



Town of Lucama

Lucama, North Carolina

Financial Statements

**For the Fiscal Year Ended
June 30, 2020**

MAYOR

Jed Simpson

BOARD OF COMMISSIONERS

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

TOWN ADMINISTRATOR

Teresa Whitehead



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

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

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Town of Lucama
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June 30, 2020

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Financial Section

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lucama, as of and for the year ended June 30, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lucama, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the Town of Lucama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Lucama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lucama's internal control over financial reporting and compliance.

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
October 30, 2023

Management's Discussion and Analysis

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Management's Discussion and Analysis

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

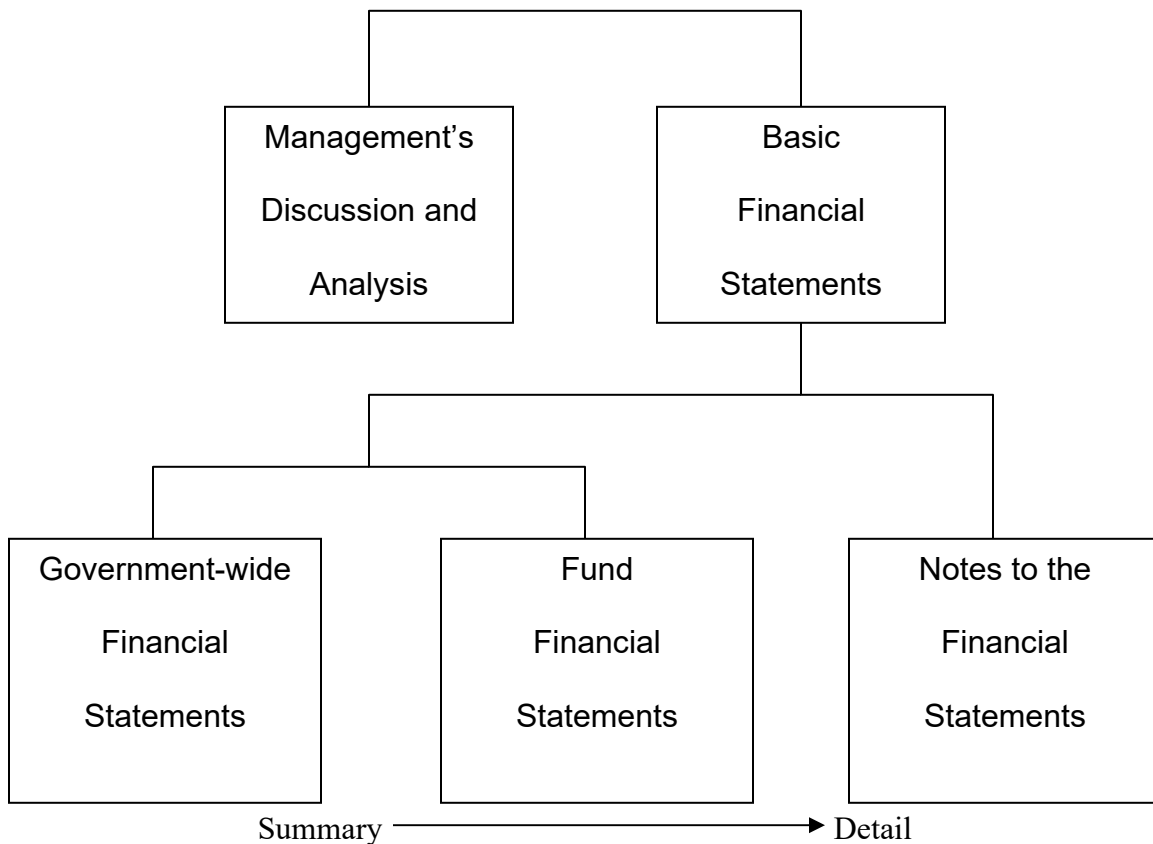
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year by \$10,948,241 (net position).
- The government's total net position increased by \$166,597 during the fiscal year.
- At the close of the fiscal year, the Town's governmental funds reported ending fund balance of \$1,647,455 with a net decrease of \$103,989. Approximately 19.8% of this total amount, or \$326,471, is restricted.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,320,984, or 224.2% of total General Fund expenditures for the fiscal year.
- At the close of the fiscal year, the Town's business-type activities reported combined ending net position of \$8,273,810 with a net increase of \$319,289.
- The Town's total long-term liabilities increased \$261,386 (36.6%) during the current fiscal year. The debt increase is due to a new loan issuance for a water project.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the Notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, Supplemental Information is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lucama, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Lucama can be divided into two categories: governmental funds and proprietary funds.

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,692,504	\$ 1,824,675	\$ 7,560,345	\$ 7,151,189	\$ 9,252,849	\$ 8,975,864
Capital assets	1,014,152	1,070,479	1,961,956	1,763,013	2,976,108	2,833,492
Total assets	<u>2,706,656</u>	<u>2,895,154</u>	<u>9,522,301</u>	<u>8,914,202</u>	<u>12,228,957</u>	<u>11,809,356</u>
Total deferred outflow s of resources	9,406	11,448	37,626	45,788	47,032	57,236
Current liabilities	29,886	62,313	338,000	303,939	367,886	366,252
Long-term liabilities	8,684	15,278	936,098	694,111	944,782	709,389
Total liabilities	<u>38,570</u>	<u>77,591</u>	<u>1,274,098</u>	<u>998,050</u>	<u>1,312,668</u>	<u>1,075,641</u>
Total deferred inflow s of resources	3,061	1,888	12,019	7,419	15,080	9,307
Net position:						
Net investment in capital assets	1,014,152	1,070,479	1,027,259	1,115,013	2,041,411	2,185,492
Restricted	326,471	282,622	-	-	326,471	282,622
Unrestricted	1,333,808	1,474,022	7,246,551	6,839,508	8,580,359	8,313,530
Total net position	<u>\$ 2,674,431</u>	<u>\$ 2,827,123</u>	<u>\$ 8,273,810</u>	<u>\$ 7,954,521</u>	<u>\$ 10,948,241</u>	<u>\$ 10,781,644</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Lucama exceeded liabilities and deferred inflows by \$10,948,241. The Town's net position increased by \$166,597 for the fiscal year. However, a portion \$2,041,411 (18.6%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Lucama uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lucama's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Lucama's net position, \$326,471 (3.0%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,580,359 (78.4%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.19%.
- Grant funds utilized to assist with projects and equipment.

Town of Lucama'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	\$ 87,424	\$ 98,957	\$ 2,547,139	\$ 2,718,710	\$ 2,634,563	\$ 2,817,667
Operating grants/contributions	32,116	58,449	-	-	32,116	58,449
Capital grants/contributions	-	-	58,853	-	58,853	-
General revenues:						
Property taxes	194,613	180,716	-	-	194,613	180,716
Unrestricted intergovernmental	151,447	152,585	-	-	151,447	152,585
Investment earnings	2,737	-	20,936	-	23,673	-
Other	21,339	11,464	5,252	35,685	26,591	47,149
Total revenue	489,676	502,171	2,632,180	2,754,395	3,121,856	3,256,566
Expenses:						
General government	236,675	185,411	-	-	236,675	185,411
Public safety	182,633	148,383	-	-	182,633	148,383
Transportation	200,251	186,127	-	-	200,251	186,127
Environmental protection	-	812	-	-	-	812
Cultural and recreation	22,809	42,496	-	-	22,809	42,496
Electric	-	-	1,685,835	1,674,998	1,685,835	1,674,998
Water and Sewer	-	-	627,056	606,084	627,056	606,084
Total expenses	642,368	563,229	2,312,891	2,281,082	2,955,259	2,844,311
Increase (decrease) in net position	(152,692)	(61,058)	319,289	473,313	166,597	412,255
Net position, July 1	2,827,123	2,888,181	7,954,521	7,481,208	10,781,644	10,369,389
Net position, June 30	\$ 2,674,431	\$ 2,827,123	\$ 8,273,810	\$ 7,954,521	\$ 10,948,241	\$ 10,781,644

Governmental activities. Governmental activities decreased the Town's net position by \$152,692.

Business-type activities. Business-type activities increased the Town's net position by \$319,289.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Lucama. At the end of fiscal year, fund balance available in the General Fund was \$1,320,984, while total fund balance reached \$1,647,455. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 224.2% of total General Fund expenditures, while total fund balances represent 279.6% of that same amount for the year.

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

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

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

Proprietary Fund: Town of Lucama's proprietary funds provide the same type of information found in the basic financial statements but in more detail. Unrestricted net position of the Electric Fund and Water and Sewer Fund at the end of the fiscal year was \$6,751,265, and \$(137,714), respectively. The total change in net position for the Electric Fund and Water and Sewer Fund as of June 30, 2020 was \$462,626 and \$(143,337), respectively.

Capital Asset Administration

Capital assets: Town of Lucama's investment in capital assets for its governmental and business-type activities, totals \$2,976,108 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, lines, plants, park facilities and vehicles.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 128,550	\$ 128,550	\$ 269,765	\$ 269,765	\$ 398,315	\$ 398,315
Construction in progress	-	-	389,472	45,352	389,472	45,352
Buildings	804,861	837,850	52,688	55,241	857,549	893,091
Other Improvements	13,684	15,431	-	-	13,684	15,431
Equipment	52,868	67,767	6,541	8,195	59,409	75,962
Vehicles	-	-	-	-	-	-
Infrastructure & system	14,189	20,881	1,243,490	1,384,460	1,257,679	1,405,341
Total	\$ 1,014,152	\$ 1,070,479	\$ 1,961,956	\$ 1,763,013	\$ 2,976,108	\$ 2,833,492

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

Long-term Liabilities: As of June 30, 2020 and 2019, the Town of Lucama had total long-term liabilities outstanding of \$985,995 and \$730,944, respectively. This debt is backed by the full faith and credit of the Town.

Town of Lucama's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Compensated absences	\$ 1,547	\$ 1,288	\$ 6,329	\$ 5,267	\$ 7,876	\$ 6,555
Net pension liability	8,684	15,278	34,738	61,111	43,422	76,389
Note payable	-	-	301,697	-	301,697	-
General obligation bonds	-	-	633,000	648,000	633,000	648,000
Total	<u>\$ 10,231</u>	<u>\$ 16,566</u>	<u>\$ 975,764</u>	<u>\$ 714,378</u>	<u>\$ 985,995</u>	<u>\$ 730,944</u>

Town of Lucama's Outstanding Debt. The Town of Lucama's total debt increased \$286,697 (44.2%) during the past fiscal year, primarily due to the issuance of a note payable for water infrastructure.

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

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2021

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

Business-type Activities: The budgeted operating revenues and expenditures in the Enterprise Funds for fiscal year 2021 are consistent with the fiscal year ended June 30, 2020. The Electric Fund is expected to increase by \$17,170 while the Water and Sewer Fund is expected to increase by \$23,966.

Requests for Information

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

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Basic Financial Statements

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Town of Lucama
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,167,766	\$ 5,446,162	\$ 6,613,928
Investments	181,614	1,565,581	1,747,195
Taxes receivable (net)	16,653	-	16,653
Accounts receivable (net)	12,403	393,755	406,158
Due from other governments	43,903	622	44,525
Restricted cash and cash equivalents	270,165	154,225	424,390
Total current assets	<u>1,692,504</u>	<u>7,560,345</u>	<u>9,252,849</u>
Noncurrent assets:			
Capital assets:			
Land and non-depreciable improvements, and construction in progress	128,550	659,294	787,844
Other capital assets, net of depreciation	885,602	1,302,662	2,188,264
Total capital assets	<u>1,014,152</u>	<u>1,961,956</u>	<u>2,976,108</u>
Total assets	<u>2,706,656</u>	<u>9,522,301</u>	<u>12,228,957</u>
Deferred Outflows of Resources			
Pension deferrals	<u>9,406</u>	<u>37,626</u>	<u>47,032</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	28,339	174,191	202,530
Customer deposits	-	121,969	121,969
Accrued interest	-	2,174	2,174
Compensated absences - current	1,547	6,329	7,876
Current portion of long-term liabilities	-	33,337	33,337
Total current liabilities	<u>29,886</u>	<u>338,000</u>	<u>367,886</u>
Long-term liabilities:			
Net pension liability	8,684	34,738	43,422
Due in more than one year	-	901,360	901,360
Total liabilities	<u>38,570</u>	<u>1,274,098</u>	<u>1,312,668</u>
Deferred Inflows of Resources			
Prepaid taxes	56	-	56
Pension deferrals	3,005	12,019	15,024
Total deferred inflows of resources	<u>3,061</u>	<u>12,019</u>	<u>15,080</u>
NET POSITION			
Net investment in capital assets	1,014,152	1,027,259	2,041,411
Restricted for:			
Stabilization by State Statute	56,306	-	56,306
Streets	270,165	-	270,165
Unrestricted	<u>1,333,808</u>	<u>7,246,551</u>	<u>8,580,359</u>
Total net position	<u>\$ 2,674,431</u>	<u>\$ 8,273,810</u>	<u>\$ 10,948,241</u>

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

Town of Lucama
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities:					
General government	\$ 236,675	\$ 525	\$ -	\$ -	
Public safety	182,633	-	-	-	
Transportation	200,251	78,679	30,916	-	
Cultural and recreation	22,809	8,220	1,200	-	
Total governmental activities (See Note 1)	642,368	87,424	32,116	-	
Business-type activities:					
Electric	1,685,835	2,122,407	-	-	
Water and Sewer	627,056	424,732	-	58,853	
Total business-type activities	2,312,891	2,547,139	-	58,853	
Total primary government	\$ 2,955,259	\$ 2,634,563	\$ 32,116	\$ 58,853	

General revenues:

Taxes:

Property taxes, levied for general purpose

Grant and contributions not restricted to
specific programs

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning

Net position, ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position					
Primary Government					
Governmental Activities		Business-type Activities		Total	
\$	(236,150)	\$	-	\$	(236,150)
	(182,633)		-		(182,633)
	(90,656)		-		(90,656)
	(13,389)		-		(13,389)
	(522,828)		-		(522,828)
	-		436,572		436,572
	-		(143,471)		(143,471)
	-		293,101		293,101
	(522,828)		293,101		(229,727)
	194,613		-		194,613
	151,447		-		151,447
	2,737		20,936		23,673
	21,339		5,252		26,591
	370,136		26,188		396,324
	(152,692)		319,289		166,597
	2,827,123		7,954,521		10,781,644
\$	2,674,431	\$	8,273,810	\$	10,948,241

**Town of Lucama
Balance Sheet
Governmental Funds
June 30, 2020**

	<u>Major Fund</u>
	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,167,766
Restricted cash and cash equivalents	270,165
Investments	181,614
Receivables, net:	
Taxes	16,653
Accounts	12,403
Due from other governments	43,903
Total assets	<u>1,692,504</u>
 LIABILITIES	
Accounts payable and accrued expenses	<u>28,339</u>
 DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	56
Property taxes receivable	16,654
Total deferred inflows of resources	<u>16,710</u>
 FUND BALANCES	
Restricted	
Stabilization by State Statute	56,306
Streets	270,165
Unassigned	1,320,984
Total fund balances	<u>1,647,455</u>
 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,692,504</u>
	(cont)

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

Town of Lucama
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the Statement of Net

Total Fund Balance, Governmental Funds	\$ 1,647,455
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Gross capital assets at historical cost	2,168,969
Accumulated depreciation	(1,154,817)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Compensated absences	(1,547)
Net pension liability	(8,684)
Deferred outflows of resources related to pensions are not reported in the funds	9,406
Amounts for unavailable revenues considered deferred inflows of resources in fund statements	16,654
Deferred inflows of resources related to pensions are not reported in the funds	(3,005)
Net position of governmental activities	<u><u>\$ 2,674,431</u></u>

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

Exhibit 4

Town of Lucama
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>Major Fund</u>
	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 190,133
Unrestricted intergovernmental	151,447
Restricted intergovernmental	30,916
Premits and fees	525
Sales and services	86,899
Investment earnings	2,737
Miscellaneous	22,539
Total revenues	<u>485,196</u>
EXPENDITURES	
Current:	
General government	218,114
Public safety	174,415
Transportation	179,411
Culture and recreation	17,245
Total expenditures	<u>589,185</u>
Excess (deficiency) of revenues over expenditures	<u>(103,989)</u>
Net change in fund balance	(103,989)
Fund balances, beginning	1,751,444
Fund balances, ending	<u>\$ 1,647,455</u>

(cont)

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

Town of Lucama
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ (103,989)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(56,328)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the	
Change in unavailable revenue for tax revenues	4,482
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(259)
Pension expense - NCLGERS	<u>3,402</u>
Total changes in net position of governmental activities	<u><u>\$ (152,692)</u></u>

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

Town of Lucama
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2020

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 165,600	\$ 165,600	\$ 190,133	\$ 24,533
Unrestricted intergovernmental	171,117	171,117	151,447	(19,670)
Restricted intergovernmental	32,950	32,950	30,916	(2,034)
Permits and fees	975	975	525	(450)
Sales and services	76,932	76,932	86,899	9,967
Investment earnings	750	750	2,737	1,987
Miscellaneous	750	750	22,539	21,789
Total revenues	449,074	449,074	485,196	36,122
Expenditures:				
Current:				
General government	96,171	96,171	218,114	(121,943)
Public safety	171,233	171,233	174,415	(3,182)
Transportation	171,440	171,440	179,411	(7,971)
Cultural and recreation	10,230	10,230	17,245	(7,015)
Total expenditures	449,074	449,074	589,185	(140,111)
Net change in fund balance	\$ -	\$ -	(103,989)	\$ (103,989)
Fund balances, beginning			1,751,444	
Fund balances, ending			<u>\$ 1,647,455</u>	

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

Town of Lucama
Statement of Net Position
Proprietary Fund
June 30, 2020

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,006,875	\$ 439,287	\$ 5,446,162
Investments	1,552,943	12,638	1,565,581
Accounts receivable (net) - billed	230,299	36,849	267,148
Accounts receivable (net) - unbilled	103,772	22,835	126,607
Due from other governments	270	352	622
Restricted cash and cash equivalents	102,454	51,771	154,225
Total current assets	<u>6,996,613</u>	<u>563,732</u>	<u>7,560,345</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated	54,189	605,105	659,294
Other capital assets, net of depreciation	173,028	1,129,634	1,302,662
Capital assets	<u>227,217</u>	<u>1,734,739</u>	<u>1,961,956</u>
Total noncurrent assets	<u>227,217</u>	<u>1,734,739</u>	<u>1,961,956</u>
Total assets	<u>7,223,830</u>	<u>2,298,471</u>	<u>9,522,301</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>30,571</u>	<u>7,055</u>	<u>37,626</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	130,014	44,177	174,191
Customer deposits	102,454	19,515	121,969
Accrued interest	-	2,174	2,174
Compensated absences - current	5,461	868	6,329
General obligation bonds - current	-	15,000	15,000
Notes payable - current	-	18,337	18,337
Total current liabilities	<u>237,929</u>	<u>100,071</u>	<u>338,000</u>
Noncurrent liabilities:			
Net pension liability	28,225	6,513	34,738
General obligation bonds - noncurrent	-	618,000	618,000
Notes payable - noncurrent	-	283,360	283,360
Total noncurrent liabilities	<u>28,225</u>	<u>907,873</u>	<u>936,098</u>
Total liabilities	<u>266,154</u>	<u>1,007,944</u>	<u>1,274,098</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>9,765</u>	<u>2,254</u>	<u>12,019</u>
NET POSITION			
Net investment in capital assets	227,217	800,042	1,027,259
Unrestricted	6,751,265	495,286	7,246,551
Total net position	<u>\$ 6,978,482</u>	<u>\$ 1,295,328</u>	<u>\$ 8,273,810</u>

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

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Town of Lucama
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,120,817	\$ 424,732	\$ 2,545,549
Other operating revenues	1,590	-	1,590
Total operating revenues	2,122,407	424,732	2,547,139
OPERATING EXPENSES			
Electric operations	599,640	-	599,640
Electric power purchases	1,025,439	-	1,025,439
Waste collection and treatment	-	225,841	225,841
Water treatment and distribution	-	269,100	269,100
Depreciation	42,562	102,616	145,178
Total operating expenses	1,667,641	597,557	2,265,198
Operating income (loss)	454,766	(172,825)	281,941
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous	5,252	-	5,252
Investment earnings	20,802	134	20,936
Bad debt expense	(18,194)	(1,542)	(19,736)
Interest and other charges	-	(27,957)	(27,957)
Total Nonoperating revenues (expenses)	7,860	(29,365)	(21,505)
Income (loss) Before contributions and transfers	462,626	(202,190)	260,436
Restricted Intergovernmental	-	58,853	58,853
Change in net position	462,626	(143,337)	319,289
Total net position - beginning	6,515,856	1,438,665	7,954,521
Total net position - ending	\$ 6,978,482	\$ 1,295,328	\$ 8,273,810

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

Town of Lucama
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash flows from (used for) operating activities:			
Cash received from customers	\$ 2,125,601	\$ 423,814	\$ 2,549,415
Cash paid for goods and services	(1,304,358)	(409,276)	(1,713,634)
Cash paid to or on behalf of employees for services	(329,726)	(97,118)	(426,844)
Customer deposits received, net	18,480	3,520	22,000
Net cash provided (used) by operating activities	509,997	(79,060)	430,937
Cash flows from noncapital financing activities:			
(Increase) in due from other governments	-	-	-
Nonoperating revenues received	5,252	58,853	64,105
Net cash provided by noncapital financing activities	5,252	58,853	64,105
Cash flows from capital and related financing activities:			
Note payable debt proceeds	-	301,697	301,697
Acquisition and construction of capital assets	-	(344,120)	(344,120)
Principal paid on long-term debt	-	(15,000)	(15,000)
Interest paid on long-term debt	-	(28,008)	(28,008)
Net cash (used) for capital and related financing activities	-	(85,431)	(85,431)
Cash flows from investing activities:			
Purchase of investments	(20,098)	(2,767)	(22,865)
Interest earned	20,802	134	20,936
Net cash provided by (used for) investing activities	704	(2,633)	(1,929)
Net increase (decrease) in cash and cash equivalents	515,953	(108,271)	407,682
Cash and cash equivalents, beginning	4,593,376	599,329	5,192,705
Cash and cash equivalents, ending	<u>\$ 5,109,329</u>	<u>\$ 491,058</u>	<u>\$ 5,600,387</u>
			(cont)

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

Town of Lucama
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating loss to net cash used for operation activities:			
Operating income (loss)	\$ 454,766	\$ (172,825)	\$ 281,941
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	42,562	102,616	145,178
Bad debt	(18,194)	(1,542)	(19,736)
(Increase) decrease in operating assets			
Accounts receivable (net)	21,388	624	22,012
Due from other governments	(270)	(352)	(622)
Deferred outflows of resources for pensions	6,632	1,530	8,162
Increase (decrease) in operating liabilities			
Accounts payable and other liabilities	1,408	(8,695)	(7,287)
Customer deposits	18,480	3,520	22,000
Compensated absences	916	146	1,062
Deferred inflows of resources for pensions	3,737	863	4,600
Net pension liability	(21,428)	(4,945)	(26,373)
Net cash used for operating activities	\$ 509,997	\$ (79,060)	\$ 430,937

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

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Notes to the Financial Statements

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Town of Lucama

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Lucama, conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

Town of Lucama

Notes to the Financial Statements

The Town of Lucama reports one major governmental fund:

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

The Town reports the following major enterprise funds:

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

Water and Sewer Fund – This fund is used to account for the Town's water and sewer operations. A Water Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water Capital Projects Fund has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town of Lucama's enterprise fund are charges to customers for sales and services. The Town of Lucama also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds

Town of Lucama

Notes to the Financial Statements

include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town of Lucama are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Lucama because the tax is levied by Wilson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town of Lucama funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town of Lucama's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town of Lucama's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, the Electric Fund, and the Water and Sewer Fund. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. A project ordinance was not adopted for the Water Capital Projects Fund. The

Town of Lucama

Notes to the Financial Statements

enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town of Lucama to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-Registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended loan proceeds of the Water Capital Project Fund are classified as restricted assets for the enterprise fund because their use is completed restricted to the purpose for which the loan was originally issued. Powell Bill funds are classified as restricted cash for transportation because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets as outlined in G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Lucama

Notes to the Financial Statements

<u>Town of Lucama Restricted Cash</u>	
	<u>June 30, 2020</u>
Governmental Activities	
Transportation	\$ 270,165
Business-type Activities	
Electric fund	
Customer deposits	102,454
Water and Sewer Fund	
Capital projects	32,256
Customer deposits	19,515
Total business-type activities	<u>154,225</u>
Total restricted cash	<u>\$ 424,390</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town of Lucama levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

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

Town of Lucama

Notes to the Financial Statements

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

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

Town of Lucama

Notes to the Financial Statements

10. Compensated Absences

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

The Town of Lucama's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town of Lucama does not have any obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities,*

Town of Lucama

Notes to the Financial Statements

encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, and town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Lucama has not formally adopted a minimum fund balance policy for the General Fund as of June 30, 2020.

12. Defined Benefit Cost-Sharing Plans

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

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Notes to the Financial Statements

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

Noncompliance with North Carolina General Statutes

For the fiscal year ended in June 30, 2020, the Town had the following statutory violations:

- a. The Town adopted but could not provide evidence that it amended the 2019-2020 budget and the 2020-2021 budget was adopted late on July 3, 2020.
- b. The Town did properly authorize the new fund or adopt a budget for the Water Capital Project Fund during the fiscal year ending June 30, 2020.
- c. The Town did not ensure the completion of a timely audit for the year ending June 30, 2020.
- d. The Town did not follow record retention requirements for 2019-2020 fiscal year.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$121,943, public safety by \$3,182, transportation activities by \$7,971, cultural and recreation activities by \$7,015, and water and sewer activities by \$110,117. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository for collateralizes public deposits under the Pooling Method. The Town has no formal policy

Town of Lucama

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regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$7,038,068 and a bank balance of \$7,111,372. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$250.

2. Investments

At June 30, 2020, the Town of Lucama had \$1,747,195 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

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

3. Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2020, were as follows:

	Accounts	Taxes	Due from Other Governments	Total
<i>Governmental Activities:</i>				
General	\$ 17,027	\$ 16,653	\$ 43,903	\$ 77,583
Allowance for Doubtful Accounts	(4,624)	-	-	(4,624)
Total Governmental Activities	<u>\$ 12,403</u>	<u>\$ 16,653</u>	<u>\$ 43,903</u>	<u>\$ 72,959</u>
<i>Business-type Activities:</i>				
Electric Fund	\$ 469,332	\$ -	\$ 270	\$ 469,602
Water and Sewer Fund	94,409	-	352	94,761
Total receivables	563,741	-	622	564,363
Allowance for doubtful accounts	(169,986)	-	-	(169,986)
Total Business-type Activities	<u>\$ 393,755</u>	<u>\$ -</u>	<u>\$ 622</u>	<u>\$ 394,377</u>

The due from other governments that is owed to the Town consisted of the following at June 30, 2020:

<i>Governmental Activities:</i>	
Local Option Sales Tax	\$ 8,454
County and State Sales Tax	31,256
Federal unemployment refund	4,193
Total Governmental Activities	<u>\$ 43,903</u>
<i>Business-type Activities:</i>	
County and State Sales Tax	<u>\$ 622</u>

Town of Lucama

Notes to the Financial Statements

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 128,550	\$ -	\$ -	\$ 128,550
Capital assets being depreciated:				
Buildings	1,291,440	-	-	1,291,440
Other Improvements	43,510	-	-	43,510
Equipment	417,651	-	38,023	379,628
Vehicles and motorized equipment	107,472	-	-	107,472
Infrastructure	218,369	-	-	218,369
Total capital assets being depreciated	2,078,442	-	38,023	2,040,419
Less Accumulated depreciation:				
Buildings	453,590	32,989	-	486,579
Other Improvements	28,079	1,747	-	29,826
Equipment	349,884	14,899	38,023	326,760
Vehicles and motorized equipment	107,472	-	-	107,472
Infrastructure	197,488	6,692	-	204,180
Total accumulated depreciation	1,136,513	\$ 56,327	\$ 38,023	1,154,817
Total capital assets being depreciated, net	941,929			885,602
Total capital assets, net	\$ 1,070,479			\$ 1,014,152

Depreciation expense was charged to functions/programs as follows:

General government	21,705
Public safety	8,218
Transportation	20,840
Cultural and recreational	5,564
Total depreciation expense	<u>\$ 56,327</u>

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Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Electric Fund:				
Capital assets not being depreciated:				
Land	\$ 54,132	\$ -	\$ -	\$ 54,132
Capital assets being depreciated:				
Buildings	102,129	-	-	102,129
Electric system	910,564	-	-	910,564
Equipment	54,189	-	12,681	41,508
Vehicles	248,878	-	-	248,878
System improvements	356,081	-	-	356,081
Total capital assets being depreciated	1,671,841	-	12,681	1,659,160
Less Accumulated depreciation:				
Buildings	46,888	2,553	-	49,441
Electric system	812,526	32,412	-	844,938
Equipment	54,154	22	12,681	41,495
Vehicles	248,878	-	-	248,878
System improvements	293,749	7,574	-	301,323
Total accumulated depreciation	1,456,195	\$ 42,561	\$ 12,681	1,486,075
Total capital assets being depreciated, net	215,646			173,085
Electric Fund capital assets, net	\$ 269,778			\$ 227,217
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 215,633	\$ -	\$ -	\$ 215,633
Construction in progress	45,352	344,120	-	389,472
Total capital assets not being depreciated	260,985	344,120	-	605,105
Capital assets being depreciated:				
Water plant and wells	265,678	-	-	265,678
Water distribution system	791,582	-	-	791,582
Equipment	25,473	-	-	25,473
Vehicles	44,578	-	-	44,578
Sewer system	3,630,730	-	-	3,630,730
Total capital assets being depreciated	4,758,041	-	-	4,758,041
Less Accumulated depreciation:				
Water plant and wells	262,232	984	-	263,216
Water distribution system	588,641	16,234	-	604,875
Equipment	17,313	1,632	-	18,945
Vehicles	44,578	-	-	44,578
Sewer system	2,613,027	83,766	-	2,696,793
Total accumulated depreciation	3,525,791	\$ 102,616	\$ -	3,628,407
Total capital assets being depreciated, net	1,232,250			1,129,634
Water and Sewer Fund capital assets, net	\$ 1,493,235			\$ 1,734,739
Business-type Activities Capital Assets, Net	\$ 1,763,013			\$ 1,961,956

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Notes to the Financial Statements

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Lucama is a participating employer in the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Government Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable

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service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Lucama employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Lucama's contractually required contribution rate for the year ended June 30, 2020, was 8.95% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Lucama were \$31,461 for the year ended June 30, 2020.

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

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

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

At June 30, 2020, the Town of Lucama reported a liability of \$43,422 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 asset 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 of Lucama's proportion was 0.00159% which was a decrease of 0.00163% from its proportion measured as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$14,447. At June 30, 2020, the Town of Lucama reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,435	\$ -
Changes in assumption	7,077	-
Net difference between projected and actual earnings on pension plan investments	1,059	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	15,024
Town contributions subsequent to measurement date	31,461	-
Total	<u>\$ 47,032</u>	<u>\$ 15,024</u>

\$31,461 reported as deferred outflows of resources related to pensions resulting from the Town of Lucama contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2021	\$ 3,134
2022	(1,994)
2023	369
2024	(960)
	<u>\$ 549</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	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies.

Town of Lucama

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Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 years expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study of the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. 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 benefits payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of net pension liability (asset)	\$ 99,313	\$ 43,422	\$ (3,036)

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

b. Supplemental Retirement Income Plan for Employees

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

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

The Town made contributions of \$11,633 for the reporting year. No amounts were forfeited during the reporting year.

2. Other Employment Benefit

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

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Notes to the Financial Statements

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 31,461
Differences between expected and actual experience	7,435
Changes in assumptions	7,077
Net difference between projected and actual	1,059
Total	<u>\$ 47,032</u>

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

Source	Statement of Net Position	General Fund
Taxes receivable (General Fund)	\$ -	\$ 16,654
Prepaid taxes (General Fund)	56	56
Changes in proportion and differences between employer contributions and proportionate share of	15,024	-
Total	<u>\$ 15,080</u>	<u>\$ 16,710</u>

4. Risk Management

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

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

The Town does not have any buildings or land located in the flood plain; therefore, the Town has not purchased and did not carry flood insurance for the year ended June 30, 2020.

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

5. Claims, Judgements and Contingent Liabilities

A lawsuit by five former employees was filed for discrimination. The lawsuit was settled in July, 2022. The insurance company paid \$80,000 and the Town paid \$20,000. No liability for this settlement has been recorded. At June 30, 2020, there were no other lawsuits against the Town of Lucama that materially impact its financial statements.

6. Long-term Obligations

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$2,904,352.

a. Notes Payable

Serviced by the Water and Sewer Fund - On January 6, 2020, the Town entered into an agreement with the North Carolina Department of Environmental Quality for a \$366,742, 0% interest loan. The amount requested and remaining principal balance was \$301,697 as of June 30, 2020.

Future maturities of the bonds are as follows:

	NC Dept. of Environmental Quality		
Year Ending			
June 30,	Principal	Interest	Total
2021	\$ 18,337	\$ -	\$ 18,337
2022	11,833	-	11,833
2023	15,085	-	15,085
2024	15,085	-	15,085
2025	15,085	-	15,085
2026 - 2030	75,424	-	75,424
2031 - 2035	75,424	-	75,424
2036 - 2040	75,424	-	75,424
Total	\$301,697	\$ -	\$301,697

b. General Obligation Indebtedness

Serviced by the Water and Sewer Fund - On October 23, 2006, the Town issued Series 2006A bonds in the amount of \$631,000 and Series 2006B bonds in the amount of \$169,000. The proceeds from the bonds were used to finance improvements to the Town's sanitary sewer system. The bonds bear interest at 4.375% and 4.125%, respectively, and mature in 2046. The remaining principal balance was \$499,000 and \$134,000, respectively, as of June 30, 2020.

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Future maturities of the bonds are as follows:

USDA Series 2006A				USDA Series 2006B		
Year Ending						
June 30,	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 12,000	\$ 21,831	\$ 33,831	\$ 3,000	\$ 5,528	\$ 8,528
2022	13,000	21,306	34,306	3,000	5,404	8,404
2023	13,000	20,738	33,738	3,000	5,280	8,280
2024	13,000	20,169	33,169	4,000	5,156	9,156
2025	14,000	19,600	33,600	4,000	4,991	8,991
2026 - 2030	76,000	88,506	164,506	20,000	22,481	42,481
2031 - 2035	92,000	70,569	162,569	25,000	17,944	42,944
2036 - 2040	108,000	49,044	157,044	29,000	12,540	41,540
2041 - 2045	130,000	23,625	153,625	35,000	6,146	41,146
2046	28,000	1,225	29,225	8,000	330	8,330
Total	\$499,000	\$336,613	\$835,613	\$134,000	\$85,800	\$219,800

c. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 1,288	\$ 259	\$ -	\$ 1,547	\$ 1,547
Net pension liability (LGERS)	15,278	-	6,594	8,684	-
Total Governmental Activities	<u>\$ 16,566</u>	<u>\$ 259</u>	<u>\$ 6,594</u>	<u>\$ 10,231</u>	<u>\$ 1,547</u>
Business-type Activities:					
Electric Fund					
Compensated absences	\$ 4,545	\$ 916	\$ -	\$ 5,461	\$ 5,461
Net pension liability (LGERS)	49,653	-	21,428	28,225	-
Total Electric Fund	<u>\$ 54,198</u>	<u>\$ 916</u>	<u>\$ 21,428</u>	<u>\$ 33,686</u>	<u>\$ 5,461</u>
Water and Sewer Fund					
Compensated absences	\$ 722	\$ 146	\$ -	\$ 868	\$ 868
Net pension liability (LGERS)	11,458	-	4,945	6,513	-
Note payable	-	301,697	-	301,697	18,337
General obligation bonds	648,000	-	15,000	633,000	15,000
Total Water and Sewer Fund	<u>\$ 660,180</u>	<u>\$ 301,843</u>	<u>\$ 19,945</u>	<u>\$ 942,078</u>	<u>\$ 34,205</u>
Business activity long-term liabilities	<u>\$ 714,378</u>	<u>\$ 302,759</u>	<u>\$ 41,373</u>	<u>\$ 975,764</u>	<u>\$ 39,666</u>

C. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital Assets	\$ 1,014,152	\$ 1,961,956
Less: Long-term debt	-	934,697
Net investment in capital assets	<u>\$ 1,014,152</u>	<u>\$ 1,027,259</u>

Town of Lucama

Notes to the Financial Statements

D. Fund Balance

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

Total fund balance - General Fund	\$ 1,647,455
Less:	
Stabilization by State Statute	56,306
Streets - Powell Bill	270,165
Remaining Fund Balance	<u>\$ 1,320,984</u>

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

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Subsequent Events

Subsequent events have been evaluated through October 30, 2023 which is the date the financial statements were available to be issued.

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

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

In August, 2018, NC Department of Environmental Quality (NCDEQ) awarded the Town a Clean Water State Revolving Fund (CWSRF) grant for up to \$2,227,200. The final project is projected to be \$1,924,966. No expenses have been occurred as of June 30, 2020.

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

In March 2022, NCDEQ awarded the Town a Drinking Water State Revolving Fund (DWSRF) loan of \$1,405,000 for construction of an elevated storage tank and replacement of waterlines on Spring Street and Campbell Street. This project is in the design phase and final plans/specifications will be submitted over the next month. As with the sewer project, this

Town of Lucama
Notes to the Financial Statements

project will not be allowed to move forward without audit reports being completed and obtaining Local Government Commission approval. Based on the awarded funds, \$500,000 of funds will be grant funds (forgiven loan). The remaining \$905,000 will be in the form of a 20-year loan, with 0% interest. This will result in an annual debt service payment of \$45,250.

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

Required Supplementary Information

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

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

*Schedule of Contributions -
Local Government Employees' Retirement System

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

	<u>2020</u>	<u>2019</u>
Town's proportion of the net pension liability (asset) %	0.00159%	0.00322%
Town's proportionate share of the net pension liability (asset) \$	43,422	\$ 76,389
Town's covered employee payroll	\$ 182,188	\$ 231,894
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.83%	32.94%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%

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

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

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00434%	0.00460%	0.00467%	0.00441%	0.00500%
\$ 66,302	\$ 97,628	\$ 90,959	\$ (26,008)	\$ 60,269
\$ 267,091	\$ 271,625	\$ 285,122	\$ 260,231	\$ 288,929
24.82%	35.94%	7.35%	-9.99%	20.86%
98.09%	99.07%	102.64%	94.35%	96.45%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 31,461	\$ 14,247	\$ 17,243
Contributions in relation to the contractually required contribution	<u>31,461</u>	<u>14,247</u>	<u>17,243</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 351,518	\$ 182,188	\$ 231,894
Contributions as a percentage of covered-employee payroll	8.95%	7.82%	7.44%

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 19,924	\$ 21,302	\$ 20,614	\$ 19,073
<u>19,924</u>	<u>21,302</u>	<u>20,614</u>	<u>19,073</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 267,091	\$ 271,625	\$ 285,122	\$ 260,231
7.46%	7.84%	7.23%	7.33%

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Fund Financial Statements

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

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Town of Lucama
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 186,200	\$ 188,912	\$ 2,712
Penalties and interest	3,400	1,221	(2,179)
Total	<u>189,600</u>	<u>190,133</u>	<u>533</u>
Unrestricted intergovernmental:			
Local option sales taxes	65,500	77,499	11,999
Utilities franchise tax	68,500	69,006	506
Sales tax refund	5,000	-	(5,000)
Gas tax refund	1,800	-	(1,800)
Beer and wine tax	5,002	4,942	(60)
Total	<u>145,802</u>	<u>151,447</u>	<u>5,645</u>
Restricted intergovernmental:			
State Powell Bill allocation	31,300	30,046	(1,254)
Solid waste disposal tax	1,650	870	(780)
Total	<u>32,950</u>	<u>30,916</u>	<u>(2,034)</u>
Premits and fees			
Zoning permits and fees	<u>975</u>	<u>525</u>	<u>(450)</u>
Sales and services:			
Solid waste disposal	60,150	77,228	17,078
Late charges	2,000	1,451	(549)
Rental income	16,097	8,220	(7,877)
Total	<u>78,247</u>	<u>86,899</u>	<u>8,652</u>
Investment earnings	<u>750</u>	<u>2,737</u>	<u>1,987</u>
Other Revenues:			
Donations	-	1,200	1,200
Miscellaneous	750	21,339	20,589
Total	<u>750</u>	<u>22,539</u>	<u>21,789</u>
Total revenues	\$ <u>449,074</u>	\$ <u>485,196</u>	\$ <u>36,122</u>

**Town of Lucama
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and benefits	\$ 12,918	\$ 12,779	\$ 139
Administration:			
Salaries and benefits		103,044	
Tax collection fees		3,441	
Operating expenses		33,847	
Insurance		20,596	
Contracted services		43,449	
Repairs and maintenance		958	
Capital outlay		-	
Total	<u>83,253</u>	<u>205,335</u>	<u>(122,082)</u>
Total general government	<u>96,171</u>	<u>218,114</u>	<u>(121,943)</u>
Public safety:			
Sheriff contract - Wilson County	147,833	133,745	14,088
Crossroad Volunteer Fire Department	<u>23,400</u>	<u>40,670</u>	<u>(17,270)</u>
Total public safety	<u>171,233</u>	<u>174,415</u>	<u>(3,182)</u>
Transportation:			
Streets and highways:			
Salaries and benefits		75,524	
Operating expenditures		29,764	
Repairs and maintenance		17,268	
Contracted services		44,326	
Insurance		<u>12,529</u>	
Total transportation	<u>171,440</u>	<u>179,411</u>	<u>(7,971)</u>
Culture and recreation:			
Parks and recreation:			
Operating expenses	\$ -	\$ 11,458	\$ (11,458)

Town of Lucama
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Community Building:			
Operating expenses		\$ 3,570	
Repairs and maintenance		24	
Total	\$ 7,230	3,594	\$ 3,636
Library:			
Operating expenses	3,000	2,193	807
Total culture and recreation	10,230	17,245	(7,015)
Total expenditures	449,074	589,185	(140,111)
Net change in fund balance	\$ -	(103,989)	\$ (103,989)
Fund balances, beginning		1,751,444	
Fund balances, ending		\$ 1,647,455	

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Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

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

Water Capital Project Fund - The fund is used to account for the grants and loans and capital project costs of a water system improvement project.

Town of Lucama
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for electricity	\$ 2,250,000	\$ 1,954,898	\$ (295,102)
REPS charges	27,570	28,981	1,411
Sales tax revenue	150,000	118,744	(31,256)
Connection fees new service	3,000	1,660	(1,340)
Reconnect fees	8,560	(70)	(8,630)
Total operating revenues	<u>2,439,130</u>	<u>2,104,213</u>	<u>(334,917)</u>
Nonoperating revenues:			
Miscellaneous	500	5,252	4,752
Interest	6,500	20,802	14,302
Total nonoperating revenues	<u>7,000</u>	<u>26,054</u>	<u>19,054</u>
Total revenues	<u>2,446,130</u>	<u>2,130,267</u>	<u>(315,863)</u>
Expenditures:			
Electrical operations:			
Salaries benefits		340,785	
Repairs and maintenance		19,625	
Sales tax expense		124,940	
Insurance		15,097	
Other operating expenses		82,869	
Contractual services		26,467	
Total Administration	<u>641,994</u>	<u>609,783</u>	<u>32,211</u>
Electrical power purchases	<u>1,804,136</u>	<u>1,025,439</u>	<u>778,697</u>
Total expenditures	\$ <u>2,446,130</u>	\$ <u>1,635,222</u>	\$ <u>810,908</u>

Town of Lucama
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues over expenditures	<u>\$ -</u>	495,045	<u>\$ 495,045</u>

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

Reconciling items:

Increase in compensated absences	(916)
Increase in deferred outflows of resources - pensions	(6,632)
Increase in deferred inflows of resources - pensions	(3,737)
Increase in net pension liability	21,428
Depreciation	<u>(42,562)</u>
Total	<u>(32,419)</u>
Change in net position	<u>\$ 462,626</u>

Town of Lucama
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for water	\$ 163,834	\$ 180,490	\$ 16,656
Charges for sewer	170,000	173,710	3,710
Capacity charges	34,250	33,866	(384)
Tap fees	-	300	300
Late fees	54,000	34,824	(19,176)
Total operating revenues	<u>422,084</u>	<u>423,190</u>	<u>1,106</u>
Nonoperating revenues:			
Miscellaneous	3,000	-	(3,000)
Interest	50	134	84
Total nonoperating revenues	<u>3,050</u>	<u>134</u>	<u>(2,916)</u>
Total revenues	<u>425,134</u>	<u>423,324</u>	<u>(1,810)</u>
Expenditures:			
Water treatment and distribution:			
Salaries and benefits		94,566	
Repairs and maintenance		77,186	
Insurance		4,217	
Other operating expenses		29,304	
Contractual services		17,870	
Total Administration	<u>198,570</u>	<u>223,143</u>	<u>(24,573)</u>
Waste collection and treatment			
Sewer treatment fees		269,100	
Total	<u>183,346</u>	<u>269,100</u>	<u>(85,754)</u>
Debt Service:			
Principal retirement		15,000	
Interest and fees		28,008	
Total	<u>43,218</u>	<u>43,008</u>	<u>210</u>
Total expenditures	<u>\$ 425,134</u>	<u>\$ 535,251</u>	<u>\$ (110,117)</u>

Town of Lucama
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues (under) expenditures	<u>\$ -</u>	(111,927)	<u>\$ (111,927)</u>

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

Reconciling items:

Decrease in accrued interest	51
Decrease in compensated absences	(146)
Increase in deferred outflows of resources - pensions	1,530
Increase in deferred inflows of resources - pensions	863
Increase in net pension liability	(4,945)
Depreciation	(102,616)
Principal retirement	15,000
Capital project fund contributions	58,853
Total	<u>(31,410)</u>
Change in net position	<u>\$ (143,337)</u>

Town of Lucama
Water Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted Intergovernmental:					
Dept. of Environmental Quality	\$ 121,882	\$ -	\$ 58,853	\$ 58,853	\$ (63,029)
Expenditures					
Legal	4,000	-	-	-	4,000
Grant administration	-	-	24,990	24,990	(24,990)
Construction	292,241	-	258,992	258,992	33,249
Engineering	170,415	-	50,400	50,400	120,015
Closing Costs	9,006	-	9,006	9,006	-
Other reimburseable expenses	-	-	732	732	(732)
Contingency	13,666	-	-	-	13,666
Total expenditures	489,328	-	344,120	344,120	145,208
Revenues over (under) expenditures	(367,446)	-	(285,267)	(285,267)	(208,237)
Other Financing Sources					
Proceeds from long-term debt	367,446	-	301,697	301,697	(65,749)
Total other financing sources	367,446	-	301,697	301,697	(65,749)
Net change in fund balance	\$ -	\$ -	16,430	\$ 16,430	\$ (273,986)
Fund balance, beginning			-		
Fund balance, ending			\$ 16,430		

Other Schedules

This section contains additional information required on property taxes.

*Schedule of Ad Valorem Taxes Receivable

*Analysis of Current Tax Levy - Town-wide Levy

Town of Lucama
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 188,617 (a)	\$ 183,321 (b)	\$ 5,296 (c)
2018-2019	6,217	-	4,050	2,167
2017-2018	3,978	-	1,012	2,966
2016-2017	1,978	-	224	1,754
2015-2016	995	-	205	790
2014-2015	833	-	-	833
2013-2014	929	-	53	876
2012-2013	656	-	5	651
2011-2012	506	-	-	506
2010-2011	814	-	-	814
2009-2010	392	-	392	-
	<u>\$ 17,298</u>	<u>\$ 188,617</u>	<u>\$ 189,262 (d)</u>	<u>16,653</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				\$ <u>16,653</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 190,133
Reconciling items:				
Taxes written off				350
Interest collected				<u>(1,221)</u>
Total collections and credits				\$ <u>189,262 (d)</u>

Town of Lucama
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2020

				Total Levy	
Town - Wide				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current rate	\$ 36,403,000	0.50	\$ 182,015	\$ 150,276	\$ 31,739
Penalties	-		81	81	-
Discoveries	-		7,014	7,014	-
Abatements	(98,600)	0.50	(493)	(493)	-
Total property valuation	<u>\$ 36,304,400</u>				
Net levy			188,617 (a)	156,878	31,739
Unpaid (by taxpayer) taxes at June 30, 2020			<u>(5,296) (c)</u>	<u>(5,296)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 183,321 (b)</u>	<u>\$ 151,582</u>	<u>\$ 31,739</u>
Current levy collection percentage			<u>97.19%</u>	<u>96.62%</u>	<u>100.00%</u>

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Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lucama, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Lucama's basic financial statements, and have issued our report thereon dated October 30, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Town of Lucama, North Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Lucama's responses to the findings identified in our audit are described previously in the accompanying schedule of findings and responses. The Town of Lucama's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina

October 30, 2023

Town of Lucama
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

I. Summary of Auditors' Results

Financial Statement

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

Internal control over financial reporting:

Material weakness identified? X Yes No

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

Noncompliance material to financial statements noted Yes X No

Federal Awards

None

State Awards

None

Town of Lucama
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

II. Financial Statement Findings

Finding 2020-001 Statutory Violations

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

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

- The adoption of the Town's 2020-2021 budget was late and after the start of the fiscal year. The Town failed to make budget amendments for the 2019-2020 fiscal year. Additionally, the Town's expenditures exceeded the budgets provided for the fiscal year.
- The Town did not ensure the completion of a timely audit for the fiscal year ended June 30, 2020.
- The Town did not ensure the compliance with record retention requirements for 2019-2020.

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

Cause: The Town was unable to close its books and timely prepare for an audit, nor provide evidence of appropriately approved budget amendments.

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

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

Finding 2020-002 Segregation of Duties

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

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

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

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

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

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

Finding 2020-003 Missing Documentation

Criteria: The Town was unable to provide sufficient documentation for the audit for the fiscal year ending June 30, 2020.

Condition: The Town was unable to provide subsidiary ledgers for the utility billings as of June 30, 2020.

Effect: The Town was unable to provide sufficient documentation for the audit.

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

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

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

Finding 2020-004 Trial Balance Non-existent

Criteria: The Town did not maintain appropriate trial balance.

Condition: The Town did not have staff with appropriate skills, knowledge and experience to maintain a trial balance. In the summer of 2021, the Town hired a third party Certified Public Accountant to recreate the general ledger of the Town.

Effect: The Town was unable to provide sufficient financial data in a timely manner.

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

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

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

III. Federal Awards Findings and Questioned Costs

None Reported

IV. State Awards Findings and Questioned Costs

None Reported

Town of Lucama
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

Finding 2019-001 Statutory Violations - Partially Corrected

Corrective Action: This finding has been partially corrected and is reported in the current year. The Town filed form LGC-203 for June, 2020.

Finding 2019-002 Segregation of Duties

Corrective Action: This finding has not been corrected and is reported in the current year.

Finding 2019-003 Missing Documentation

Corrective Action: This finding has been partially corrected and is reported in the current year. The Town was able to provide copies of filed Forms 941, bank statements and Minutes of the Board of Commissioners for the fiscal year ending June 30, 2020.

Finding 2019-004 Trial Balance Non-existent

Corrective Action: This finding has not been corrected and is reported in the current year.

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TOWN OF LUCAMA

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

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

Corrective Action Plan For the Fiscal Year Ended June 30, 2020

Finding 2020 – 001 Statutory Violations

Name of contact person: Darlene Newsome, Town Administrator

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

Audit reports will be completed within statutory requirement dates.

Record retention requirements will be adopted as required by statutes.

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

Finding 2020 – 002 Segregation of Duties

Name of contact person: Darlene Newsome, Town Administrator

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

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

Finding 2020 – 003 Missing Documentation

Name of contact person: Darlene Newsome, Town Administrator

Corrective action: Documentation of subsidiary ledgers for utility billing will be retained by statutory requirements.

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

Finding 2020 – 004 Trial Balance Non-existent

Name of contact person: Darlene Newsome, Town Administrator

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

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