<u>678,746</u>	<u>(17,345)</u>
<b>EXPENDITURES</b>				
Current:				
General government	102,380	102,380	88,389	13,991
Public safety	405,750	1,036,521	1,021,905	14,616
Transportation	18,250	18,250	12,612	5,638
Environmental protection	21,000	21,000	15,008	5,992
Culture and recreation	11,950	11,950	11,487	463
Debt service:				
Principal retirement	86,790	86,790	86,250	540
Interest	9,200	9,200	9,190	10
<b>TOTAL EXPENDITURES</b>	<u>655,320</u>	<u>1,286,091</u>	<u>1,244,841</u>	<u>41,250</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>-</u>	<u>(590,000)</u>	<u>(566,095)</u>	<u>23,905</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	-	-	35,000	35,000
Installment purchase obligations issued	-	590,000	590,000	-
<b>TOTAL OTHER SOURCES</b>	<u>-</u>	<u>590,000</u>	<u>625,000</u>	<u>35,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>58,905</u>	<u>\$ 58,905</u>
<b>FUND BALANCE, beginning</b>			<u>426,579</u>	
<b>FUND BALANCE, ending</b>			<u>\$ 485,484</u>	

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2020**

**Exhibit 6**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 226,559
Accounts receivable	52,879
Restricted cash and cash equivalents	<u>24,561</u>
Total current assets	<u>303,999</u>

**NONCURRENT ASSETS**

Capital assets:	
Land and construction in progress	14,900
Other capital assets, net of depreciation	<u>4,384,699</u>
Total noncurrent assets	<u>4,399,599</u>

**TOTAL ASSETS** 4,703,598

**DEFERRED OUTFLOWS OF RESOURCES** 15,924

**LIABILITIES**

**CURRENT LIABILITIES**

Due to other governments	8,192
Current portion of long-term debt	7,000
Liabilities payable from restricted assets:	
Customer deposits	<u>24,561</u>
Total current liabilities	<u>39,753</u>

**NONCURRENT LIABILITIES**

Net pension liability	19,541
Total OPEB liability	79,527
Long-term debt	<u>235,000</u>
Total noncurrent liabilities	<u>334,068</u>

**TOTAL LIABILITIES** 373,821

**DEFERRED INFLOWS OF RESOURCES** 55,105

**NET POSITION**

Net investment in capital assets	4,157,599
Unrestricted	<u>132,997</u>

**TOTAL NET POSITION** \$ 4,290,596

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2020**

**Exhibit 7**

**OPERATING REVENUES**

Charges for services \$ 311,871

**OPERATING EXPENSES**

Water and sewer purchases 67,213

Operating expenses 211,520

Depreciation 120,311

**TOTAL OPERATING EXPENSES** 399,044

**OPERATING LOSS** (87,173)

**NONOPERATING REVENUES (EXPENSES)**

Disposal of capital assets 200

Interest (6,765)

**TOTAL NONOPERATING REVENUES (EXPENSES)** (6,565)

**LOSS BEFORE TRANSFERS** (93,738)

**TRANSFERS** (1,088)

**CHANGE IN NET POSITION** (94,826)

**NET POSITION, beginning** 4,385,422

**NET POSITION, ending** \$ 4,290,596

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2020**

**Exhibit 8**  
**Page 1 of 2**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 291,353
Cash paid for goods and services	(190,247)
Cash paid to or on behalf of employees for services	(87,920)
Customer deposits received	3,525
Customer deposits returned	<u>(1,013)</u>

**NET CASH PROVIDED BY  
OPERATING ACTIVITIES**

15,698

**CASH FLOWS FROM NONCAPITAL FINANCING  
ACTIVITIES**

Transfers to debt service reserve fund	<u>(1,088)</u>
--	----------------

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING  
ACTIVITIES**

Disposal of capital assets	200
Principal paid on revenue bonds	(4,000)
Interest paid on revenue bonds	<u>(6,765)</u>

**NET CASH USED BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

(10,565)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

4,045

**CASH AND CASH EQUIVALENTS, beginning**

247,075

**CASH AND CASH EQUIVALENTS, ending**

\$ 251,120

**RECONCILIATION OF CASH AND CASH EQUIVALENTS  
TO THE BALANCE SHEET:**

Cash and cash equivalents in current assets	\$ 226,559
Restricted cash and cash equivalents in current assets	<u>24,561</u>
	<u><u>\$ 251,120</u></u>



**TOWN OF LILESVILLE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2020**

**Exhibit 8**  
**Page 2 of 2**

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:**

Operating loss	\$ (87,173)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	120,311
Decrease in:	
Deferred inflows of resources - pensions	(207)
Total OPEB liability	(35,491)
Deferred outflows of resources - pension	160
Increase in:	
Accounts receivable	(20,518)
Due to other governments	615
Customer deposits	2,512
Net pension liability	1,616
Deferred outflows of resources - OPEB	(58)
Deferred inflows of resources - OPEB	<u>33,931</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>15,698</u></b>

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND**  
**June 30, 2020**

**Exhibit 9**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>39,519</u>
<b>LIABILITIES</b>	
Due to volunteer firemen	\$ <u>39,519</u>

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Town of Lilesville conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

**A. REPORTING ENTITY**

Town of Lilesville is a municipal corporation which is governed by an elected mayor and a five-member council.

**B. BASIS OF PRESENTATION**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. 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, including the fiduciary fund. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - 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 nonmajor funds.

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

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, street maintenance and construction, and debt service.

The Town reports the following non-major governmental funds:

*Debt Service Fund and Debt Service Reserve Fund.* These funds are used to account for monies set aside for future debt service obligations.

The Town reports the following major enterprise fund:

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

The Town reports the following fund type:

*Agency Fund.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Town holds on behalf of others. The Town maintains the following agency fund: the Firemen's Relief Fund, which accounts for monies contributed from the State and deposited for the benefit of injured firefighters.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary 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 flow takes 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.

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town 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 nonoperating 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 operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities sales 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 Lilesville because the tax is levied by Anson 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 special purposes, are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. 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.

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**D. BUDGETARY DATA**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget was adopted for the General Fund, the Enterprise Fund, the Debt Service Fund, and the Debt Service Reserve Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted as needed. The enterprise fund projects are consolidated with the Water and Sewer Fund for reporting purposes (when applicable). All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for all multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY**

**DEPOSITS AND INVESTMENTS**

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

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

**CASH AND CASH EQUIVALENTS**

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

**RESTRICTED ASSETS**

Customer deposits of \$24,561 held by the Town are restricted to the service for which the deposit was collected. Powell Bill funds of \$27,462 are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through G.S. 136-41.4.

**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 1, 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.

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**ALLOWANCES FOR DOUBTFUL ACCOUNTS**

Allowances for doubtful accounts are not maintained by the Town due to expected collectibility of all accounts receivable.

**CAPITAL ASSETS**

Capital assets are defined by the government as assets with an estimated useful life in excess of two years. The Town's capital assets are recorded at original cost. Donated capital assets received prior to June 16, 2015, are recorded at their estimated fair value at the date of the donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are recorded at historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and have not been capitalized. The costs 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:

Water and sewer system	50 years
Buildings	40-50 years
Vehicles	5-20 years
Office equipment	5 years
Equipment	7-20 years

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

**LONG-TERM OBLIGATIONS**

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



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**COMPENSATED ABSENCES**

The vacation policy of the Town provides for the accumulation of up to 60 days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary fund financial statements, an expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned.

The Town's sick leave policy provides for 12 days a year up to 60 days accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**NET POSITION/FUND BALANCES**

**NET POSITION**

Net position in government-wide and proprietary fund financial statements is 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. The Town does not have any nonspendable fund balances this fiscal year.

*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 legislature in the 1930's 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 year.* 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. RSS is included as a component of restricted fund balance on the Balance Sheet and restricted net position on the Statement of Net Position.



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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 total unexpended Powell Bill funds.

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

Committed for debt service - portion of fund balance that has been set aside for future debt service obligations.

*Assigned Fund Balance* - This classification includes the portion of fund balance that the Town intends to use for specific purposes. The Town does not have any assigned fund balance this year.

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

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Town has not adopted a formal minimum fund balance policy, but follows the State Treasurer's guidance.

**DEFINED BENEFIT PENSION AND OPEB PLANS**

The Town participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State – the Local Governmental Employees' Retirement System (LGERS), the Law Enforcement Officers' Special Separation Allowance (LEOSSA), and the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) (collectively, the "state-administered defined benefit pension plans") – and one other postemployment benefit plan (OPEB) - the Health Care Plan (the HC Plan). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Town of Lilesville's employer contributions are recognized when due and Town of Lilesville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HC Plan and additions to/deductions from the HC Plan's fiduciary net position have been determined on the same basis as they are reported by the HC Plan. For this purpose, the HC Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Excess of Expenditures Over Appropriations**

For the fiscal year ended June 30, 2020, the expenditures made in the Water and Sewer Fund for transfers to other funds exceeded authorized appropriations. The Board plans to implement review procedures in the future to ensure compliance with approved appropriations.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**A. ASSETS**

**DEPOSITS**

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

At June 30, 2020, the Town's deposits had a carrying amount of \$743,219 and a bank balance of \$1,058,576. At June 30, 2020, the Town's bank balances exceeded federally insured limits by \$555,288. At June 30, 2020, the Town's petty cash totaled \$150.

**RECEIVABLES - ALLOWANCES FOR DOUBTFUL ACCOUNTS**

Virtually all ad valorem taxes and accounts receivable are collected, and accordingly, allowances for doubtful accounts are not considered material or necessary.

**TOWN OF LILESVILLE, NORTH CAROLINA**  
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**CAPITAL ASSETS**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 41,492	\$ -	\$ -	\$ 41,492
Capital assets being depreciated:				
Buildings	929,925	15,601	-	945,526
Equipment	927,876	111,563	-	1,039,439
Vehicles	<u>1,264,871</u>	<u>628,300</u>	<u>56,500</u>	<u>1,836,671</u>
Total capital assets being depreciated	<u>3,122,672</u>	<u>755,464</u>	<u>56,500</u>	<u>3,821,636</u>
Less accumulated depreciation for:				
Buildings	319,378	22,904	-	342,282
Equipment	628,992	52,550	-	681,542
Vehicles	<u>691,290</u>	<u>67,543</u>	<u>41,434</u>	<u>717,399</u>
Total accumulated depreciation	<u>1,639,660</u>	<u>142,997</u>	<u>41,434</u>	<u>1,741,223</u>
Total capital assets being depreciated, net	<u>1,483,012</u>			<u>2,080,413</u>
Governmental activities capital assets, net	<u>\$1,524,504</u>			<u>\$2,121,905</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 2,254
Public safety	134,353
Transportation	200
Culture and recreation	1,793
Environmental protection	<u>4,397</u>
	<u>\$ 142,997</u>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 14,900	\$ -	\$ -	\$ 14,900
Capital assets being depreciated:				
Water and sewer system	5,958,333	-	-	5,958,333
Buildings	33,338	-	-	33,338
Office equipment	1,500	-	-	1,500
Equipment	50,416	-	-	50,416
Vehicles	30,397	-	-	30,397
Total capital assets being depreciated	<u>6,073,984</u>	<u>-</u>	<u>-</u>	<u>6,073,984</u>
Less accumulated depreciation for:				
Water and sewer system	1,478,867	119,166	-	1,598,033
Buildings	9,919	667	-	10,586
Office equipment	1,500	-	-	1,500
Equipment	48,291	478	-	48,769
Vehicles	30,397	-	-	30,397
Total accumulated depreciation	<u>1,568,974</u>	<u>120,311</u>	<u>-</u>	<u>1,689,285</u>
Total capital assets being depreciated, net	<u>4,505,010</u>			<u>4,384,699</u>
Business-type activities capital assets, net	<u>\$4,519,910</u>			<u>\$4,399,599</u>

Depreciation expense for the year ended June 30, 2020, for the Water and Sewer Fund was \$120,311.

**B. LIABILITIES**

**PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS**

**Local Governmental Employees' Retirement System**

*Plan Description:* Town of Lilesville is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the

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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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided:* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service 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 Lilesville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Lilesville's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.99% 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 Town of Lilesville were \$17,884 for the year ended June 30, 2020.

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*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 \$54,072 for its proportionate share of the net pension liability. The net pension 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 0.00198% (measured as of June 30, 2019), which was a decrease of 0.00011% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$22,167. 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
Differences between expected and actual experience	\$ 9,259	\$ -
Changes of assumptions	8,813	-
Net difference between projected and actual earnings on pension plan investments	1,319	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	4,296
Town contributions subsequent to the measurement date	17,884	-
Total	<u>\$ 37,275</u>	<u>\$ 4,296</u>

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\$17,884 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	\$ 7,829
2022	1,633
2023	4,475
2024	1,158
Thereafter	-
	<u>\$ 15,095</u>

*Actuarial Assumptions:* 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	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 actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study as of 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



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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, 2019, are summarized in the following table:

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

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 LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 123,673	\$ 54,072	\$ (3,780)

*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.



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**Law Enforcement Officers' Special Separation Allowance**

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of one active plan member.

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies:*

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

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

*Actuarial Assumptions:* The entry age normal 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	2.5 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-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

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*Contributions:* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- as benefits came 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 \$37,637. 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 \$3,557.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,498	\$ 1,955
Changes of assumptions	3,284	1,450
Town benefit payments and plan administrative expenses made subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 4,782</u>	<u>\$ 3,405</u>

\$-0- paid as benefits came due and \$-0- of administrative expenses incurred subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 223
2022	223
2023	223
2024	223
2025	223
Thereafter	<u>262</u>
	<u>\$ 1,377</u>

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*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 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.26 percent) or one percentage point higher (4.26 percent) than the current rate:

	1% Decrease <u>(2.26%)</u>	Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Total pension liability	\$ 42,286	\$ 37,637	\$ 33,406

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

Balance at December 31, 2018	\$ 31,552
Service cost	1,563
Interest on the total pension liability	1,148
Change of benefit terms	-
Differences between expected and actuarial experience	1,719
Changes of assumptions or other inputs	1,655
Benefit payments	-
Other changes	<u>-</u>
Balance at December 31, 2019	<u>\$ 37,637</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 five year period ended December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 22,167	\$ 3,557	\$ 25,724
Pension liability	54,072	37,637	91,709
Proportionate share of the net pension liability (asset)	0.00198%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	9,259	1,498	10,757
Changes of assumptions	8,813	3,284	12,097
Net difference between projected and actual earnings on plan investments	1,319	-	1,319
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative expenses incurred subsequent to the measurement date	17,884	-	17,884
	<u>37,275</u>	<u>4,782</u>	<u>42,057</u>
Deferred inflows of resources:			
Differences between expected and actual experience	-	1,955	1,955
Changes of assumptions	-	1,450	1,450
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,296	-	4,296
	<u>4,296</u>	<u>3,405</u>	<u>7,701</u>

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**Supplemental Retirement Income Plan For Law Enforcement Officers and General Employees**

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

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan.

The Town has elected to make the Supplemental Retirement Income Plan available to general employees. The Town contributes four percent of each general participant's salary, and the employees may make voluntary contributions. All amounts contributed are vested immediately.

The Town made contributions of \$8,184 for the reporting year. No amounts were forfeited.

**Deferred Compensation Plan**

*Plan Description:* The Town participates in the North Carolina Public Employee Deferred Compensation Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and Board of Trustees. The North Carolina Public Employee Deferred compensation Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 457 plan that includes the Deferred Compensation Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454.

*Funding Policy:* The Plan permits each participating employee or Council member to defer a portion of his or her salary until future years by having the funds invested in various instruments that make up the North Carolina Public Employee Deferred Compensation Trust Fund. The fund is held in trust by the 457 Plan for the exclusive benefit of participating employees and their beneficiaries. The deferred compensation is available to participants upon separation from service, death, disability, retirement, or financial hardships if approved by the Board. The Town made contributions of \$-0- for the reporting year.

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**Firefighters' and Rescue Squad Workers' Pension Fund**

*Plan Description:* The State of North Carolina contributes, on behalf of Town of Lilesville, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing, multiple-employer, defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighters' and Rescue Squad Workers' Pension Fund 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 the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided:* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions:* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution provisions are established by General Statute 58 - 86 and may be amended only by the North Carolina General Assembly. For the fiscal year ended June 30, 2020, the State contributed \$18,302,000 to the plan. The Town of Lilesville's proportionate share of the State's contribution is \$5,130.

*Refunds of Contributions:* Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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**Other Postemployment Benefits – Health Care Benefits**

*Plan Description:* Under the terms of a Town resolution, the Town administers a single-employer, defined benefit Health Care Plan (the HC Plan). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Benefits Provided:* The HC Plan provides postemployment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 25 years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the HC Plan.

Membership of the HC Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General <u>Employees</u>	Law Enforcement <u>Officers</u>
Retirees receiving benefits	1	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>3</u>	<u>2</u>
Total	<u><u>4</u></u>	<u><u>2</u></u>

*Total OPEB Liability:* The Town's total OPEB liability of \$208,528 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs:* The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Pre-Medicare – 7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026 Medicare – 5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021

The discount rate is based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

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*Changes in the Total OPEB Liability:*

Balance at July 1, 2018	<u>\$ 307,115</u>
Changes for the year:	
Service cost	9,477
Interest	11,864
Changes of benefit terms	-
Differences between expected and actual experience	(113,998)
Changes of assumptions or other inputs	(1,610)
Benefit payments	<u>(4,320)</u>
Net changes	<u>(98,587)</u>
Balance at June 30, 2019	<u>\$ 208,528</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease <u>(2.50%)</u>	Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB liability	\$ 247,407	\$ 208,528	\$ 177,949

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease <u></u>	Current Rate <u></u>	1% Increase <u></u>
Total OPEB liability	\$ 173,253	\$ 208,528	\$ 254,870

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* For the year ended June 30, 2020, the Town recognized OPEB expense of \$2,358. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 102,026
Changes of assumptions or other inputs	-	43,875
Benefit payments and administrative expenses incurred subsequent to the measurement date	<u>6,882</u>	<u>-</u>
Total	<u>\$ 6,882</u>	<u>\$ 145,901</u>

\$6,882 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (21,355)
2022	(21,355)
2023	(21,355)
2024	(21,355)
2025	(21,355)
Thereafter	<u>(39,126)</u>
	<u>\$ (145,901)</u>

**OTHER EMPLOYMENT BENEFITS**

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

For the fiscal year ended June 30, 2020, the Town made contributions to the State for death benefits of \$166. The Board's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.04% and 0.14% of covered payroll, respectively.

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**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

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

Contributions to pension plan in current fiscal year (LGERS)	\$	17,884
Benefit payments and administrative expenses for OPEB incurred subsequent to the measurement date		6,882
Differences between expected and actual experience		10,757
Changes of assumptions		12,097
Net difference between projected and actual earnings on plan investments		1,319
Changes in proportion and differences between employer contributions and proportionate share of contributions		-
	\$	<u>48,939</u>

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

	General Fund Balance Sheet	Statement of Net Position
Taxes receivable, less penalties (General Fund)	\$ 17,675	\$ -
Differences between expected and actual experience	-	103,981
Changes of assumptions	-	45,325
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,296
	<u>\$ 17,675</u>	<u>\$ 153,602</u>

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**COMMITMENTS**

On July 2, 2018 the Town entered into a water tank maintenance agreement with American tank maintenance LLC. The cost is \$8,109 for three years. In year four, the cost can be adjusted to the actual cost of the service, subject to a maximum increase of 4% annually. The agreement can be terminated by the Town by written notice. The Town paid and expensed \$8,109 in the year ended June 30, 2020.

On May 26, 2020, the Town council approved the purchase of a new garbage truck. The truck was ordered and financing was arranged with Pee Dee Electric Membership Coop before June 30, 2020. The truck was purchased and the loan was finalized on July 9, 2020.

**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 insurance pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage up to \$1,000,000 per occurrence and workers' compensation coverage up to \$1,000,000. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town participates in the National Flood Insurance Program (NFIP). NFIP is managed by the Federal Emergency Management Agency (FEMA) and enables homeowners and businesses in participating communities to purchase federally backed flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

**CLAIMS AND JUDGMENTS**

At June 30, 2020, the Town had no litigation pending.

**LONG-TERM OBLIGATIONS**

**Installment purchases payable**

Installment purchases payable consisted of the following at June 30, 2020:

On October 6, 2017, the Town entered into a direct borrowing installment purchase contract with the Local Government Federal Credit Union to refinance a loan for the construction of a fire department building. The financing contract requires 7 annual payments of \$27,091 including interest at 2.500%

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beginning October 6, 2018. The loan is secured by a deed of trust. In the event of default the lender will declare unpaid principal and interest immediately due. This contract is serviced by the General Fund.	\$ 125,816
On December 6, 2017, the Town entered into a direct borrowing installment purchase contract with Uwharrie Bank to finance the purchase of a police vehicle. The financing contract requires 60 monthly payments of \$723 including interest at 2.250% beginning January 6, 2018. The loan is secured by the police vehicle. In the event of default the lender will declare unpaid principal and interest immediately due. This contract is serviced by the General Fund.	20,337
On September 27, 2017, the Town entered into a direct borrowing revolving loan agreement with USDA (passed through Pee Dee Electric Membership Corporation) to finance an addition to the fire department building. The financing contract requires 10 annual payments of \$10,200 at 0% interest beginning September 27, 2018. The loan is secured by a deed of trust. In the event of default the lender will declare unpaid principal and interest immediately due. This contract is serviced by the General Fund.	13,000
On March 27, 2020, the Town entered into a direct borrowing installment purchase contract with Uwharrie Bank to finance the purchase of a fire truck. The financing contract requires 15 annual payments of \$48,530 including interest at 2.710% beginning March 27, 2021. The loan is secured by the fire truck and a security interest in the Town's bank accounts. In the event of default the lender will declare unpaid principal and interest immediately due. This contract is being serviced by the General Fund.	590,000
On August 5, 2013, the Town entered into a direct borrowing installment purchase contract with Uwharrie Bank to finance the purchase of a rescue truck and refinance a note on another fire truck. The financing contract requires 10 annual payments of \$46,640 including interest at 2.834% beginning June 5, 2014. The loan is secured by the fire truck and a security interest in the Town's bank accounts. In the event of default the lender may increase the interest rate to contract rate and declare unpaid principal and interest immediately due. This contract is being serviced by the General Fund.	<u>132,225</u>
<b>TOTAL INSTALLMENT PURCHASES PAYABLE</b>	<u><u>\$ 881,378</u></u>

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The future minimum payments of the installment purchases as of June 30, 2020, including \$155,853 of interest, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 117,602	\$ 23,538
2022	113,117	20,623
2023	108,122	17,689
2024	60,805	14,816
2025	62,415	13,206
2026-2030	195,467	47,182
2031-2035	<u>223,850</u>	<u>18,799</u>
	<u>\$ 881,378</u>	<u>\$ 155,853</u>

At June 30, 2020, Town of Lilesville had a legal debt margin of \$603,196.

**Revenue Bonds**

Direct placement revenue bonds payable consisted of the following at June 30, 2020:

\$250,000 Water and Sewer revenue bond, Series 2017, issued for water system improvements. Principal and interest installments are due annually beginning June 1, 2018, at an annual interest rate of 2.75%. In the event of default the entire principal and interest amounts will be declared immediately due.

\$ 242,000

The future minimum payments of the revenue bonds as of June 30, 2020, including \$145,093 of interest, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 7,000	\$ 6,573
2022	4,000	6,463
2023	4,000	6,353
2024	4,000	6,243
2025	4,000	6,133
2026-2030	23,000	28,930
2031-2035	26,000	25,575
2036-2040	30,000	21,725
2041-2045	35,000	17,325
2046-2050	39,000	12,348
2051-2055	46,000	6,600
2056-2057	<u>20,000</u>	<u>825</u>
	<u>\$ 242,000</u>	<u>\$ 145,093</u>

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The Town is in compliance with all revenue bond covenants as of June 30, 2020. Section 5.01 of the Bond Order requires the debt service coverage ratio with respect to the revenue bonds to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2020, is as follows:

Operating revenues	\$ 311,871
Operating expenses (excluding depreciation)	<u>278,733</u>
Operating income	33,138
Nonoperating revenues (expenses)*	<u>200</u>
Income available for debt service	<u>\$ 33,338</u>
Debt service, principal and interest paid (revenue bonds only)	<u>\$ 10,765</u>
Debt service coverage ratio	<u>310%</u>

\* Does not include revenue bond interest of \$6,765.

**CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in the Town's long-term liabilities for the year ended June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
<b>Governmental activities:</b>					
Direct borrowing:					
Installment purchases	\$ 377,628	\$ 590,000	\$ 86,250	\$ 881,378	\$ 117,602
Compensated absences	3,693	5,405	-	9,098	-
Net pension liability (LGERS)	31,657	2,874	-	34,531	-
Total pension liability (LEO)	31,552	6,085	-	37,637	-
Total OPEB liability	<u>192,097</u>	<u>-</u>	<u>63,096</u>	<u>129,001</u>	<u>-</u>
Total	<u>\$ 636,627</u>	<u>\$ 604,364</u>	<u>\$ 149,346</u>	<u>\$ 1,091,645</u>	<u>\$ 117,602</u>
	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
<b>Business-type activities:</b>					
Direct placement:					
Revenue bonds	\$ 246,000	\$ -	\$ 4,000	\$ 242,000	\$ 7,000
Net pension liability (LGERS)	17,925	1,616	-	19,541	-
Total OPEB liability	<u>115,018</u>	<u>-</u>	<u>35,491</u>	<u>79,527</u>	<u>-</u>
Total	<u>\$ 378,943</u>	<u>\$ 1,616</u>	<u>\$ 39,491</u>	<u>\$ 341,068</u>	<u>\$ 7,000</u>

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Compensated absences typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming employees are taking leave time as it is earned.

**C. INTERFUND BALANCES AND ACTIVITY**

Transfers to/from other funds at June 30, 2020, consist of the following:

	<u>From</u>	<u>To</u>
Water and Sewer Fund:		
From Debt Service Fund	\$ 10,765	\$ -
To Debt Service Fund	-	10,765
To Debt Service Reserve Fund	-	1,088
Debt Service Fund:		
From Water and Sewer Fund	10,765	-
To Water and Sewer Fund	-	10,765
Debt Service Reserve Fund:		
From Water and Sewer Fund	<u>1,088</u>	<u>-</u>
	<u>\$ 22,618</u>	<u>\$ 22,618</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations and bond orders, including amounts providing matching funds for various grant programs.

**D. REVENUES, EXPENDITURES, AND EXPENSES**

On-Behalf Payments for Fringe Benefits

For the fiscal year ended June 30, 2020, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$5,130 for the 9 volunteer and 2 employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firefighters' and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer, public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**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	\$ 485,484
Less:	
Stabilization by State statute	45,541
Streets - Powell Bill	<u>27,462</u>
Unassigned fund balance	<u>\$ 412,481</u>

**NOTE 4 - JOINT VENTURES**

The Town participates in a joint venture, North Carolina Rural Water Association (NCRWA), with other municipal and county water systems and related businesses in North Carolina to help attain the highest standards in drinking water and wastewater service. NCRWA is governed by a volunteer board of directors from the association's membership. None of the participating governments or businesses have any equity interest in NCRWA, so no equity interest has been reflected in the financial statements at June 30, 2020. In accordance with the agreement between the Town and NCRWA, the Town paid \$280 to NCRWA during the year ended June 30, 2020, for membership dues based upon the Town's water connections. Complete financial statements for NCRWA can be obtained from NCRWA's office at PO Box 540, Welcome, NC 27374.

**NOTE 5 - 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 monies.

**NOTE 6 - SUBSEQUENT EVENT**

In March 2020, the World Health Organization (WHO) classified the COVID-19 outbreak as a pandemic. As of the date of this report, the full impact of the COVID-19 pandemic continues to evolve. Management is monitoring the situation on an on-going basis. An estimate of the future financial impact, if any, is not practicable at this time.



## **REQUIRED SUPPLEMENTARY INFORMATION**

This section contains information required by generally accepted accounting principles:

- Schedule of the Proportionate Share of the Net Pension Liability (Asset) for Local Governmental Employees' Retirement System
- Schedule of Contributions for Local Governmental Employees' Retirement System
- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in Total OPEB Liability and Related Ratios

**TOWN OF LILESVILLE, NORTH CAROLINA  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY (ASSET)  
Last Seven Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.00198%	0.00209%	0.00219%	0.00236%	0.00247%	0.00232%	0.24000%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 54,072	\$ 49,582	\$ 33,457	\$ 50,087	\$ 11,085	\$ (13,682)	\$ 28,929
Town's covered payroll	\$ 124,743	\$ 116,680	\$ 114,268	\$ 114,160	\$ 111,928	\$ 104,118	\$ 101,593
Town's proportion of the net pension liability (asset) as a percentage of its covered payroll	43.35%	42.49%	29.28%	43.87%	9.90%	(13.14%)	28.48%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**Last Seven Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 17,784	\$ 10,031	\$ 9,090	\$ 8,641	\$ 7,852	\$ 8,052	\$ 7,439
Contributions in relation to the contractually required contribution	<u>17,784</u>	<u>10,031</u>	<u>9,090</u>	<u>8,641</u>	<u>7,852</u>	<u>8,052</u>	<u>7,439</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 191,916	\$ 124,743	\$ 116,680	\$ 114,268	\$ 114,160	\$ 111,928	\$ 104,118
Contributions as a percentage of covered payroll	9.27%	8.04%	7.79%	7.56%	6.88%	7.19%	7.14%

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 31,552	\$ 33,406	\$ 27,875
Service cost	1,563	1,637	1,533
Interest on the total pension liability	1,148	1,056	1,076
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	1,719	(2,611)	-
Changes of assumptions or other inputs	1,655	(1,936)	2,922
Benefit payments	-	-	-
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 37,637</u>	<u>\$ 31,552</u>	<u>\$ 33,406</u>

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

**TOWN OF LILESVILLE, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF  
COVERED PAYROLL  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 37,637	\$ 31,552	\$ 33,406
Covered payroll	\$ 44,721	\$ 42,486	\$ 45,922
Total pension liability as a percentage of covered payroll	84.16%	74.26%	72.75%

Notes to the schedules:

The Town of Lilesville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits nor does the plan provide pay related benefits.

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**OTHER POSTEMPLOYMENT BENEFITS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 9,477	\$ 10,249	\$ 11,981
Interest	11,864	11,088	10,086
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(113,998)	(1,125)	(641)
Changes of assumptions or other inputs	(1,610)	(22,321)	(40,567)
Benefit payments	<u>(4,320)</u>	<u>(4,410)</u>	<u>(4,596)</u>
Net change in total OPEB liability	(98,587)	(6,519)	(23,737)
Total OPEB liability - beginning	<u>307,115</u>	<u>313,634</u>	<u>337,371</u>
 Total OPEB liability - ending	 <u>\$ 208,528</u>	 <u>\$ 307,115</u>	 <u>\$ 313,634</u>
 Covered payroll	 \$ 124,743	 \$ 116,680	 \$ 114,268
 Total OPEB liability as a percentage of covered payroll	 167.17%	 263.21%	 274.47%

Notes to schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2020**

**Exhibit A-1**  
**Page 1 of 3**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$ 95,000	\$ 88,794	\$ (6,206)
Penalties and interest	1,900	1,360	(540)
Total	<u>96,900</u>	<u>90,154</u>	<u>(6,746)</u>
<b>Other taxes and licenses:</b>			
Lilesville Fire District tax	<u>325,000</u>	<u>329,374</u>	<u>4,374</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales taxes	119,400	125,847	6,447
Telecommunications sales tax	34,000	5,283	(28,717)
Utilities sales tax	-	16,576	16,576
Video franchise fee	-	2,021	2,021
Tax refunds	800	1,101	301
Total	<u>154,200</u>	<u>150,828</u>	<u>(3,372)</u>
<b>Restricted intergovernmental:</b>			
Fire department grants	41,371	38,838	(2,533)
Powell Bill allocation	17,750	17,551	(199)
Appropriation from County - Fire	1,000	1,000	-
Solid waste disposal tax	300	309	9
On-behalf payments - Fire	5,400	5,130	(270)
Total	<u>65,821</u>	<u>62,828</u>	<u>(2,993)</u>
<b>Sales and services:</b>			
Refuse collection	<u>21,000</u>	<u>19,969</u>	<u>(1,031)</u>
<b>Investment earnings</b>	<u>6,010</u>	<u>5,021</u>	<u>(989)</u>
<b>Miscellaneous</b>	<u>27,160</u>	<u>20,572</u>	<u>(6,588)</u>
<b>TOTAL REVENUES</b>	<u>696,091</u>	<u>678,746</u>	<u>(17,345)</u>



**TOWN OF LILESVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2020**

**Exhibit A-1**  
**Page 2 of 3**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b>			
<b>General government:</b>			
Governing body:			
Elected officials fees	-	3,800	-
Professional services	-	7,476	-
Total	-	11,276	-
Administration:			
Salaries and employee benefits	-	24,551	-
Other operating expenditures	-	52,562	-
Total	-	77,113	-
<b>Total general government</b>	<u>102,380</u>	<u>88,389</u>	<u>13,991</u>
<b>Public safety:</b>			
Fire:			
Salaries and employee benefits	-	26,784	-
Other operating expenditures	-	88,851	-
Capital outlay	-	752,003	-
On-behalf payments	-	5,130	-
Total	<u>882,781</u>	<u>872,768</u>	<u>10,013</u>
Police:			
Salaries and employee benefits	-	101,954	-
Other operating expenditures	-	43,722	-
Capital outlay	-	3,461	-
Total	<u>153,740</u>	<u>149,137</u>	<u>4,603</u>
<b>Total public safety</b>	<u>1,036,521</u>	<u>1,021,905</u>	<u>14,616</u>
<b>Transportation:</b>			
Streets and highways:			
Salaries and employee benefits	-	2,991	-
Other operating expenditures	-	9,621	-
<b>Total transportation</b>	<u>18,250</u>	<u>12,612</u>	<u>5,638</u>

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2020**

**Exhibit A-1**  
**Page 3 of 3**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Environmental protection:</b>			
Sanitation:			
Salaries and employee benefits	-	6,867	-
Other operating expenditures	-	8,141	-
<b>Total environmental protection</b>	<u>21,000</u>	<u>15,008</u>	<u>5,992</u>
<b>Culture and recreation:</b>			
Operating expenditures	<u>11,950</u>	<u>11,487</u>	<u>463</u>
<b>Debt service:</b>			
Principal retirement	86,790	86,250	540
Interest	<u>9,200</u>	<u>9,190</u>	<u>10</u>
<b>Total debt service</b>	<u>95,990</u>	<u>95,440</u>	<u>550</u>
<b>TOTAL EXPENDITURES</b>	<u>1,286,091</u>	<u>1,244,841</u>	<u>41,250</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(590,000)</u>	<u>(566,095)</u>	<u>23,905</u>
<b>OTHER FINANCING SOURCES</b>			
Sale of capital assets	-	35,000	35,000
Installment purchase obligations issued	<u>590,000</u>	<u>590,000</u>	<u>-</u>
<b>TOTAL OTHER SOURCES</b>	<u>590,000</u>	<u>625,000</u>	<u>35,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>58,905</u>	<u>\$ 58,905</u>
<b>FUND BALANCE, beginning</b>		<u>426,579</u>	
<b>FUND BALANCE, ending</b>		<u>\$ 485,484</u>	

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2020**

**Exhibit B-1**

	Debt Service Fund	Debt Service Reserve Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 4,258	\$ 4,258
<b>FUND BALANCE</b>			
Committed:			
Debt service	\$ -	\$ 4,258	\$ 4,258

## TOWN OF LILESVILLE, NORTH CAROLINA

Exhibit B-2

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND

## CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	Debt Service Fund	Debt Service Reserve Fund	Totals
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	\$ 10,765	\$ 1,088	\$ 11,853
Transfers to other funds	<u>(10,765)</u>	<u>-</u>	<u>(10,765)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	1,088	1,088
<b>FUND BALANCE</b>			
Beginning of year, July 1	<u>-</u>	<u>3,170</u>	<u>3,170</u>
End of year, June 30	<u>\$ -</u>	<u>\$ 4,258</u>	<u>\$ 4,258</u>

**TOWN OF LILESVILLE, NORTH CAROLINA****Exhibit B-3****DEBT SERVICE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL****For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	\$ 10,765	\$ 10,765	\$ -
Transfers to other funds	<u>(10,765)</u>	<u>(10,765)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE</b>			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u>\$ -</u>	

## TOWN OF LILESVILLE, NORTH CAROLINA

Exhibit B-4

## DEBT SERVICE RESERVE FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

## BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	\$ 1,088	\$ 1,088	\$ -
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	1,088	1,088	-
<b>UNAPPROPRIATED FUND BALANCE</b>	<u>(1,088)</u>	<u>-</u>	<u>1,088</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	1,088	<u>\$ 1,088</u>
<b>FUND BALANCE</b>			
Beginning of year, July 1		<u>3,170</u>	
End of year, June 30		<u>\$ 4,258</u>	

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET**  
**AND ACTUAL (NON-GAAP) - WATER AND SEWER FUND**  
**For the Year Ended June 30, 2020**

**Exhibit C-1**  
**Page 1 of 2**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
<b>OPERATING REVENUES</b>			
Charges for services:			
Water sales	\$ 186,960	\$ 175,244	\$ (11,716)
Sewer charges	128,000	125,395	(2,605)
Penalties and service charges	16,000	9,582	(6,418)
Water and sewer connection fees	4,000	1,650	(2,350)
Total operating revenues	<u>334,960</u>	<u>311,871</u>	<u>(23,089)</u>
<b>EXPENDITURES</b>			
Water purchases	-	29,472	-
Sewer charges	-	37,741	-
Salaries and employee benefits	-	87,920	-
Insurance and bonds	-	24,000	-
Repairs, maintenance, and supplies	-	49,110	-
Legal and audit	-	14,600	-
Gas and oil	-	4,276	-
Utilities	-	13,106	-
Telephone	-	695	-
Office supplies	-	2,548	-
Dues	-	2,569	-
Water samples	-	2,185	-
Miscellaneous	-	10,560	-
Total	<u>323,960</u>	<u>278,782</u>	<u>45,178</u>
Debt service:			
Principal retirement	-	4,000	-
Interest	-	6,765	-
Total debt service	<u>11,000</u>	<u>10,765</u>	<u>235</u>
<b>TOTAL EXPENDITURES</b>	<u>334,960</u>	<u>289,547</u>	<u>45,413</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>22,324</u>	<u>22,324</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Disposal of capital assets	-	200	200
Transfers from other funds	-	10,765	10,765
Transfers to other funds	-	(11,853)	(11,853)
	<u>-</u>	<u>(888)</u>	<u>(888)</u>
<b>REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ 21,436</u>	<u>\$ 21,436</u>

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET**  
**AND ACTUAL (NON-GAAP) - WATER AND SEWER FUND**  
**For the Year Ended June 30, 2020**

**Exhibit C-1**  
**Page 2 of 2**

**RECONCILIATION FROM BUDGETARY**  
**BASIS (MODIFIED ACCRUAL) TO FULL**  
**ACCRUAL:**

<b>REVENUES AND OTHER</b>	
<b>SOURCES OVER</b>	
<b>EXPENDITURES AND OTHER USES</b>	<b>\$ 21,436</b>

**RECONCILING ITEMS:**

Depreciation	(120,311)
Principal paid on revenue bonds	4,000
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	6,411
OPEB benefit payments incurred in the current fiscal year are not included on the statement of activities	2,467
Pension expense	(7,980)
OPEB plan expense	<u>(849)</u>

<b>CHANGE IN NET POSITION (EXHIBIT 7)</b>	<b>\$ <u>(94,826)</u></b>
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**TOWN OF LILESVILLE, NORTH CAROLINA****Exhibit D-1****AGENCY FUND****FIREMEN'S RELIEF FUND****STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****For the Year Ended June 30, 2020**

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>37,180</u>	\$ <u>5,616</u>	\$ <u>(3,277)</u>	\$ <u>39,519</u>
<b>LIABILITIES</b>				
Due to volunteer firemen	\$ <u>37,180</u>	\$ <u>5,616</u>	\$ <u>(3,277)</u>	\$ <u>39,519</u>
<b>RECONCILIATION OF ADDITIONS</b>				
Investment earnings		\$ 168		
Insurance premiums		<u>5,448</u>		
		<u>\$ 5,616</u>		
<b>RECONCILIATION OF DEDUCTIONS</b>				
Benefits disbursed		<u>\$ 3,277</u>		

## **OTHER SCHEDULES**

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2020**

**Exhibit E-1**

<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	\$ -	\$ 89,074	\$ 85,309	\$ 3,765
2018-2019	4,922	-	1,578	3,344
2017-2018	3,337	-	973	2,364
2016-2017	2,399	-	619	1,780
2015-2016	1,658	-	314	1,344
2014-2015	962	-	-	962
2013-2014	1,018	-	-	1,018
2012-2013	1,949	-	-	1,949
2011-2012	652	-	-	652
2010-2011	497	-	-	497
2009-2010	368	-	368	-
	<u>\$ 17,762</u>	<u>\$ 89,074</u>	<u>\$ 89,161</u>	<u>\$ 17,675</u>

Reconcilement with revenues:

Ad Valorem Taxes - General Fund	\$ 90,154
Reconciling items:	
Penalties and interest collected	(1,360)
Taxes written off	<u>367</u>
Total collections and credits	<u>\$ 89,161</u>

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY**  
**For the Year Ended June 30, 2020**

**Exhibit E-2**

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 18,561,273	\$ 0.48	\$ 89,094	\$ 75,280	\$ 13,814
Penalties and adjustments	-		-	-	-
Total	18,561,273		89,094	75,280	13,814
Discoveries:					
Current year taxes	-	-	-	-	-
Releases	(4,104)		(20)	(20)	-
Total property valuation	<u>\$ 18,557,169</u>				
Net levy			89,074	75,260	13,814
Unpaid (by taxpayer) taxes at June 30, 2020			(3,765)	(3,765)	-
Current year's taxes collected			<u>\$ 85,309</u>	<u>\$ 71,495</u>	<u>\$ 13,814</u>
Current levy collection percentage			<u>95.77%</u>	<u>95.00%</u>	<u>100.00%</u>

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION - WATER AND SEWER BY FUNCTION**  
**For the Year Ended June 30, 2020**

**Exhibit E-3**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Water sales	\$ 175,244	\$ -	\$ 175,244
Sewer charges	-	125,395	125,395
Connections	800	850	1,650
Penalty and reconnect fees	<u>5,585</u>	<u>3,997</u>	<u>9,582</u>
<b>TOTAL OPERATING REVENUES</b>	<u>181,629</u>	<u>130,242</u>	<u>311,871</u>
<b>OPERATING EXPENSES</b>			
Water and sewer purchases	29,472	37,741	67,213
Operating expenses	135,978	75,542	211,520
Depreciation	<u>70,129</u>	<u>50,182</u>	<u>120,311</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>235,579</u>	<u>163,465</u>	<u>399,044</u>
<b>OPERATING LOSS</b>	<u>(53,950)</u>	<u>(33,223)</u>	<u>(87,173)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Disposal of capital assets	200	-	200
Interest	<u>(6,765)</u>	<u>-</u>	<u>(6,765)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(6,565)</u>	<u>-</u>	<u>(6,565)</u>
<b>LOSS BEFORE TRANSFERS</b>	(60,515)	(33,223)	(93,738)
<b>TRANSFERS</b>	<u>(1,088)</u>	<u>-</u>	<u>(1,088)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (61,603)</u>	<u>\$ (33,223)</u>	<u>\$ (94,826)</u>

**TOWN OF LILESVILLE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2020**

Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	<u>Grant Funds Expended</u>		
			Federal (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>	Local <u>Expenditures</u>
<b>State Grants:</b>					
<b>Cash Assistance:</b>					
<u>N.C. Dept. of Insurance:</u>					
Office of State Fire Marshall:					
Volunteer Fire Department Fund		2019	\$ -	\$ 20,566	\$ 22,014
Volunteer Rescue/EMS Fund		2019	-	18,272	18,272
			-	38,838	40,286
<u>N.C. Dept. of Transportation:</u>					
Powell Bill			-	12,612	-
<b>Total assistance</b>			\$ -	\$ 51,450	\$ 40,286

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

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Lilesville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. Because the SEFSA presents only a select portion of the operations of Town of Lilesville, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Town of Lilesville.

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

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

**Note 3: Subsequent Event - Coronavirus Relief Funds**

Town of Lilesville was awarded \$10,070 of funding from the Coronavirus Relief Fund (21.019) from Anson County in October, 2020. Town of Lilesville has a plan to spend these funds approved by OSBM as a subrecipient of Anson County. CRF must be spent during the period March 1, 2020, to December 30, 2020. The Town's expenditures will be reported on the FY 2021 SEFSA.