

CITY OF LUMBERTON

North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

Prepared by:
City of Lumberton

Submitted by:
Alisha B. Armstrong, CPA
Finance Director

City of Lumberton, North Carolina

COUNCIL MEMBERS

Bruce Davis, Mayor

Leroy Rising, Mayor Pro Temp

John Cantey, Jr

Melissa Robinson

Chris Howard

John Carroll

Eric Chavis

Karen Higley

Owen Thomas

CITY OFFICIALS

City Manager

T. Wayne Horne

Finance Director

Alisha B. Armstrong, CPA

City of Lumberton, North Carolina
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June 30, 2020

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INTRODUCTORY SECTION

Letter of Transmittal

City of Lumberton Organizational Chart

City of Lumberton

January 26, 2021

The Honorable Mayor, City Council and Citizens
City of Lumberton, North Carolina

The Comprehensive Annual Financial Report for the fiscal year ending June 30, 2020, for the City of Lumberton is hereby submitted. State law requires that a complete set of financial statements be presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants to be published promptly after the close of the fiscal year.

This report consists of management's responsibility for establishing and maintaining an internal control system to ensure that the City's assets are protected from loss, theft or misuse and those adequate accounting records are compiled to facilitate the preparation of financial statements in compliance with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that objectives have been met. The concept of reasonable assurance recognizes that: (1) the cost of control should not outweigh the benefits; and (2) that the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

State statutes require an annual audit by an independent certified firm of public accountants. The City selected the firm of Thompson, Price, Scott, Adams & Company. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lumberton for the fiscal year ending June 30, 2020 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. An unqualified opinion of the City of Lumberton's financial statements has been issued. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

**Letter of Transmittal
For the Year Ending
June 30, 2020**

Profile of the Government

Lumberton is located on the Lumber River in Robeson County in southeastern North Carolina, 75 miles from the Atlantic beaches and 245 miles from the Great Smoky Mountains. It is 175 miles north of Charleston, SC. and 350 miles south of Washington, DC. Major highways intersecting the city are I-95, US 301, US 74, NC 211 and NC 41. Lumberton serves as the seat of government for Robeson County and functions as the commercial center for the region. Lumberton provides medical services, education, tourism, agriculture and livestock production, textiles, manufacturing, and service industries that contribute positively to the City's economic growth.

The City has operated under the Council-Manager form of government since 1949. The City Council is responsible for the legislative affairs of the City and is comprised of eight council members who are elected by precincts for four year staggered terms. The Mayor is elected at large for a four-year term. The Council makes appointments to various citizen boards and commissions to obtain advisory input. The City Manager is employed by the City Council as the Chief Executive Officer and is responsible for enforcement of laws and ordinances, delivery of services, planning and development, and budgetary management. The City provides a full range of services which include police, fire protection, emergency management, construction and maintenance of streets, infrastructure, sanitation services, community development, planning, recreation, and environmental protection. Additionally, the City operates an electric distribution system along with a water and sewer system to enhance quality of life.

Lumberton Airport Commission, Lumberton Tourism Development Authority and Lumberton Alcoholic Beverage Control Board are legally separate entities within the City's financial structure and are reported as separate component units. Additional information on these entities can be found in the notes to the financial statements. The annual budget serves as the foundation for the City of Lumberton's financial planning and control. A budget calendar is included in the North Carolina General Statutes that prescribes the dates upon which certain required steps of the budget procedures are to be performed. The following schedule lists the tasks to be performed and the date by which is required to be completed:

April 30 - Each department head shall submit to the budget officer a budget request with estimated revenues for their department for the budget year.

June 1 - The budget and a budget message shall be submitted to the governing board. A public hearing on the proposed budget shall be set at this time.

July 1 - The governing board shall adopt the budget ordinance.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g. police). The City Manager, as budget officer, is authorized by the governing board to make interdepartmental budget transfers. Transfer of appropriations between departments and capital codes shall be upon the recommendation of the budget officer and approval of the governing board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is represented in the governmental fund subsection of the report. Also included in this section are project length budget-to-actual comparisons for each governmental fund for which a project length budget has been adopted (i.e. CDBG revitalization projects and capital projects funds).

**Letter of Transmittal
For the Year Ending
June 30, 2020**

Local economy. The City of Lumberton serves as the economic, cultural and services hub for Robeson County. The economy of the City is characterized by a high degree of public sector activity, plus office, commercial and service-oriented businesses. Southeastern Regional Medical Center is the largest employer in our City, providing about 2,155 jobs.

The unemployment rate as of June 2010 was 8.3%. This is due to the fact that manufacturing has undergone intensive restructuring over the last ten years. The profound effect has been the loss of jobs which provided stability for individuals, as well as our community. This scenario is not entirely hopeless. The county as a whole has some wonderful selling points including Robeson Community College, UNC-Pembroke, Lumberton Regional Airport, a countywide water system, available land, the Lumber River, and residents with a strong work ethic. With continued support from our local leaders and their goals in attracting prospective industry to our community, Lumberton will once again become the jewel of the community. The people, small business owners and workers have withstood the major shifts in economic policy throughout U.S. history and remain the bedrock of our economy. The diversity and strength of the community is our best investment.

Long-term financial planning. Undesignated fund balance in the general fund is an important reserve to provide cash flow during periods of declining revenues and an important reserve for unforeseen emergencies, fund balance in the general fund should never be below eight percent of expenditures. To maintain a fund balance of approximately forty two percent of expenditures would enable the city to reduce the need of borrowing to finance future projects. The city has started in that direction by increasing fees, reducing capital purchases, operating costs and continuing to look at ways to increase fund balance.

Effective forecasting of cash requirements and progressive cash management has allowed the maximum use of all available cash resources. The City uses the pooled cash and investment concept in investing excess cash for all funds. The goal of the City's investment policy is to minimize credit and market risk while receiving high returns on investments. The investment policy of the City is guided by NCGS 159-30, which stipulates that the City can only invest in certificates of deposit, repurchase agreements, secured time deposits, banker's acceptances, commercial paper and United States government and agency securities.

Relevant financial policies. Management and staff continued to carefully monitor revenues this year to make sure that collections meet or exceeded budget estimates. When our revenues continued to stay flat or decreased during this fiscal year due to the economy, the City reacted by implementing several changes.

The City has been diligent in its efforts to reduce operating costs during these difficult economic times, In addition, extra effort was made to improve the collection of outstanding revenues. The City also continues to look for grant opportunities that may be available to meet the capital and operating needs of the City. We received several grants this fiscal year and have several applications under various state and federal agencies.

Major initiatives:

- **Tanglewood Drainage** – This project was funded with a \$3.0M Golden Leaf Grant, to help improve drainage around the Southeastern Regional Medical Center. The scope of this project increased as a result of larger pipe requirements, the increase in depth of grade and numerous conflicts with existing infrastructure. Staff applied for an EDA Grant to supplement the Golden Leaf funds and was awarded \$6.8M. This project is currently under design, this project will be

**Letter of Transmittal
For the Year Ending
June 30, 2020**

ready to bid in November 2020, the contract will be awarded in January 2021 and construction will be complete in 2022.

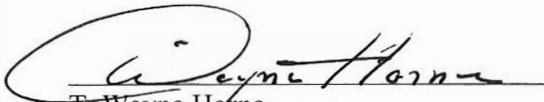
- **Flood Gates** – A \$1.0M CDBG-DR grant and a \$1.25M grant from Golden Leaf Foundation were approved for the I-95/VFW Road Flood Gates Project. The City's application to EDA for \$3.1M in additional funding for this project has been selected for further consideration. Council awarded the design contract to Atkins; a London based engineering firm and the administrative contract was approved for McGill and Associates.
- **Water Plant Berm** – This project, which was approved for a \$1.25M FEMA Mitigation Grant, is substantially complete. A supplemental request for \$180,000 in additional funding is being submitted to FEMA. Council awarded this bid to T2 Contracting, Inc. of Fuquay- Varina for \$1,246,211.06.
- **J. C. Hut** – This project was approved for a \$738,000 grant from Golden Leaf Foundation. Other funding sources include insurance and FEMA reimbursement. Council approved the relocation of the West Lumberton Resource Center from Halsey Street to a corner lot at W. 5th Street and Branch Street. The bid in the amount of \$1,014,517 was awarded to M & E Construction of Fayetteville. This project is projected to be complete in December of this fiscal year. The design contract for this project was awarded to The Becker Morgan Group.
- **Rosewood Mobile Home Park Sewer** – The City secured a \$2,003,040 CDBG-I Grant from the NCDEQ – Division of Water Infrastructure for this project. This project includes 3,300LF of 8" gravity sewer, 3,000LF of 4" force main, a new lift station, 80 sewer taps and paving. This project will be bid in August with construction to be completed in September.
- **Fuller Sanitary Sewer** – NC Emergency Management approved a \$426,000 CDBG Grant to extend sewer, west on NC 211 to assist Fullers with the relocation of their restaurant outside the flood area. Staff has requested that the State allow the project to move forward, without a commitment from Fuller's and that sewer lines be installed to serve Agri Supply and other businesses on NC 211.
- **Bullard Street** - The City is partnering with Duke Energy to construct a floodwall around POD4 on Bullard Street. The structure will protect Duke and the City's substation from future flooding. The City's cost for this project is \$493,000. The contractor, Hepaco Construction of Raleigh is expected to complete this project around the first of June.
- **Airport Terminal** –Simeon Building and Construction Solution of Mount Airy is the contractor on the 5,400 SF terminal building. The project cost of \$3.5M is funded with 56% NCDOT Aviation Grant, Federal Non-Primary Entitlement Funds and a City and County local match of 22% each. This project is expected to be complete in August.
- **Rempac Berm** – The City was awarded a \$1.2M Infrastructure Grant through the NC Department of Commerce, to construct a protective berm around Rempac to help preserve 200 jobs. The bids on this project came in at \$1.6M. A supplement request to Commerce was submitted for \$400,000 for this project, the request was approved by the Rural Infrastructure Board. City Council awarded a contract for this project to Bill Worley and Son of Tabor City.

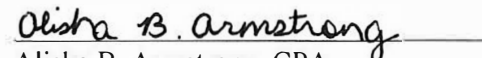
**Letter of Transmittal
For the Year Ending
June 30, 2020**

- **Godwin Heights and Sunset Heights Sewer Rehab Project** – This project was funded with a \$1.0M SRF Loan with 50% principle forgiveness. This project includes slip lining and rehab of 5,000 linear feet of concrete pipe on 7th, 8th, 9th, 10th, and 11th Streets from Godwin Avenue to Linwood Avenue, and 13th Street from Godwin Avenue to Godwin Heights Park. In addition, 2,000 linear feet of pipe in the Sunset Heights neighborhood around Nevada Street will be slip lined as part of this project.

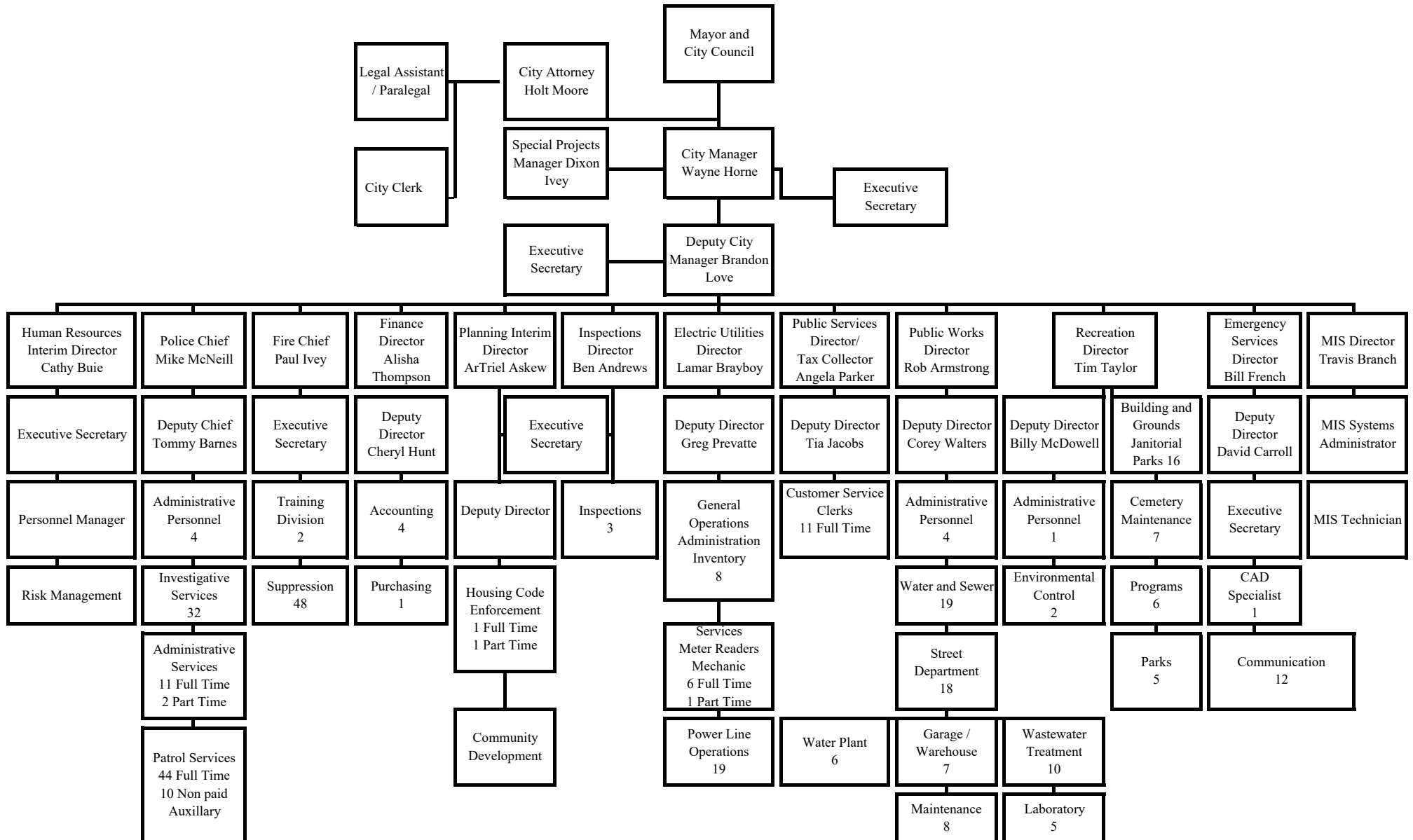
The preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of the finance department, the various department heads and employees who assisted and contributed to its preparation, and our independent auditor Thompson, Price, Scott, Adams & Company. Each of them has our sincere thanks. In closing, our appreciation is extended to the Mayor and City Council for the encouragement, assistance, and stewardship they have provided. It is a distinct pleasure to be associated with a governing board who appreciates and respects the principles of financial and budgetary restraint that prevail in the City of Lumberton.

Respectfully submitted,


T. Wayne Horne
City Manager


Alisha B. Armstrong, CPA
Finance Director

City of Lumberton Organizational Chart



FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Major Governmental Funds

Non-Major Governmental Funds

Internal Service Funds

Enterprise Funds



Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
City of Lumberton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lumberton, North Carolina (the "City"), as of and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lumberton, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 68 through 69 , and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 70 through 71, and the Changes in Total OPEB Liability and Related Ratios page 72, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lumberton's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S.Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2021 on our consideration of the City of Lumberton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lumberton's internal control over financial reporting and compliance.

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

Whiteville, NC
January 28, 2021

Management's Discussion and Analysis

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

Financial Highlights

The assets and deferred outflows of resources of the City of Lumberton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$66,509,693 (net position).

The government's total net position increased by \$1,141,698 during the current year, primarily due to increases in the business-type activities. In addition, the City reported a prior period adjustment that decreased total net position in the government-wide statements by \$1,844,683. This adjustment is detailed in Note 8.

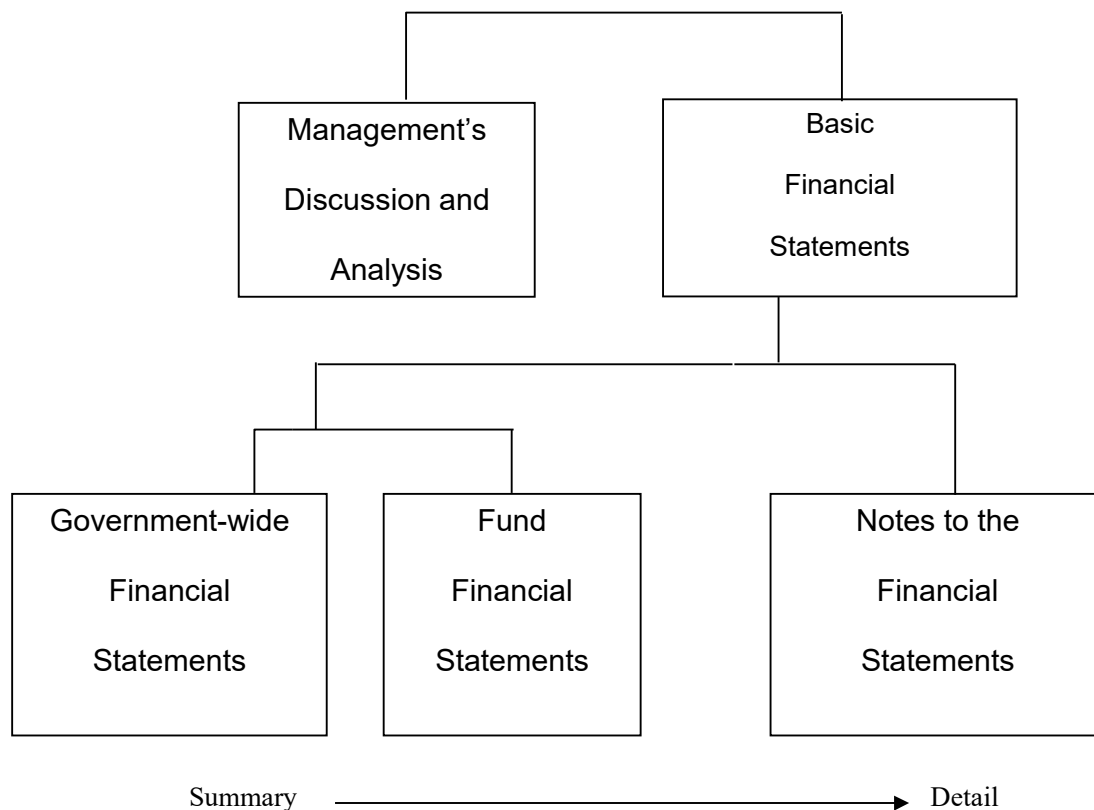
As of the close of the current fiscal year, the City of Lumberton's governmental funds reported combined ending fund balances of \$5,920,926. Approximately 9.43% percent of this total amount, or \$534,450, is available for spending at the government's discretion, known as unassigned fund balance. Available fund balance totals \$2,581,511, which is 9.32% of total general fund expenditures for the fiscal year.

The City of Lumberton's legal debt limit is \$107,700,558, which is 8.00% of the City's assessed property tax valuation of \$1,603,486,753. The total legal indebtedness of the City is \$20,578,382, which represents 1.28% of assessed property valuation.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



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 City'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 City'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 City's individual funds. Budgetary information required by the North Carolina 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 City'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 City's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City'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 City charges customers to provide. These include the water and sewer and electric services offered by the City of Lumberton. The final category is the component units. Although legally separate from the City, the ABC Board, Lumberton Airport Commission, and Lumberton Tourism Development Authority are important to the City because the City exercises control over Board, the Authority, and the Commission by appointing its members. Additionally, the ABC Board is required to distribute its profits to the City.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City'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 City of Lumberton, 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 City's budget ordinance. All of the funds of the City of Lumberton 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 City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City'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 City of Lumberton 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 City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds

The City of Lumberton has two different kinds of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lumberton uses enterprise funds to account for its water and sewer activity, sanitation, 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.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the City of Lumberton. The City uses an internal service fund to account for its fleet maintenance and insurance funds. Because these operations benefit predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28-67 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lumberton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 68 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Lumberton exceeded liabilities and deferred inflows of resources by \$66,509,693 as of June 30, 2020. The City's Net Position increased by \$1,141,698 for the fiscal year ended June 30, 2020.

However, the largest portion of the City's net position (129.58%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Lumberton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lumberton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

City of Lumberton's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 10,475,355	\$ 11,466,786	\$ 21,573,873	\$ 20,217,258	\$ 32,049,228	\$ 31,684,044
Capital assets	41,504,825	40,771,401	66,499,419	64,465,428	108,004,244	105,236,829
Deferred outflows of resources	4,164,005	8,340,805	3,971,623	3,148,863	8,135,628	11,489,668
Total assets and deferred outflows of resources	56,144,185	60,578,992	92,044,915	87,831,549	148,189,100	148,410,541
Long-term liabilities	50,137,399	49,065,831	4,553,377	18,465,589	54,690,776	67,531,420
Other liabilities	3,806,394	3,647,557	18,764,650	5,452,709	22,571,044	9,100,266
Deferred inflows of resources	3,259,199	3,364,050	1,158,388	1,202,127	4,417,587	4,566,177
Total liabilities and deferred inflows of resources	57,202,992	56,077,438	24,476,415	25,120,425	81,679,407	81,197,863
Net position						
Net invested in capital assets	25,936,691	27,570,935	60,248,181	58,217,534	86,184,872	85,788,469
Restricted	3,213,489	4,057,061	-	-	3,213,489	4,057,061
Unrestricted	(30,208,987)	(27,126,442)	7,320,319	4,493,590	(22,888,668)	(22,632,852)
Total net position	\$ (1,058,807)	\$ 4,501,554	\$ 67,568,500	\$ 62,711,124	\$ 66,509,693	\$ 67,212,678

The restricted portion of net position, \$3,213,489, represents the City's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of (\$22,888,668) may be used to meet the City's ongoing obligations to the citizens and creditors.

Governmental activities

Governmental activities decreased the City's net position by \$1,010,183. Key elements of this decrease are as follows:

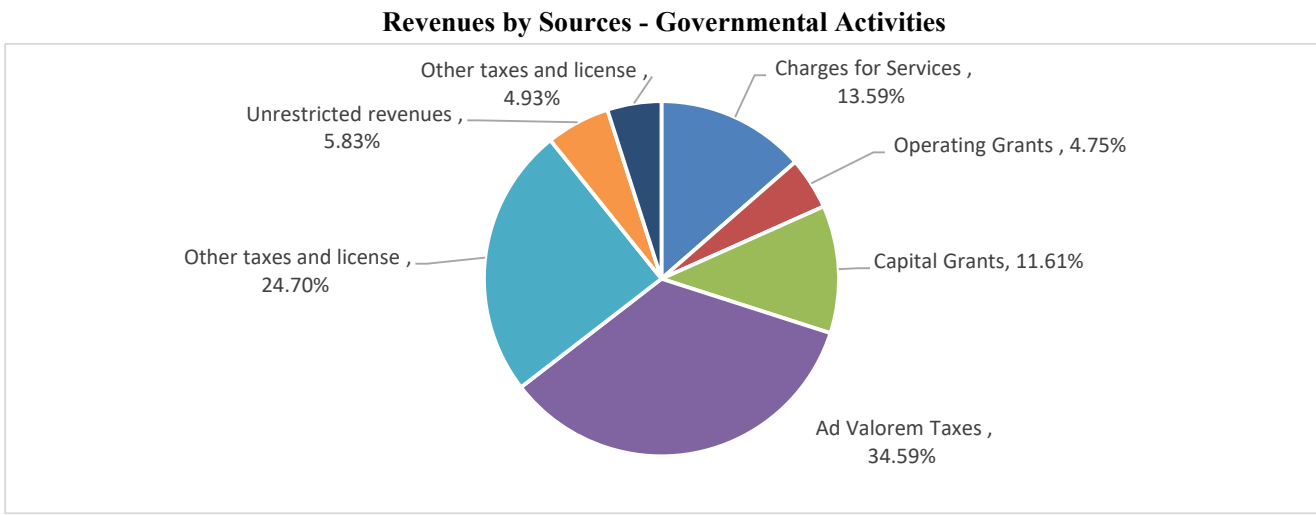
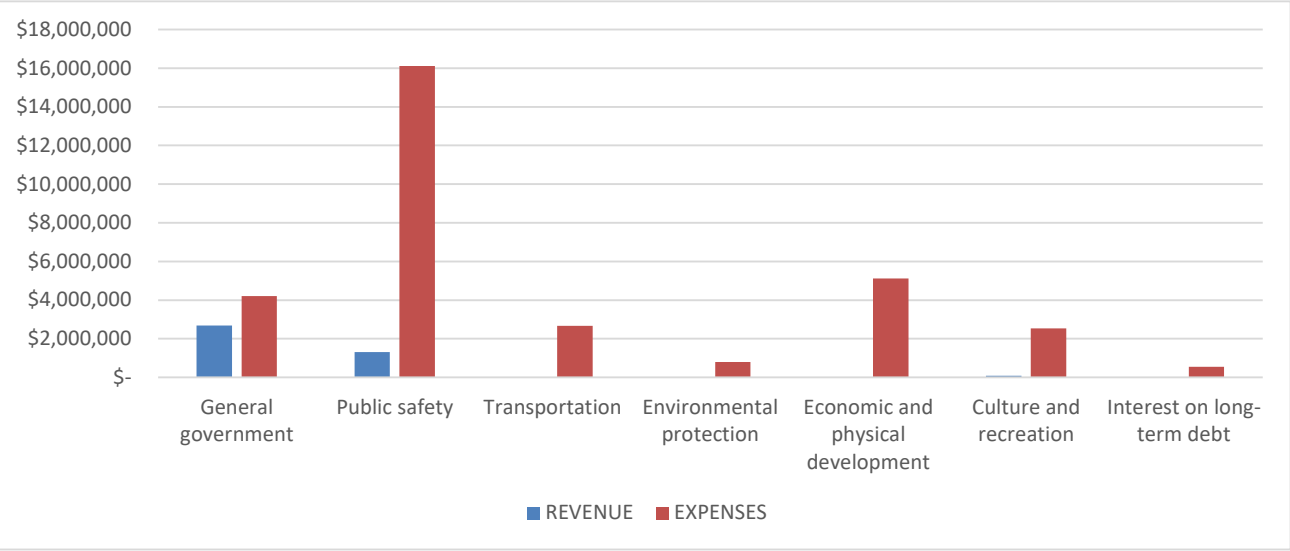
City of Lumberton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 4,107,278	\$ 8,933,515	\$ 43,476,825	\$ 43,874,283	\$ 47,584,103	\$ 52,807,798
Operating grants and contributions	1,435,006	1,299,586	1,681,983	-	3,116,989	1,299,586
Capital grants and contributions	3,510,210	1,453,868	-	-	3,510,210	1,453,868
General revenues:						
Property taxes	10,455,795	11,206,397	-	-	10,455,795	11,206,397
Other taxes and licenses	7,464,255	7,746,000	-	-	7,464,255	7,746,000
Unrestricted	1,762,477	1,804,270	-	-	1,762,477	1,804,270
Other	1,489,048	1,951,363	88,988	87,959	1,578,036	2,039,322
Total revenues	30,224,069	34,394,999	45,247,796	43,962,242	75,471,865	78,357,241
Expenses						
General government	4,213,793	11,029,963	-	-	4,213,793	11,029,963
Public safety	16,107,825	14,620,716	-	-	16,107,825	14,620,716
Transportation	2,665,954	2,069,404	-	-	2,665,954	2,069,404
Environmental protection	792,060	716,567	-	-	792,060	716,567
Economic development	5,127,091	4,315,004	-	-	5,127,091	4,315,004
Culture and recreation	2,536,097	2,483,217	-	-	2,536,097	2,483,217
Interest on long-term debt	553,677	552,183	-	-	553,677	552,183
Light and power	-	-	29,754,191	29,067,607	29,754,191	29,067,607
Water and sewer	-	-	10,750,841	8,578,358	10,750,841	8,578,358
Sanitation	-	-	1,828,638	1,899,455	1,828,638	1,899,455
Total expenses	31,996,497	35,787,054	42,333,670	39,545,420	74,330,167	75,332,474
Change in net position before transfers	(1,772,428)	(1,392,055)	2,914,126	4,416,822	1,141,698	3,024,767
Transfers	762,245	2,046,790	(762,245)	(2,046,790)	-	-
Net Position						
Beginning of year - July 1	4,501,554	3,846,819	62,711,124	60,341,092	67,212,678	64,187,911
Prior Period Adjustments	(4,550,178)	-	2,705,495	-	(1,844,683)	-
Beginning of year, as restated	(48,624)	3,846,819	65,416,619	60,341,092	65,367,995	64,187,911
End of year - June 30	\$ (1,058,807)	\$ 4,501,554	\$ 67,568,500	\$ 62,711,124	\$ 66,509,693	\$ 67,212,678

Ad valorem taxes continue to be the largest revenue contributor of the total governmental activities revenues. Other taxes and license (which includes local option sales tax) is the next largest contributor.

Operating grants for governmental activities furnished resources to support three of the six functions of the City: public safety, transportation, and economic and physical development. The City received significant funding from Hazard Mitigation and FEMA.

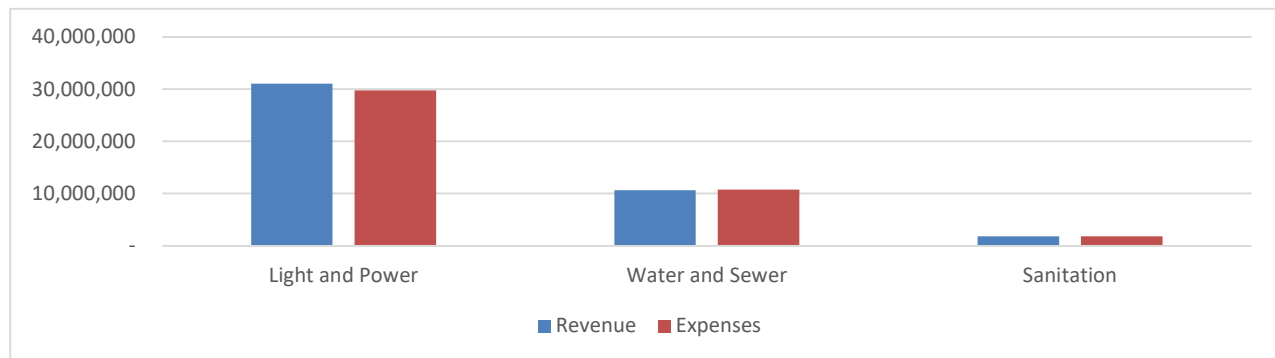
Grants received for operations contributed to economic and physical development. The following graphs show the comparison of expenses and programs revenues within the governmental activities, as well as a breakdown by percentage of governmental revenues.



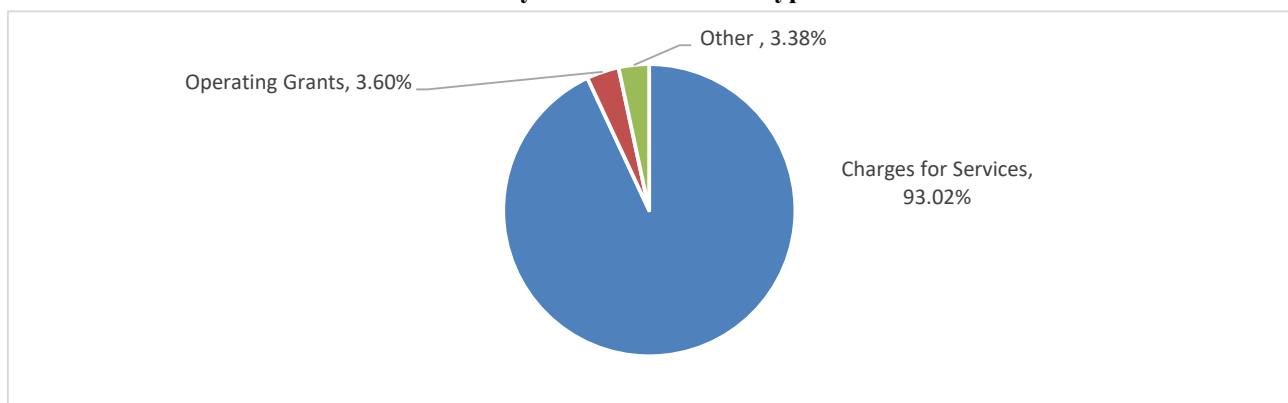
Governmental activities expenses decreased from last fiscal year by \$3,790,557, primarily due to decreases in costs of general government expenditures.

Business type activities

Business type activities' operating revenues increased by \$1,285,554 and operating expenses increased by \$2,788,250, respectively. Key elements of this change are as follows:



Revenues by Source - Business Type Activities



Charges for services for business type activities are always the largest source of revenues for light and power, water and sewer, and sanitation. A decrease of \$397,458 (0.91%) from prior year charges for services.

Expenses have increased by \$2,788,250 (7.05%) for the business type activities compared to prior year.

Financial Analysis of the City of Lumberton's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lumberton's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Lumberton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$566,968, while total fund balance reached \$5,383,411. Available fund balance was \$2,580,625. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total general fund expenditures. Available fund balance represents 8.94% of total General Fund expenditures, while total fund balance represents 18.65% of that same amount.

At June 30, 2020, the governmental funds of the City of Lumberton reported a combined fund balance of \$5,920,926, an increase of \$57,325 over last year. Included in this change in fund balance are decreases in fund balance in the General Fund, Community Development Fund, and Grant Loan Fund and increases in the Emergency Telephone System Fund, Capital Reserve Fund, and General Fund Capital Project Fund.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the governmental wide financial statements, but in more detail.

Unrestricted Net Position in the Light and Power Fund increased by \$1,524,179 (27.15%) from the prior fiscal year. This was consistent with prior year results. Unrestricted net position in the Water and Sewer Fund increased by \$1,303,796 (105.86%) from the prior fiscal year. This was due mainly to state disaster grants. Unrestricted net position in the Sanitation Fund decreased by \$1,246 (1.11%) from the prior fiscal year.

General Fund Budgetary Highlights

During the fiscal year, the City 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.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted Net Position of the Light and Power Fund at the end of the fiscal year amounted to \$7,137,581. Unrestricted Net Position of the Water and Sewer Fund at the end of the fiscal year amounted to \$72,167. Unrestricted Net Position of the Sanitation Fund at the end of the fiscal year amounted to \$110,571. The total change in net position for the three funds was \$619,333, 1,544,466 , and (\$11,918), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Lumberton's investment in capital assets for its governmental and business– type activities as of June 30, 2020, is summarized below. These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Capital Asset and Debt Administration (continued)

Capital Assets (net of depreciation) (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 16,786,857	\$ 16,562,693	\$ 1,512,704	\$ 1,409,018	\$ 18,299,561	\$ 17,971,711
Buildings	10,074,043	10,242,686	10,124,965	10,402,829	20,199,008	20,645,515
Improvements	3,619,571	3,413,405	-	-	3,619,571	3,413,405
Furniture and equipment	2,709,846	2,130,556	2,488,140	3,098,711	5,197,986	5,229,267
Infrastructure	2,321,016	2,521,366	-	-	2,321,016	2,521,366
Distribution system	-	-	50,220,789	47,402,048	50,220,789	47,402,048
Work in progress	5,993,492	5,900,695	2,152,822	2,152,822	8,146,314	8,053,517
Total	<u>\$ 41,504,825</u>	<u>\$ 40,771,401</u>	<u>\$ 66,499,420</u>	<u>\$ 64,465,428</u>	<u>\$ 108,004,245</u>	<u>\$ 105,236,829</u>

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

Land purchase	\$ 327,850
Construction in progress	92,797
Buildings	-
Improvements	354,696
Distribution systems	4,593,739
Furniture and equipment	1,538,181
Total	<u><u>\$ 6,907,263</u></u>

Additional information on the City's capital assets can be found starting on page 41 in the Notes to the Financial Statements.

Long-term Debt

As of June 30, 2020, the City of Lumberton had total bonded debt outstanding of \$0. The City's debt consist of installment purchase agreements and capital leases.

City of Lumberton's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct Placement and Direct Borrowing Installment Purchase Agreements	\$ 11,478,836	\$ 12,012,946	\$ 6,171,018	\$ 6,958,376	\$ 17,649,854	\$ 18,971,322
Capital leases	2,928,528	2,208,934	-	-	2,928,528	2,208,934
Total	<u>\$ 14,407,364</u>	<u>\$ 14,221,880</u>	<u>\$ 6,171,018</u>	<u>\$ 6,958,376</u>	<u>\$ 20,578,382</u>	<u>\$ 21,180,256</u>

The City of Lumberton's total debt decreased by \$601,874 during the past fiscal year. The City entered into two new capital leases totaling \$1,163,660 and made debt service payments of \$1,765,534.

The City of Lumberton maintained an “A” rating from Standard and Poor’s Corporation on the general obligation bonds of the Water and Sewer Fund. This bond rating is a clear indication of the sound financial condition of City of Lumberton.

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 City of Lumberton is \$107,200,560. Additional information pertaining to the City of Lumberton’s long-term debt can be found starting on page 73 in the Notes to the Financial Statements.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City:

- The City of Lumberton’s property tax rate remains the same at \$.65 per \$100.
- Occupancy rates on office and retail space in the City remain stable.
- There are no proposed adjustments for rates and fees in the 2019-2020 FY Budget.
- Unemployment continues to increase from the prior year; due to a wave of unemployment caused by business closures due to the recent COVID-19 pandemic; however, we expect a full recovery as the governor lifts restrictions to reopen the economy.

Requests for Information

This report is designed to provide an overview of the City’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 Office of the Finance Director, 500 North Cedar Street, Lumberton, NC 28358.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

City of Lumberton, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	ABC Board	Tourism Development Authority	Airport Commission
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,999,545	\$ 6,697,683	\$ 10,697,228	\$ 1,058,728	\$ 1,027,547	\$ 291,076
Taxes receivable - net	631,607	-	631,607	-	-	-
Accounts receivable - net	4,910,781	10,220,080	15,130,861	-	246,652	783,214
Inventories	209,514	1,368,180	1,577,694	517,533	-	40,321
Prepaid items	1,157,620	-	1,157,620	-	-	35,162
Interfund Balances	(1,627,000)	1,627,000	-	-	-	-
Total current assets	9,282,067	19,912,943	29,195,010	1,576,261	1,274,199	1,149,773
Non-Current assets:						
Restricted assets						
Cash and cash equivalents	1,193,288	1,660,930	2,854,218	-	-	-
Total restricted assets	1,193,288	1,660,930	2,854,218	-	-	-
Capital assets						
Land and other non-depreciable assets	22,780,349	3,665,525	26,445,874	-	-	5,028,380
Other capital assets, net of depreciation	18,724,476	62,833,894	81,558,370	595,067	-	9,918,569
Total capital assets	41,504,825	66,499,419	108,004,244	595,067	-	14,946,949
Total assets	51,980,180	88,073,292	140,053,472	2,171,328	1,274,199	16,096,722
DEFERRED OUTFLOWS OF RESOURCES						
Pension deferrals	3,497,237	1,109,456	4,606,693	47,107	-	46,032
OPEB deferrals	666,768	2,862,167	3,528,935	-	-	-
Total Deferred Outflows of Resources	4,164,005	3,971,623	8,135,628	47,107	-	46,032

(continued)

City of Lumberton, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	ABC Board	Tourism Development Authority	Airport Commission
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	1,294,687	2,410,939	3,705,626	597,042	82,058	443,297
Payable from restricted assets	-	1,340,708	1,340,708	-	-	-
Accrued interest payable	290,001	39,554	329,555	-	-	-
Unearned revenue	701,527	-	701,527	-	-	-
Current portion of long-term liabilities	1,520,179	762,176	2,282,354	-	-	48,893
Total current liabilities	3,806,394	4,553,377	8,359,770	597,042	82,058	492,190
Long-term liabilities:						
Compensated absences, due in more than one year	748,493	321,623	1,070,117	-	-	14,488
Net pension liability (LGERS)	4,663,123	1,913,211	6,576,334	47,792	-	68,000
Total OPEB liability	28,156,743	11,024,693	39,181,436	298,191	-	-
Total pension obligation (LEOSSA)	3,320,741	-	3,320,741	-	-	-
Due in more than one year	13,248,299	5,505,123	18,753,422	-	-	244,467
Total long-term liabilities	50,137,399	18,764,650	68,902,050	345,983	-	326,955
Total liabilities	53,943,793	23,318,027	77,261,820	943,025	82,058	819,145
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	9,801	-	9,801	-	-	-
Pension deferrals	126,628	8,360	134,988	-	-	737
OPEB related deferrals	3,122,770	1,150,028	4,272,798	37,031	-	-
Total Deferred Inflows of Resources	3,259,199	1,158,388	4,417,587	37,031	-	737
NET POSITION						
Net investment in capital assets	25,936,691	60,248,181	86,184,872	595,067	-	14,653,589
Restricted for:						
Stabilization by State Statute	2,644,342	-	2,644,342	-	246,652	-
Public Safety	322,759	-	322,759	-	-	-
Economic Development	213,870	-	213,870	-	-	-
Transportation	32,518	-	32,518	-	-	-
Working Capital	-	-	-	150,701	-	-
Unrestricted	(30,208,987)	7,320,319	(22,888,668)	492,611	945,489	669,283
Total net position	<u>\$ (1,058,807)</u>	<u>\$ 67,568,500</u>	<u>\$ 66,509,693</u>	<u>\$ 1,238,379</u>	<u>\$ 1,192,141</u>	<u>\$ 15,322,872</u>

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

City of Lumberton, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and			Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	ABC Board	Tourism Development Authority	Lumberton Airport Commission
Primary government:										
Governmental Activities:										
General government	\$ 4,213,793	\$ 2,682,559	\$ -	\$ -	\$ (1,531,234)	\$ -	\$ (1,531,234)	\$ -	\$ -	\$ -
Public safety	16,107,825	1,318,959	260,901	-	(14,527,965)	-	(14,527,965)	-	-	-
Transportation	2,665,954	-	613,593	-	(2,052,361)	-	(2,052,361)	-	-	-
Environmental protection	792,060	22,674	-	-	(769,386)	-	(769,386)	-	-	-
Economic and physical development	5,127,091	-	560,512	3,510,210	(1,056,369)	-	(1,056,369)	-	-	-
Culture and recreation	2,536,097	83,086	-	-	(2,453,011)	-	(2,453,011)	-	-	-
Interest on long-term debt	553,677	-	-	-	(553,677)	-	(553,677)	-	-	-
Total governmental activities	31,996,497	4,107,278	1,435,006	3,510,210	(22,944,003)	-	(22,944,003)	-	-	-
Business-type activities:										
Light and power	29,754,191	31,037,334	12,000	-	-	1,295,143	1,295,143	-	-	-
Water and sewer	10,750,841	10,622,771	1,669,983	-	-	1,541,913	1,541,913	-	-	-
Sanitation	1,828,638	1,816,720	-	-	-	(11,918)	(11,918)	-	-	-
Total business-type activities	42,333,670	43,476,825	1,681,983	-	-	2,825,138	2,825,138	-	-	-
Total primary government	\$ 74,330,167	\$ 47,584,103	\$ 3,116,989	\$ 3,510,210	(22,944,003)	2,825,138	(20,118,865)	-	-	-
Component units:										
ABC Board	\$ 3,820,757	\$ 3,918,233	\$ -	\$ -	-	-	-	97,476	-	-
Tourism Development Authority	1,068,839	-	-	-	-	-	-	-	(1,068,839)	-
Lumberton Airport Commission	1,152,499	318,329	-	3,145,603	-	-	-	-	-	2,311,433
Total component units	\$ 6,042,095	\$ 4,236,562	\$ -	\$ 3,145,603	-	-	-	97,476	(1,068,839)	2,311,433
General revenues:										
Taxes:										
Ad valorem taxes					10,455,795	-	10,455,795	-	-	-
Other taxes and licenses										
Local option sales tax					5,665,191	-	5,665,191	-	-	-
Motel occupancy tax					1,262,862	-	1,262,862	-	1,239,734	-
Wireless 911					188,069	-	188,069	-	-	-
Telecommunication tax					138,998	-	138,998	-	-	-
Other miscellaneous taxes					209,135	-	209,135	-	-	-
Unrestricted intergovernmental revenues					1,762,477	-	1,762,477	-	-	-
Investment earnings					57,283	86,809	144,092	8	9,164	1,564
Miscellaneous					1,431,765	2,179	1,433,944	-	-	-
Transfers					762,245	(762,245)	-	-	-	-
Total general revenues and transfers					21,933,820	(673,257)	21,260,563	8	1,248,898	1,564
Change in net position					(1,010,183)	2,151,881	1,141,698	97,484	180,059	2,312,997
Net position, beginning					4,501,554	62,711,124	67,212,678	1,140,895	1,012,082	13,009,875
Restatement (see Note 9)					26,222	-	26,222	-	-	-
Prior Period Adjustments (see Note 8)					(4,576,400)	2,705,495	(1,870,905)	-	-	-
Net position beginning, as restated					(48,624)	65,416,619	65,367,995	1,140,895	1,012,082	13,009,875
Net position, ending					\$ (1,058,807)	\$ 67,568,500	\$ 66,509,693	\$ 1,238,379	\$ 1,192,141	\$ 15,322,872

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

City of Lumberton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds		Non-major	Total Governmental Funds
	General	Community Development Fund	Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 2,964,871	\$ 210	\$ 392,058	\$ 3,357,139
Taxes receivable, net	578,807	-	-	578,807
Accounts Receivables, net	2,644,342	1,834,796	397,698	4,876,836
Inventories	125,021	-	-	125,021
Prepaid items	905	-	-	905
Restricted cash and cash equivalents	1,193,288	-	-	1,193,288
Total assets	\$ 7,507,234	\$ 1,835,006	\$ 789,756	\$ 10,131,996
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,154,818	\$ 138,419	\$ 698	\$ 1,293,935
Due to other funds	-	1,627,000	-	1,627,000
Unearned revenues	380,397	-	321,130	701,527
Total liabilities	1,535,215	1,765,419	321,828	3,622,462
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	578,807	-	-	578,807
Prepaid taxes	9,801	-	-	9,801
Total deferred inflows of resources	588,608	-	-	588,608
FUND BALANCES				
Nonspendable:				
Inventories	125,021	-	-	125,021
Prepaid items	905	-	-	905
Restricted:				
Stabilization by State Statute	2,644,342	-	-	2,644,342
Public safety	-	-	322,759	322,759
Economic and physical developments	-	69,587	144,283	213,870
Transportation	32,518	-	-	32,518
Assigned:				
Capital Projects	-	-	886	886
Subsequent Year's Budget	2,046,175	-	-	2,046,175
Unassigned	534,450	-	-	534,450
Total fund balances	5,383,411	69,587	467,928	5,920,926
deferred inflows of resources and	\$ 7,507,234	\$ 1,835,006	\$ 789,756	\$ 10,131,996

(continued)

City of Lumberton, North Carolina
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 position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 5,920,926
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	67,315,535
Accumulated depreciation	(25,810,710)
Less internal service fund net capital assets included in net assets below	<u>(52,082)</u>
Net capital assets	41,452,743
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	578,807
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	52,800
Benefit payments and pension administration costs for LEOSSA	131,589
Deferred outflows of resources are not reported in the funds	
Pension	2,673,562
LEOSSA	628,170
OPEB	506,121
Deferred inflows of resources are not recorded on the fund statements	
Pension	(43,930)
LEOSSA	(82,048)
OPEB	(3,045,397)
Internal service funds are used by the City to charge costs to other funds. The assets and liabilities are included in the governmental activities.	1,256,745
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Installment Purchase Agreements	(11,478,836)
Capital leases	(2,928,528)
Workers compensation	(150,000)
Compensated absences	(932,794)
Net pension liability (LERS)	(4,557,603)
Total pension liability (LEOSSA)	(3,320,741)
Total OPEB liability	(27,430,392)
Accrued interest payable	(290,001)
Net position of governmental activities	<u><u>\$ (1,058,807)</u></u>

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

	Major Funds		Non-major	Total Governmental Funds
	General Fund	Community Development Fund	Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 10,446,130	\$ -	\$ -	\$ 10,446,130
Other taxes and licenses	7,276,186	-	188,069	7,464,255
Unrestricted intergovernmental	1,775,238	3,510,210	-	5,285,448
Restricted intergovernmental	1,435,006	-	-	1,435,006
Permits and fees	1,108,654	-	-	1,108,654
Sales and services	2,542,750	-	-	2,542,750
Investment earnings	42,912	-	14,371	57,283
Miscellaneous	1,867,594	-	7,284	1,874,878
Total revenues	26,494,470	3,510,210	209,724	30,214,404
EXPENDITURES				
Current:				
General government	3,768,941	-	-	3,768,941
Public safety	14,249,377	-	91,948	14,341,325
Transportation	2,412,593	-	-	2,412,593
Environmental protection	697,259	-	-	697,259
Economic and physical development	1,947,723	3,119,034	-	5,066,757
Culture and recreation	2,217,953	-	-	2,217,953
Capital outlay	2,038,836	-	-	2,038,836
Debt service:				
Principal	978,176	-	-	978,176
Interest and other charges	561,144	-	-	561,144
Total expenditures	28,872,002	3,119,034	91,948	32,082,984
Excess (deficiency) of revenues over expenditures	(2,377,532)	391,176	117,776	(1,868,580)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	-
Transfers (to) other funds	-	-	(25,900)	(25,900)
Transfers from other funds	662,245	125,900	-	788,145
Capital lease obligations issued	1,163,660	-	-	1,163,660
Total other financing sources (uses)	1,825,905	125,900	(25,900)	1,925,905
Net Change in fund balance	(551,627)	517,076	91,876	57,325
Fund balances, beginning	5,908,816	(447,489)	376,052	5,837,379
Restatement (see Note 9)	26,222	-	-	26,222
Fund balances, ending	\$ 5,383,411	\$ 69,587	\$ 467,928	\$ 5,920,926

City of Lumberton, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$	57,325
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay expenditures which were capitalized	2,040,107	
Depreciation expense for governmental assets	(1,301,424)	
Loss on disposal of capital assets	<u>-</u>	738,683
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		1,038,399
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		2,400,316
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position		131,589
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		9,525
Change in accrued interest on taxes receivable		140
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Loan proceeds	(1,163,660)	
Workers Comp	70,000	
Principal payments on debt	<u>978,176</u>	(115,484)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)		7,467
Internal service funds are used by management to charge the costs of the City's insurance plan to individual funds. The net expense of the internal service fund is reported within governmental activities		(56,003)
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		(9,201)
Pension expense		(2,026,906)
OPEB Expense		<u>(3,186,033)</u>
Total changes in net position of governmental activities	<u>\$</u>	<u>(1,010,183)</u>

City of Lumberton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 10,738,195	\$ 10,738,195	\$ 10,446,130	\$ (292,065)
Other taxes and licenses	8,387,155	7,519,170	7,276,186	(242,984)
Unrestricted intergovernmental	1,911,235	1,911,235	1,775,238	(135,997)
Restricted intergovernmental	1,273,215	3,081,205	1,435,006	(1,646,199)
Permits and fees	1,178,700	1,178,700	1,108,654	(70,046)
Sales and services	1,673,000	3,173,000	2,542,750	(630,250)
Investment earnings	70,135	70,135	42,912	(27,223)
Miscellaneous	629,185	821,185	1,867,594	1,046,409
Total revenues	<u>25,860,820</u>	<u>28,492,825</u>	<u>26,494,470</u>	<u>(1,998,355)</u>
Expenditures:				
Current:				
General government	4,140,130	3,964,690	3,768,941	195,749
Public safety	13,968,940	15,337,070	14,249,377	1,087,693
Transportation	1,967,595	2,597,135	2,412,593	184,542
Environmental protection	786,025	809,860	697,259	112,601
Economic and physical development	2,080,095	2,166,135	1,947,723	218,412
Culture and recreation	2,620,820	2,689,600	2,217,953	471,647
Debt service:				
Principal	978,195	978,195	978,176	19
Interest and other charges	561,175	561,210	561,144	66
Capital outlay	<u>2,504,985</u>	<u>5,014,415</u>	<u>2,038,836</u>	<u>2,975,579</u>
Total expenditures	<u>29,607,960</u>	<u>34,118,310</u>	<u>28,872,002</u>	<u>5,246,308</u>
Revenues over (under) expenditures	<u>(3,747,140)</u>	<u>(5,625,485)</u>	<u>(2,377,532)</u>	<u>(7,244,663)</u>
Other financing sources (uses):				
Transfers (to) other funds	-	-	-	-
Transfer from other funds	1,290,000	677,245	662,245	(15,000)
Capital lease obligations issued	<u>1,220,660</u>	<u>1,220,660</u>	<u>1,163,660</u>	<u>(57,000)</u>
Total other financing sources (uses)	<u>2,510,660</u>	<u>1,897,905</u>	<u>1,825,905</u>	<u>(72,000)</u>
Revenues and other sources over (under) expenditures and other uses	<u>(1,236,480)</u>	<u>(3,727,580)</u>	<u>(551,627)</u>	<u>(7,316,663)</u>
Appropriated fund balance	<u>1,236,480</u>	<u>3,727,580</u>	<u>-</u>	<u>(3,727,580)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(551,627)</u>	<u>\$ (11,044,243)</u>
Fund balances, beginning			5,908,816	
Restatement (see Note 9)			26,222	
Fund balances, ending			<u>\$ 5,383,411</u>	

City of Lumberton, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

	Major Funds				
	Light and Power	Water and Sewer	Sanitation	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,346,067	\$ 1,143,952	\$ 207,664	\$ 6,697,683	\$ 642,406
Accounts receivable, net of allowances	5,921,417	4,039,003	259,660	10,220,080	33,945
Due from other funds	1,627,000	-	-	1,627,000	-
Inventories	560,324	807,856	-	1,368,180	84,493
Prepaid expenses	-	-	-	-	1,156,715
Restricted cash and cash equivalents	1,300,338	40,370	-	1,340,708	-
Total current assets	<u>14,755,146</u>	<u>6,031,181</u>	<u>467,324</u>	<u>21,253,651</u>	<u>1,917,559</u>
Non-current assets:					
Restricted cash and cash equivalents	240,000	80,222	-	320,222	-
Capital assets:					
Land and other non-depreciable assets	830,072	2,832,936	2,517	3,665,525	-
Other capital assets, net of depreciation	12,631,790	50,178,137	23,967	62,833,894	52,082
Capital assets (net)	<u>13,461,862</u>	<u>53,011,073</u>	<u>26,484</u>	<u>66,499,419</u>	<u>52,082</u>
Total noncurrent assets	<u>13,701,862</u>	<u>53,091,295</u>	<u>26,484</u>	<u>66,819,641</u>	<u>52,082</u>
Total assets	<u>28,457,008</u>	<u>59,122,476</u>	<u>493,808</u>	<u>88,073,292</u>	<u>1,969,641</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	454,419	655,037	-	1,109,456	63,916
Deferred outflows related to OPEB	<u>1,178,907</u>	<u>1,683,163</u>	<u>97</u>	<u>2,862,167</u>	<u>160,647</u>
Total Deferred Outflows of Resources	<u>1,633,326</u>	<u>2,338,200</u>	<u>97</u>	<u>3,971,623</u>	<u>224,563</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	1,935,804	330,715	144,420	2,410,939	752
Payable from restricted assets:					
Customer deposits	1,300,338	40,370	-	1,340,708	-
Accrued interest payable	3,278	36,276	-	39,554	-
Current portion - long term liabilities	<u>111,268</u>	<u>650,908</u>	<u>-</u>	<u>762,176</u>	<u>-</u>
Total current liabilities	<u>3,350,688</u>	<u>1,058,269</u>	<u>144,420</u>	<u>4,553,377</u>	<u>752</u>

(continued)

City of Lumberton, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

	Major Funds				
	Light and Power	Water and Sewer	Sanitation	Total	Internal Service Fund
Noncurrent liabilities:					
Total OPEB Liability	4,785,348	6,050,086	189,259	11,024,693	726,351
Compensated absences	100,471	221,152	-	321,623	26,813
Net pension liability	822,824	1,090,387	-	1,913,211	105,520
Non-current portion - long term debt	126,256	5,378,867	-	5,505,123	-
Total non-current liabilities	5,834,899	12,740,492	189,259	18,764,650	858,684
Total liabilities	9,185,587	13,798,761	333,679	23,318,027	859,436
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	6,472	1,888	-	8,360	650
OPEB deferrals	502,449	624,408	23,171	1,150,028	77,373
Total Deferred Inflows of Resources	508,921	626,296	23,171	1,158,388	78,023
NET POSITION					
Net Investment in capital assets	13,258,245	46,963,452	26,484	60,248,181	52,082
Unrestricted	7,137,581	72,167	110,571	7,320,319	1,204,663
Total net position	\$ 20,395,826	\$ 47,035,619	\$ 137,055	\$ 67,568,500	\$ 1,256,745

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

	Major Funds				Internal
	Light and Power	Water and Sewer	Sanitation	Total	Service Fund
OPERATING REVENUES					
Charges for services	\$ 27,998,736	\$ 8,878,089	\$ 1,797,691	\$ 38,674,516	\$ 7,783,011
Other operating revenues	3,038,598	1,744,682	19,029	4,802,309	-
Total operating revenues	<u>31,037,334</u>	<u>10,622,771</u>	<u>1,816,720</u>	<u>43,476,825</u>	<u>7,783,011</u>
OPERATING EXPENSES					
Personal services	1,919,398	3,220,341	-	5,139,739	282,723
Fringe benefits	650,353	1,261,876	-	1,912,229	91,198
Insurance	682,505	401,550	27,725	1,111,780	43,947
Administration	1,330,734	1,256,861	-	2,587,595	-
Operations - Collections	221,157	-	-	221,157	-
Operations - Substations	23,635,772	-	-	23,635,772	-
Operations - General	416,603	-	-	416,603	29,485
Operations - Meter service	36,999	-	-	36,999	-
Operations - Public enterprises	3,927	-	-	3,927	-
Economic development	930	-	-	930	-
Operations - Water treatment	-	231,722	-	231,722	-
Operations - Maintenance	-	598,522	-	598,522	474,806
Operations - Waste treatment	-	1,202,288	-	1,202,288	-
Operations - Laboratory	-	88,053	-	88,053	-
Operations - P/U maintenance	-	474,866	1,790,242	2,265,108	-
Operations - Public services	-	8,338	-	8,338	-
Health claims	-	-	-	-	6,921,078
Depreciation	849,783	1,969,711	10,671	2,830,165	5,259
Total operating expenses	<u>29,748,161</u>	<u>10,714,128</u>	<u>1,828,638</u>	<u>42,290,927</u>	<u>7,848,496</u>
Operating income (loss)	<u>1,289,173</u>	<u>(91,357)</u>	<u>(11,918)</u>	<u>1,185,898</u>	<u>(65,485)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	86,435	374	-	86,809	9,482
Sale of assets	-	2,179	-	2,179	-
Intergovernmental revenues	12,000	1,669,983	-	1,681,983	-
Interest and other charges	(6,030)	(36,713)	-	(42,743)	-
Total nonoperating revenues (expenses)	<u>92,405</u>	<u>1,635,823</u>	<u>-</u>	<u>1,728,228</u>	<u>9,482</u>
Income (loss) before contributions and transfers	<u>1,381,578</u>	<u>1,544,466</u>	<u>(11,918)</u>	<u>2,914,126</u>	<u>(56,003)</u>
Transfer in (out)	<u>(762,245)</u>	<u>-</u>	<u>-</u>	<u>(762,245)</u>	<u>-</u>
Change in net position	619,333	1,544,466	(11,918)	2,151,881	(56,003)
Total net position , beginning	17,550,305	45,011,846	148,973	62,711,124	1,316,094
Prior Period Adjustment (See Note 8)	<u>2,226,188</u>	<u>479,307</u>	<u>-</u>	<u>2,705,495</u>	<u>(3,346)</u>
Total net position, ending	<u>\$ 20,395,826</u>	<u>\$ 47,035,619</u>	<u>\$ 137,055</u>	<u>\$ 67,568,500</u>	<u>\$ 1,256,745</u>

City of Lumberton North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Major Funds				Internal Service
	Light and Power	Water and Sewer	Sanitation	Total	Fund
CASH FLOWS FROM:					
OPERATING ACTIVITIES					
Cash received from customers	\$ 31,426,687	\$ 10,406,875	\$ 1,794,368	\$ 43,627,930	\$ 7,791,249
Cash paid to employees	(2,564,677)	(4,496,689)	-	(7,061,366)	(373,897)
Cash paid to suppliers	(26,403,501)	(4,124,503)	(1,826,415)	(32,354,419)	(8,443,070)
Change in customer deposits	88,947	4,612	-	93,559	-
Net cash provided (used) by operating activities	<u>2,547,456</u>	<u>1,790,295</u>	<u>(32,047)</u>	<u>4,305,704</u>	<u>(1,025,718)</u>
NONCAPITAL FINANCING ACTIVITIES					
Due to (from) other funds	150,000	(1,315,000)	-	(1,165,000)	-
Transfers to other funds	(762,245)	-	-	(762,245)	-
Other non capital transactions	12,000	3,529,721	-	3,541,721	-
Net cash provided (used) by noncapital financing activities	<u>(600,245)</u>	<u>2,214,721</u>	<u>-</u>	<u>1,614,476</u>	<u>-</u>
CAPITAL AND RELATED FINANCING ACTIVITIES					
Loan proceeds	-	-	-	-	-
Principal paid on capital debt	(91,132)	(696,226)	-	(787,358)	-
Interest paid on capital debt	(7,364)	(45,792)	-	(53,156)	-
Sale of assets	-	2,179	-	2,179	-
Acquisition and construction of capital assets	<u>(2,079,992)</u>	<u>(2,787,164)</u>	<u>-</u>	<u>(4,867,156)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(2,178,488)</u>	<u>(3,527,003)</u>	<u>-</u>	<u>(5,705,491)</u>	<u>-</u>
INVESTING ACTIVITIES					
Interest earnings	<u>86,435</u>	<u>374</u>	<u>-</u>	<u>86,809</u>	<u>9,482</u>
Net cash provided (used) by investing activities	<u>86,435</u>	<u>374</u>	<u>-</u>	<u>86,809</u>	<u>9,482</u>
Net increase (decrease) in cash and cash equivalents	(144,842)	478,387	(32,047)	301,498	(1,016,236)
Balances, beginning	<u>7,031,247</u>	<u>786,157</u>	<u>239,711</u>	<u>8,057,115</u>	<u>1,658,642</u>
Balances, ending	<u>\$ 6,886,405</u>	<u>\$ 1,264,544</u>	<u>\$ 207,664</u>	<u>\$ 8,358,613</u>	<u>\$ 642,406</u>

(continued)

City of Lumberton North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Light and Power</u>	<u>Major Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>	<u>Internal Service Fund</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 1,289,173	\$ (91,357)	\$ (11,918)	\$ 1,185,898	\$ (65,485)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	849,783	1,969,711	10,671	2,830,165	5,259
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	389,353	(215,896)	(22,352)	151,105	8,238
(Increase) decrease in inventory	123,653	(50,555)	-	73,098	12,282
(Increase) decrease in prepaid expenses	-	-	-	-	(559,681)
(Increase) decrease in deferred outflows of resources - pensions	80,640	122,793	-	203,433	9,164
(Increase) in deferred outflows of resources - OPEB	(416,625)	(609,617)	49	(1,026,193)	(59,499)
Increase (decrease) in accounts payable and accrued liabilities	(198,527)	116,073	(8,448)	(90,902)	(426,355)
Increase (decrease) in customer deposits	88,947	4,612	-	93,559	-
Increase (decrease) in accrued vacation pay	(12,903)	24,235	-	11,332	1,849
Increase (decrease) in net pension liability	100,168	152,528	-	252,696	11,383
Increase (decrease) in total OPEB liability	271,208	393,690	356	665,254	39,369
Increase (decrease) in deferred inflows of resources - pension	(9,040)	(13,765)	-	(22,805)	(1,027)
Increase (decrease) in deferred inflows of resources - OPEB	(8,374)	(12,157)	(405)	(20,936)	(1,215)
Total adjustments	<u>1,258,283</u>	<u>1,881,652</u>	<u>(20,129)</u>	<u>3,119,806</u>	<u>(960,233)</u>
Net cash provided by operating activities	<u>\$ 2,547,456</u>	<u>\$ 1,790,295</u>	<u>\$ (32,047)</u>	<u>\$ 4,305,704</u>	<u>\$ (1,025,718)</u>

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

City of Lumberton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Lumberton and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Lumberton is a municipal corporation that is governed by an elected mayor and an eight-member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities, for which the City is financially accountable. The discretely presented component units presented below are reported in a separate column in the City's financial statements in order to emphasize that they are legally separate from the City.

Discretely Presented Component Units

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Lumberton ABC Board, 150 Wintergreen Drive, Lumberton, NC 28358.

The Lumberton Airport Commission (Airport) is an entity legally separate from the City. The City appoints two-thirds of the governing board of the commission and is responsible for financing approximately two-thirds of its operating budget and one-half of its capital purchases. Also, the Airport exists for the benefit of the City residents and serves the residents of the City and its environs. The Airport is reported as a discretely presented component unit in a separate column in the City's financial statements to emphasize that it is legally separated from the City. The Airport is reported as if it were a proprietary fund. Complete financial statements for the Airport may be obtained from the Lumberton Airport Commission, 163 Airport Boulevard, Lumberton, NC 28358.

The Lumberton Tourism Development Authority (LTDA) is an entity legally separate from the City and was established on August 11, 1997, by the City Council of the City of Lumberton. Its purpose is to promote travel and tourism to the City by advertising and marketing the Lumberton area and activities herein, publishing and distributing pamphlets and other materials. The LTDA is reported as a discretely presented component unit in a separate column in the City's financial statements to emphasize that it is legally separated from the City. Complete financial statements for the LTDA may be obtained from the Lumberton Tourism Development Authority, 3431 Lackey Street, Lumberton, NC 28360.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

1. Government-wide Statements

The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. 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 City and for each function of the City'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.

2. Fund Financial Statements

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

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

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. 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, and sanitation services.

Community Development Fund – This capital project fund is used to account for on-going grant activity not yet completed.

The City reports the following non-major governmental funds:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

2. *Fund Financial Statements (continued)*

The City has two Special Revenue Funds:

- Emergency Telephone System Special Revenue Fund – This fund is used to account for 911 revenues received by the State 911 Board to enhance the State's 911 system.
- Grant Loan Fund – This fund is used to account for the restricted funds of completed community development block grants in compliance with regulatory requirements.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessments, or trust funds). The City has two nonmajor Capital Projects Funds within the Governmental Fund type:

- General Fund Capital Projects Fund – This fund is used to account for the Northeast Park project.
- Capital Reserve Fund – This fund is used to account for the accumulation of the resources necessary to accomplish future capital projects.

The City reports the following major enterprise funds:

- Light and Power Fund – This fund is used to account for the City's electric fund operations.
- Water and Sewer Fund – This fund is used to account for the City's water and sewer operations.
- Sanitation Fund – This fund is used to account for the City's refuse collection and recycling operations.

The City also reports the following fund types:

Internal Service Funds – These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City has two Internal Service Funds:

- Insurance Fund – This fund is used to account for the City's risk management and self-funded insurance programs.
- Fleet Maintenance Fund – This fund is used to account for the City's costs associated with the City's vehicle and equipment maintenance needs.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

1. Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide and proprietary fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City 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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

2. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

2. Governmental Fund Financial Statements (continued)

The City 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 and the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Robeson 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 City 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 City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds and the Water and Sewer Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. The City's Insurance Fund and Fleet Maintenance Fund operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The governing board must approve all amendments.

Note 1 - Summary of Significant Accounting Policies (continued)

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

1. *Deposits and Investments*

All deposits of the City, the ABC Board, Airport, and LTDA are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City, the ABC Board, Airport, and LTDA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City, the ABC Board, Airport, and LTDA 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 City, the ABC Board, Airport, and LTDA 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 City's and the ABC Board'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 a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio had 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.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. *Cash and Cash Equivalents*

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

3. *Restricted Assets*

The City has unexpended loan proceeds in escrow that are classified as restricted assets because their use is completely restricted to the purpose for which the money was originally borrowed. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per state laws [G.S. 136-41.1 through 136-41.4].

Note 1 - Summary of Significant Accounting Policies (continued)

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

3. *Restricted Assets (continued)*

Governmental Activities

General Fund

Streets	\$ 32,518
Escrow - loan	1,160,770
Total - Governmental Activities	<u>1,193,288</u>

Business-type Activities

Light and Power Fund - Meter deposits	1,300,338
Light and Power Fund - Lease escrow	-
Light and Power Fund - NCDA	240,000
Water and Sewer Fund - Meter deposits	40,370
Water and Sewer Fund - Lease escrow	80,222
Total - Business-Type Activities	<u>1,660,930</u>
Total restricted cash	<u>\$ 2,854,218</u>

4. *Ad Valorem Taxes Receivable*

In accordance with State laws [G.S. 105-347 and G.S. 159-13(a)], the City 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. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City'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 an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. *Inventory and Prepaid Items*

The inventories of the City, ABC Board, and Airport, are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

7. *Capital Assets*

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$100,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 the asset's lives are not capitalized.

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

Asset Class	<u>Estimated Useful Lives</u>
Infrastructure	25 years
Buildings	50-67 years
Improvements	25 years
Vehicles	5 years
Furniture and fixtures	6-10 years
Equipment	6-35 years
Computer equipment	3 years

Capital assets of the ABC Board, Lumberton Airport Commission, and Lumberton Tourism Development Authority are depreciated using the straight-line method over their useful lives:

Asset Class	<u>Estimated Useful Lives</u>
Buildings	50-67 years
Runways	25-40 years
Land improvements	20 years
Furniture and fixtures	6-10 years
Equipment	6-35 years

Note 1 - Summary of Significant Accounting Policies (continued)

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

8. *Deferred outflows/inflows of resources*

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

9. *Long-Term Obligations*

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

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. *Compensated Absences*

The vacation policy of the City and the Airport provide for the accumulation of up to thirty days and the ABC Board for twenty days of earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City 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. LTDA does not provide for compensated absences.

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

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Fund Equity (continued)

11. *Net Position/Fund Balances*

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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.

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

Prepaid items – Prepaid expenses are not spendable resource.

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

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

Restricted for Public Safety – This portion of fund balance is restricted by revenue source for certain public safety expenditures.

Restricted for Economic and Physical Development – This portion of fund balance is restricted by revenue source for certain economic and physical development expenditures.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Fund Equity (continued)

11. *Net Position/Fund Balances (continued)*

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

Committed Fund Balance – This portion of fund balance can only be used for specific purposes imposed by majority vote by a quorum of the City of Lumberton'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 – This portion of fund balance represents the amount the City of Lumberton intends to use for specific purposes.

Subsequent year's expenditures – This portion of fund balance is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

12. *Defined Benefit Cost-Sharing Plans*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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 this period in which the contributions are due. The City's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Note 2 - Detailed Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City, the ABC Board, Airport, and LTDA 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 City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names.

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

At June 30, 2020, the City's deposits had a carrying amount of \$13,423,152 and a bank balance of \$15,309,814. Of the bank balance, \$786,778 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the City's petty cash fund totaled \$250.

At June 30, 2020, the ABC Board's deposits had a carrying amount of \$1,052,819 and the bank balance was \$1,253,368. Of the bank balance, \$303,600 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2020, the Airport's deposits had a carrying amount of \$291,076 and the bank balance was \$290,976. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash on hand totaled \$100.

At June 30, 2020, the Lumberton Tourism Development Authority's deposits had a carrying amount of \$1,027,347 and a bank balance of \$1,077,984. All of the bank balance was covered by federal depository insurance, except \$327,984. At June 30, 2020, the Authority's petty cash fund totaled \$200.

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

2. *Investments*

At June 30, 2020, the City's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 128,294	N/A	AAAm
Totals		<u>\$ 128,294</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk – The City has no formal investment policy regarding interest rate risk.

Credit risk – The City of Lumberton's investment with NC Capital Management Trust's Government Portfolio carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

3. *Receivables - Allowances for Doubtful Accounts*

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

	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
Allowance for uncollectible accounts for:			
Property taxes	\$ 1,350,549	\$ -	\$ 1,350,549
Other receivables	170,483	-	170,483
Light and Power Fund	-	426,123	426,123
Water and Sewer Fund	-	92,678	92,678
Sanitation Fund	-	28,347	28,347
Total	<u>\$ 1,521,032</u>	<u>\$ 547,148</u>	<u>\$ 2,068,180</u>

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

4. *Capital Assets*

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

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 16,562,693	\$ 224,164	\$ -	\$ 16,786,857
Construction in Progress	5,900,695	92,797	-	5,993,492
Total capital assets not being depreciated	22,463,388	316,961	-	22,780,349
Capital assets being depreciated:				
Buildings	13,976,642	-	-	13,976,642
Other improvements	5,626,500	354,696	-	5,981,196
Equipment and furniture	15,602,426	1,368,450	(1,271)	16,969,605
Infrastructure	7,607,743	-	-	7,607,743
Total capital assets being depreciated	42,813,311	1,723,146	(1,271)	44,535,186
Less accumulated depreciation				
Buildings	3,733,956	168,643	-	3,902,599
Other improvements	2,213,095	148,530	-	2,361,625
Equipment and furniture	13,471,870	789,160	(1,271)	14,259,759
Infrastructure	5,086,377	200,350	-	5,286,727
Total accumulated depreciation	24,505,298	\$ 1,306,683	\$ (1,271)	\$ 25,810,710
Total capital assets being depreciated, net	18,308,013			18,724,476
Governmental activity capital assets, net	\$ 40,771,401			\$ 41,504,825

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

General government	\$ 164,873
Public safety	652,126
Transportation	219,553
Environmental protection	13,226
Economic and physical development	20,752
Cultural and recreational	230,894
Internal services	5,259
Total depreciation expense	\$ 1,306,683

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

4. *Capital Assets*

Business-type activities:

Light and Power Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 668,537	\$ 99,936	\$ -	\$ 768,473
Work in Progress	61,600	-	-	61,600
Total capital assets not being depreciated	730,137	99,936	-	830,073
Capital assets being depreciated:				
Buildings	817,635	-	-	817,635
Distribution systems	27,139,616	1,866,578	-	29,006,194
Furniture and equipment	5,795,645	113,478	-	5,909,123
Total capital assets being depreciated	33,752,896	1,980,056	-	35,732,952
Less accumulated depreciation for:				
Buildings	471,252	14,266	-	485,518
Distribution systems	16,864,755	603,042	-	17,467,797
Furniture and equipment	4,915,372	232,475	-	5,147,847
Total accumulated depreciation	22,251,379	\$ 849,783	\$ -	23,101,162
Total capital assets being depreciated, net	11,501,517			12,631,790
Light and Power Fund capital assets, net	\$ 12,231,654			\$ 13,461,863

Water and Sewer Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 737,964	\$ 3,750	\$ -	\$ 741,714
Work in progress	2,091,222	-	-	2,091,222
Total capital assets not being depreciated	2,829,186	3,750	-	2,832,936
Capital assets being depreciated:				
Buildings	18,580,814	-		18,580,814
Distribution systems	65,831,743	2,727,161		68,558,904
Furniture and equipment	16,001,034	56,253	(3,000)	16,054,287
Total capital assets being depreciated	100,413,591	2,783,414	(3,000)	103,194,005
Less accumulated depreciation				
Buildings	8,529,383	263,474		8,792,857
Distribution systems	28,704,556	1,171,956		29,876,512
Furniture and equipment	13,812,220	537,278	(3,000)	14,346,498
Total accumulated depreciation	51,046,159	\$ 1,972,708	\$ (3,000)	53,015,867
Total capital assets being depreciated, net	49,367,432			50,178,138
Water and Sewer Fund capital assets, net	\$ 52,196,618			\$ 53,011,074

Note 2 - Detailed Notes on All Funds (continued)A. Assets (continued)4. *Capital Assets*

	Beginning Balances	Increases	Decreases	Ending Balances
Sanitation Fund				
Capital assets not being depreciated:				
Land	\$ 2,517	\$ -	\$ -	\$ 2,517
Total capital assets not being depreciated	2,517	-	-	2,517
Capital assets being depreciated:				
Buildings	12,536	-	-	12,536
Furniture and equipment	153,324	-	-	153,324
Total capital assets being depreciated	165,860	-	-	165,860
Less accumulated depreciation for:				
Buildings	7,521	124	-	7,645
Furniture and equipment	123,700	10,549	-	134,249
Total accumulated depreciation	131,221	\$ 10,673	\$ -	141,894
Total capital assets being depreciated, net	34,639			23,966
Sanitation Fund capital assets, net	\$ 37,156			\$ 26,483
Business type activities capital assets, net	\$ 64,465,428			\$ 66,499,420

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

Business-type activities	
Light and Power Fund	\$ 849,783
Water and Sewer Fund	1,972,708
Sanitation Fund	10,673
Total depreciation expense	<u>\$ 2,833,164</u>

Note 2 - Detailed Notes on All Funds (continued)**A. Assets (continued)****4. Capital Assets****Discretely presented component units**

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

<u>ABC Board</u>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 120,974	\$ -	\$ -	\$ 120,974
Capital assets being depreciated:				
Land improvements	3,531	-	-	3,531
Buildings	796,686	-	-	796,686
Furniture and equipment	300,565	-	-	300,565
Total capital assets being depreciated	1,100,782	-	-	1,100,782
Less accumulated depreciation				
Land improvements	3,531	-	-	3,531
Buildings	354,523	19,936	-	334,587
Furniture and equipment	232,263	16,436	-	248,699
Total accumulated depreciation	590,317	\$ 36,372	\$ -	626,689
Total capital assets being depreciated, net	510,465			474,093
ABC Board capital assets, net	\$ 631,439			\$ 595,067

Activity for the Airport Commission for the year ended June 30, 2020 was as follows:

<u>Airport Commission</u>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 1,283,534	\$ -	\$ -	\$ 1,283,534
Work in progress	1,028,079	2,716,767	-	3,744,846
Total capital assets not being depreciated	2,311,613	2,716,767	-	5,028,380
Capital assets being depreciated				
Buildings	2,392,603	-	-	2,392,603
Runways	13,125,854	-	-	13,125,854
Furniture and equipment	765,893	-	-	765,893
Total capital assets being depreciated	16,284,350	-	-	16,284,350
Less accumulated depreciation				
Buildings	681,274	20,301	-	660,973
Runways	4,503,333	475,888	-	4,027,445
Furniture and equipment	671,879	13,106	-	684,985
Total accumulated depreciation	5,856,486	\$ 509,295	\$ -	6,365,781
Total capital assets being depreciated, net	10,427,864			9,918,569
Airport Commission capital assets, net	\$ 12,739,477			\$ 14,946,949

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

5. *Commitments*

At June 30, 2020, the general fund had active purchase commitments of \$118,090. The expenditures are being financed with local funds.

At June 30, 2020, the City had various ongoing capital projects. Estimated costs for these projects totaled \$23,738,360. Costs incurred at June 30, 2020 totaled \$3,119,035. The remaining expenditures are being financed primarily through grants and loans.

B. Liabilities

1. *Pension Plan and Postemployment Obligations*

Local Governmental Employees' Retirement System

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

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 services 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.

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.03% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$1,488,661 for the year ended June 30, 2020.

Refunds of Contributions – City 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 City reported a liability of \$6,576,333 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the City's proportion was 0.2408%, which was a decrease of 0.0026% from its proportion measured as of June 30, 2018.

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations (continued)*

Local Governmental Employees' Retirement System (continued)

For the year ended June 30, 2020, the City recognized pension expense of \$2,862,803. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,126,035	\$ -
Change of assumptions	1,071,833	-
Net difference between projected and actual earnings on pension plan investments	160,406	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	52,940
City contributions subsequent to measurement date	1,488,661	-
Total	<u>\$ 3,846,935</u>	<u>\$ 52,940</u>

\$1,488,661 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability 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:

Year ended June 30	
2021	\$ 1,140,769
2022	356,618
2023	631,066
2024	176,881
2025	-
Thereafter	-
Total	<u>\$ 2,305,334</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expenses, including inflation

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations (continued)*

Local Governmental Employees' Retirement System (continued)

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. 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:

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

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations (continued)*

Local Governmental Employees' Retirement System (continued)

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 15,041,277	\$ 6,576,333	\$ (459,750)

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

Law Enforcement Officers Special Separation Allowance

Plan Description. The City of Lumberton administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations (continued)*

Law Enforcement Officers Special Separation Allowance (continued)

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Active plan members	86
Retirees receiving benefits and terminated plan members entitled to, but not yet receiving benefits	<u>16</u>
Total	<u>102</u>

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

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

Inflation	2.5 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$222,811 as benefits came due for the reporting period.

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

Law Enforcement Officers Special Separation Allowance (continued)

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

At June 30, 2020, the City reported a total pension liability of \$3,320,741. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$67,207.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 486,643	\$ 752
Change of assumptions	141,527	81,296
Benefit payments and admin expenses subsequent to measurement date	131,589	-
Total	<u>\$ 759,759</u>	<u>\$ 82,048</u>

\$131,589 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2021	\$ 123,452
2022	125,070
2023	122,771
2024	108,055
2025	66,774
Thereafter	-
	<u>\$ 546,122</u>

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease 2.26%	Discount Rate 3.26%	1% Increase 4.26%
City's proportionate share of the net pension liability (asset)	\$ 3,581,317	\$ 3,320,741	\$ 3,084,579

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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

Beginning balance	\$ 2,707,412
Service cost	127,576
Interest on total pension liability	94,495
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	521,564
Changes of assumption of other inputs	92,505
Benefit payments	(222,811)
Other changes	-
Ending balance of the total pension liability	<u><u>\$ 3,320,741</u></u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension expenses	\$ 2,862,803	\$ 67,207	\$ 2,930,010
Pension liability	6,576,333	3,320,741	9,897,074
Proportionate share of the net pension liability	0.2408%	n/a	
Deferred of Outflows of Resources			
Difference between expected and actual experience	1,126,035	486,643	1,612,678
Changes of assumptions	1,071,833	141,527	1,213,360
Net difference between projected and actual earnings on plan investments	160,406	-	160,406
Employer contributions subsequent to the measurement date	1,488,661	131,589	1,620,250
Deferred Inflows of Resources			
Differences between expected and actual experience	-	752	752
Changes of assumptions	-	81,296	81,296
Changes in proportion and differences between contributions and proportionate share of contributions	52,940	-	52,940

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the City. In addition, for employees hired prior to July 1, 2013, the City pays the full cost of these benefits with a minimum of twenty years of creditable service with the City. For employees hired after July 1, 2013, the City will no longer contribute to the cost of retiree medical, dental, and vision insurance. Retirees who do not meet the aforementioned criteria have the option to purchase coverage for themselves and their dependents through the City for eighteen months. The entire cost of this insurance is borne by the retirees. The City maintains health coverage through private insurers. Currently, 165 retirees participate in the post-retirement health benefits. For the fiscal year ended June 30, 2020, the City made payments for post-retirement health benefit premiums of \$1,411,076.

<u>Years of Service with City at Retirement</u>	<u>City Contribution</u>
4	Not eligible
5-10	25%
11-19	50%
20 or more	100%

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

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents of receiving benefits	179	N/A
Terminated plan members entitled to, but not yet receiving, benefits	0	16
Active plan members	329	86
Total	508	102

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

Total OPEB Liability

The City's total OPEB liability of \$39,181,436 measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary Increases	3.50-7.75 percent, including inflation
Discount Rate	
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026 Medicare - 5.0% for 2019 decreasing to an ultimate rate of 4.50% by 2021

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

Changes in the total OPEB Liability

Total OPEB liability

Balance at July 1, 2019	\$ 38,282,512
Changes for the year:	
Service cost	1,063,963
Interest	1,462,006
Changes in benefit terms	743,542
Difference between expected and actual experience	(85,007)
Changes in assumptions or other inputs	(109,504)
Net benefit payments and implicit subsidy credit	(1,411,076)
Net Changes	<u>1,663,924</u>
Balance at June 30, 2020	<u>\$ 39,946,436</u>

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

Mortality rates were based on the RB-2014 total Data Set for Healthy Annuitants Mortality Table.

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

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

Sensitivity of the total OPEB liability to changes in the discount rate. The following present the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current discount rate:

Discount Rate Sensitivity

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 45,988,766	\$ 39,181,436	\$ 33,802,637

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

Healthcare cost trend rates

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 33,319,803	\$ 39,181,436	\$ 46,713,090

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$2,247,056. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 40,215	\$ 733,898
Change of assumptions	-	3,538,900
Benefit payments and administrative costs made subsequent to the measurement date	3,488,720	-
Total	\$ 3,528,935	\$ 4,272,798

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

\$3,488,720 reported as deferred outflows of resources related to OPEB benefits resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

Year ended June 30	
2021	\$ (1,022,455)
2022	(1,022,455)
2023	(1,022,455)
2024	(783,370)
2025	(326,117)
Thereafter	<u>(55,731)</u>
Total	<u><u>\$ (4,232,583)</u></u>

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System, a multiple-employer, State- administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City 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. The City considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following at June 30, 2020:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 1,488,661
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	131,589
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	3,488,720
Differences between expected and actual experience	1,652,893
Change of assumptions	1,213,360
Net difference between projected and actual	<u>160,406</u>
Total deferred outflows	<u><u>\$ 8,135,629</u></u>

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

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

Source	Statement Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 9,801	\$ 9,801
Taxes Receivable	-	578,807
Differences between expected and actual experience	734,650	-
Changes in assumptions	3,620,196	-
Changes in proportion and differences between contributions and proportionate share of contributions	52,940	-
Total deferred inflows	<u>\$ 4,417,587</u>	<u>\$ 588,608</u>

2. *Risk Management*

The City 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 City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains workers' compensation coverage up to statutory limits and employee health coverage up to a \$5 million lifetime limit. The pools are reinsured through commercial companies for \$300,000 up to statutory limits for workers' compensation and for annual employee health claims in excess of \$150,000.

General liability and auto liability coverage is with Glatfelter Insurance Company. The City obtains general liability coverage and auto liability coverage of \$2 million per occurrence, and property coverage up to the total insurance values of the property policy. The City is reinsured for single occurrence claims against general liability, auto liability, and property in excess of \$500,000. The property liability has an aggregate limit for the total property losses in a single year with the limit based upon a percentage of the total insurance values.

The City 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 City carries commercial flood insurance through Glatfelter Insurance Company. Maximum coverage is \$5,000,000 for all flood losses in any one event.

The City of Lumberton, ABC Board, Airport, and LTDA are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board and Lumberton Airport Authority have property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. 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.

In accordance with state statute G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are performance bonded in the amounts of \$350,000 and \$250,000, respectively.

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

2. *Risk Management (continued)*

Claims, Judgments and Contingent Liabilities

At June 30, 2020, the City was a defendant to various lawsuits. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

3. *Long-Term Obligations*

Capital Leases

The City has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on September 9, 2010, to lease a fire truck and requires ten annual payments of \$31,072, with interest at 4.002%.

The second agreement was executed on July 19, 2011, to lease 15 police vehicles and requires five annual payments of \$98,341, with interest at 1.89%.

The third agreement was executed on November 6, 2013, and modified December 5, 2014, as part of a rolling stock loan and requires six annual payments of \$6,935, with interest at 2.03%.

The fourth agreement was executed on December 20, 2018, to lease rolling stock and requires five annual payments of \$237,167, with interest at 3.18%.

The fifth agreement was executed on October 9, 2014, to lease a fire truck and requires fifteen annual payments of \$71,502, with interest at 3.39%.

The sixth agreement was executed on November 10, 2015, to lease police vehicles and requires five annual payments of \$65,984, with interest at 2.11%.

The seventh agreement was executed on December 16, 2019, to lease equipment and requires five annual payments of \$119,759, with interest at 2.05%.

The eighth agreement was executed on December 16, 2019, to lease a fire truck and requires ten annual payments of \$67,708, with interest at 2.26%.

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. *Long-Term Obligations* (continued)

Capital Leases (continued)

The following is an analysis of the assets recorded under capital leases at June 30, 2020:

Equipment	\$ 4,136,974
Less: Accumulated depreciation	<u>(1,372,816)</u>
Net book value	<u>\$ 2,764,158</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	Total
2021	\$ 694,983
2022	594,476
2023	496,135
2024	496,135
2025	258,968
Thereafter	<u>696,048</u>
Total minimum lease payments	3,236,745
Less amounts representing interest	<u>(308,217)</u>
Present value of net minimum lease payments	<u>\$ 2,928,528</u>

Direct Placement Installment Purchases

Serviced by General Fund:

On October 12, 2005, the City entered into a direct placement agreement to finance the construction of a new City Hall with USDA for \$7,000,000. The loan agreement will be repaid over 40 years, with an annual payment of \$366,940 and an interest rate of 4.25%. The building stands as collateral for the loan. In the event of default, the Lender may: (a) declare the entire outstanding balance of the Purchase Price immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) exercise all the rights and remedies of a secured party or creditor under the UCC Code of the State of North Carolina, or (d) terminate this contract as to all or any part of the agreement. \$ 5,707,806

On August 8, 2010, the City entered into a direct placement installment purchase agreement with BB&T Governmental Finance in the amount of \$2,000,000 for street resurfacing. The agreement requires 10 annual principal payments of \$200,000, plus interest at 2.85% of the outstanding balance. The City grants BB&T a security interest in any pipes, valves, fittings, wires and plus, or any other utility-type property to be financed as collateral for the loan. In the event of default, the Lender may: (a) declare unpaid principal balance immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the lender may deem appropriate, or (d) avail itself of all available remedies under this agreement, including execution and foreclosure as detailed in the agreement. 200,000

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. *Long-Term Obligations* (continued)

Direct Placement Installment Purchases (continued)

Serviced by General Fund (continued):

On September 17, 2004, the City entered into an interim financing agreement to construct two resource centers and refurbish the Civic Center. The interim agreement required an annual payment of \$1,800,000 and had an interest rate of 2.85%. On May 15, 2005, the City entered into a direct placement financing for the resource centers with USDA for \$1,153,380. The loan agreement will be repaid over 40 years, with an annual payment of \$61,568 and an interest rate of 4.375%. On August 1, 2007, the City entered into a direct placement purchase agreement for the Civic Center with USDA for \$1,500,000. The loan agreement will be repaid over 40 years, with two annual payments of \$32,674 and \$45,124, and an interest rate of 4.25% and 4.125%, respectively. The building stands as collateral for the loan. In the event of default, the Lender may: (a) declare the entire outstanding balance of the Purchase Price immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) exercise all the rights and remedies of a secured party or creditor under the UCC Code of the State of North Carolina, or (d) terminate this contract as to all or any part of the agreement.

2,215,207

On July 19, 2011, the City entered into a direct placement installment purchase agreement in the amount of \$1,000,000 for improvements to Northeast Park. The agreement requires annual principal payments of \$100,000, plus interest at 3.24% of the outstanding balance. The City grants BB&T a security interest in any pipes, valves, fittings, wires, and poles or any other utility-type property to be financed with the proceeds made available to the City pursuant to this Agreement. In the event of default, the Lender may: (a) declare unpaid principal balance immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the lender may deem appropriate, or (d) avail itself of all available remedies under this agreement, including execution and foreclosure as detailed in the agreement.

200,000

On October 18, 2011, the City entered into a direct placement installment purchase agreement in the amount of \$3,000,000 for the construction of a police station, with an interest rate of 1.46% and monthly interest payments of interest only for 2 years. The loan ballooned in October 2013, when the note was refinanced in full by USDA. The agreement requires annual payments of \$154,409, plus interest at 4.125% of the outstanding balance. The property stands as collateral for the loan. In the event of default, the Lender may: (a) declare the entire outstanding balance of the Purchase Price immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) exercise all the rights and remedies of a secured party or creditor under the UCC Code of the State of North Carolina, or (d) terminate this contract as to all or any part of the agreement.

2,795,974

On June 17, 2014, the City entered into a direct purchase installment purchase agreement in the amount of \$550,000 for the acquisition of furniture for the police station. The agreement requires annual payments of \$46,492, plus interest at 3.125% of the outstanding balance. The equipment stands as collateral for the loan. In the event of default, the Lender may: (a) declare the entire outstanding balance of the Purchase Price immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) exercise all the rights and remedies of a secured party or creditor under the UCC Code of the State of North Carolina, or (d) terminate this contract as to all or any part of the agreement.

359,851

Total - Serviced by the General Fund

\$ 11,478,838

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. *Long-Term Obligations* (continued)

Direct Placement Installment Purchases (continued)

Serviced by Enterprise Funds:

On November 6, 2013, the City entered into a direct placement installment purchase agreement in the amount of \$170,000 to purchase a bucket truck. The agreement requires one annual interest payment of \$3,451 and seven annual principal payments of \$26,297, with interest at 2.03% of the outstanding balance. The contract is reported as an obligation of the Light and Power Fund. The equipment stands as collateral for the loan. In the event of default, the Lender may: (a) declare unpaid principal balance immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the lender may deem appropriate, or (d) avail itself of all available remedies under this agreement, including execution and foreclosure as detailed in the agreement.

16,627

On November 10, 2015, the City entered into a direct placement installment purchase agreement with Lumbee Guaranty Bank in the amount of \$415,000 to purchase equipment. The agreement requires seven annual payments of \$65,591, with interest at 2.59% of the outstanding balance. The contract is reported as an obligation of the Light and Power Fund. The equipment stands as collateral for the loan. No specific default terms were listed in the agreement.

186,992

On September 29, 2015, the City entered into a direct placement installment purchase agreement in the amount of \$1,900,000 to finance water tank renovations. The agreement requires ten annual principal payments of \$190,000, with interest at 3.03% of the outstanding balance. The contract is reported as an obligation of the Water and Sewer Fund. The City grants BB&T a security interest in any pipes, valves, fittings, wires, and poles or any other utility-type property to be financed with the proceeds made available to the City pursuant to this Agreement. In the event of default, the Lender may: (a) declare unpaid principal balance immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the lender may deem appropriate, or (d) avail itself of all available remedies under this agreement, including execution and foreclosure as detailed in the agreement.

1,140,000

On December 20, 2018, the City entered into a direct placement installment purchase agreement in the amount of \$658,000 to purchase rolling stock. The agreement requires five annual payments of \$144,417 with interest at 3.18%. The contract is reported as an obligation of the Water and Sewer Fund. The equipment stands as collateral for the loan. In the event of default, the Lender may: (a) declare unpaid principal balance immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the lender may deem appropriate, or (d) avail itself of all available remedies under this agreement, including execution and foreclosure as detailed in the agreement.

534,508

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. *Long-Term Obligations* (continued)

Direct Placement Installment Purchases (continued)

Serviced by Enterprise Funds (continued):

On November 6, 2013, the City entered into an installment purchase agreement in the amount of \$1,245,000 to purchase a street sweeper. The agreement requires one interest payment of \$25,274 and seven subsequent annual payments of \$192,589, with interest at 2.03% of the outstanding balance. The contract is reported as an obligation of the Water and Sewer Fund. The equipment stands as collateral for the loan. In the event of default, the Lender may: (a) declare unpaid principal balance immediately due and payable, (b) proceed by appropriate court action to enforce performance by the City, (c) pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the lender may deem appropriate, or (d) avail itself of all available remedies under this agreement, including execution and foreclosure as detailed in the agreement.

	122,081
Total - Serviced by the Enterprise Funds	<u>2,000,208</u>
Total direct placement installment purchases	<u>\$ 13,479,046</u>

Annual debt service payments of the installment purchases as of June 30, 2020, including interest, are as follows:

Year ending June 30	General Fund		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 543,637	\$ 475,750	\$ 516,862	\$ 59,215
2022	353,554	456,893	383,792	45,001
2023	263,877	443,330	389,588	33,448
2024	274,624	432,583	329,966	21,722
2025	285,814	421,393	190,000	11,514
2026-2030	1,567,163	1,922,327	190,000	5,757
2031-2035	1,716,012	1,587,553	-	-
Thereafter	6,474,157	2,184,335	-	-
Total Annual Debt	<u>\$ 11,478,838</u>	<u>\$ 7,924,164</u>	<u>\$ 2,000,208</u>	<u>\$ 176,657</u>

Other Long Term Debt

The City financed capital improvements to the water and sewer system through the North Carolina Clean Water Bond Long Programs and through a loan from the North Carolina Department of Water Quality. The obligations are reported as direct borrowing agreements of the Water and Sewer Fund and are scheduled to be repaid from water and sewer operations. These notes are not secured by a pledge of faith and credit of the State of North Carolina or of the City, but is payable solely from the revenues of the Project or benefited systems, or other available funds. In the event of default, the City agrees that any other monies due to the City from the State may be withheld by the State and applied to the payment of this obligation whenever the City fails to pay any payment of principal or interest on this note when due. These direct borrowing agreements at June 30, 2020, consisted of the following:

\$1,069,039 from the Clean Water Bond Loan Program, due in 20 annual principal installments of \$53,452, no interest, beginning in May 2014 and ending in May 2033. \$ 694,875

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. Long-Term Obligations (continued)

Other Long Term Debt (continued)

Originally \$1,200,000, reduced to \$967,681, from the Clean Water Bond Loan Program, due in 20 annual principal installments, first installment of \$60,000, second installment of \$36,768, and eighteen installments at \$48,384, interest at 0.00%, beginning in May 2015 and ending in May 2034. 677,377

Originally \$490,877 from the Clean Water Bond Loan Program, due in 20 annual principal installments, first installment of \$25,184, second installment of \$23,904, and eighteen installments at \$24,544, interest at 0.00%, beginning in May 2016 and ending in May 2035. 368,157

Originally \$453,054 from the Clean Water Bond Loan Program, due in 20 annual principal installments of \$22,653 interest at 0.00%, beginning in May 2020 and ending in May 2039. 430,401

Originally \$2,000,000 from State Revolving Loan, due in 2022, proceeds to be used for FEMA reimbursed expenses. 2,000,000

Total other long-term debt \$ 4,170,810

Annual debt service requirements to maturity for other long-term obligations are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 149,033	\$ -
2022	2,149,033	-
2023	149,033	-
2024	149,033	-
2025	149,033	-
2026-2030	745,165	-
2031-2035	589,872	-
Thereafter	90,608	-
Total	<u>\$ 4,170,810</u>	<u>\$ -</u>

At June 30, 2020, the City of Lumberton had a legal debt limit of \$107,700,558.

Changes in long term liabilities at June 30, 2020, consist of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities					
Capital leases	\$ 2,208,934	\$ 1,163,660	\$ 444,066	\$ 2,928,528	\$ 615,428
Direct Placement	12,012,946	-	534,110	11,478,836	543,637
Installment Purchase					
Workers Compensation	220,000	-	70,000	150,000	150,000
Total OPEB Liability	27,923,073	233,670	-	28,156,743	-
Net pension liability	4,114,481	548,642		4,663,123	-
Accrued vacation	948,555	11,052	-	959,607	211,114
Total Pension Liability	2,707,412	613,329		3,320,741	-
Governmental activities long-term liabilities	<u>\$ 50,135,401</u>	<u>\$ 2,570,353</u>	<u>\$ 1,048,176</u>	<u>\$ 51,657,578</u>	<u>\$ 1,520,179</u>

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. *Long-Term Obligations* (continued)

Other Long-Term Debt (continued)

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Light and Power Fund					
Direct Placement	\$ 294,751	\$ -	\$ 91,132	\$ 203,619	\$ 77,362
Installment Purchase					
Accrued vacation	147,281	6,840		154,121	33,907
Total OPEB Liability	4,514,140	271,208	-	4,785,348	-
Net pension liability	722,656	100,168		822,824	-
	<u>\$ 5,678,828</u>	<u>\$ 378,216</u>	<u>\$ 91,132</u>	<u>\$ 5,965,912</u>	<u>\$ 111,269</u>
Water and Sewer Fund					
Direct Borrowing	\$ 4,319,843	\$ -	\$ 149,034	\$ 4,170,809	\$ 149,033
Installment Purchase					
Direct Placement	2,343,782	-	547,192	1,796,590	439,500
Installment Purchase					
Accrued vacation	259,293	24,235		283,528	62,376
Total OPEB Liability	5,656,396	393,690		6,050,086	-
Net pension liability	937,859	152,528	-	1,090,387	-
	<u>13,517,173</u>	<u>570,453</u>	<u>696,226</u>	<u>13,391,400</u>	<u>650,909</u>
Sanitation Fund					
OPEB accrued liability	188,903	356	-	189,259	-
Business type activities long-term liabilities	<u>\$ 19,384,904</u>	<u>\$ 949,025</u>	<u>\$ 787,358</u>	<u>\$ 19,546,571</u>	<u>\$ 762,178</u>

C. Interfund Balance and Activity

Interfund balances will result from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made.

Interfund balances at year end were as follows:

Payable from the Community Development Fund to the Light and Power Fund. \$ 1,627,000

Below is a schedule of interfund transfers:

Transfers from:	Transfers to:			
	General Fund	Non-Major Governmental Funds	Light and Power Fund	Water and Sewer Fund
General Fund	\$ -	\$ -	\$ -	\$ -
Non-Major Governmental Funds	-	25,900	100,000	-
Light and Power Fund	662,245	-	-	-
Water and Sewer Fund	-	-	-	-
Total Transfers	<u>\$ 662,245</u>	<u>\$ 25,900</u>	<u>\$ 100,000</u>	<u>\$ -</u>

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

Note 2 - Detailed Notes on All Funds (continued)

C. Interfund Balances and Activity (continued)

D. On-Behalf Payments for Fringe Benefits and Salaries

Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The City's proportionate share of the State's contribution is \$22,851.

E. Net Investment in Capital Assets

The calculation for Net Investment in Capital Assets is shown as follows:

	Governmental Activities	Business Type Activities	Total
<u>Assets</u>			
Capital Assets			
Land and non-depreciable assets	\$ 22,780,349	\$ 3,665,526	\$ 26,445,875
Other capital assets, net of depreciation	18,724,476	62,833,894	81,558,370
Total capital assets	41,504,825	66,499,420	108,004,245
<u>ICAND Liabilities and Adjustments</u>			
Loans	11,478,836	6,171,018	17,649,854
Capital leases	2,928,528	-	2,928,528
General Fund Capital Projects Escrow	1,160,770	-	1,160,770
Water and Sewer Escrow	-	80,222	80,222
Total ICAND liabilities	15,568,134	6,251,240	21,819,374
Net investment in capital assets	\$ 25,936,691	\$ 60,248,180	\$ 86,184,871

Note 2 - Detailed Notes on All Funds (continued)

F. Fund Balance

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

	Major Fund General	Major Fund - Community Development	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances				
Non-Spendable - Inventories	\$ 125,021	\$ -	\$ -	\$ 125,021
Non-Spendable - Prepaid	905	-	-	905
Restricted by State Statute	2,644,342	-	-	2,644,342
Restricted - Transportation	32,518	-	-	32,518
Restricted - Special revenue funds	-	-	467,042	467,042
Restricted - Capital projects funds	-	69,587	886	70,473
Assigned - Subsequent Year's Budget	2,046,175	-	-	2,046,175
Unassigned	534,450	-	-	534,450
Total fund balances	\$ 5,383,411	\$ 69,587	\$ 467,928	\$ 5,920,926

Note 3 – Joint Ventures

The City is a participant in a joint venture with Robeson County to operate the public library system for City residents. The City Council appoints five members of a twelve member governing board and designates a member of the City Council to serve as an advisory member of the board. The City has an ongoing financial commitment for this joint venture because the Library's continued existence is dependent on the City's continued funding. The City does not have an equity interest in the Library.

Accordingly, no equity interest is reflected in the financial statements at June 30, 2020. The agreement between the City and Robeson County establishes equal participation (50/50 basis) in funding the operations of the Library within the corporate limits. The amount appropriated for each fiscal year is agreed upon by the City and the County and is included in the budgets of both units. The amount provided by the City for the fiscal year ended June 30, 2020, was \$300,000. Complete financial statements for the library can be obtained from the Library's offices at 101 North Chestnut Street, Lumberton, North Carolina, 28358.

Note 4 – Related Organization

The mayor of the City of Lumberton appoints the board of the City of Lumberton Housing Authority. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Lumberton is also disclosed as a related organization in the notes to the financial statements for the City of Lumberton Housing Authority.

Note 5 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City 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 monies.

Note 6 – Subsequent Events

In preparing these statements, the City has evaluated events and transactions for potential disclosure through January 28, 2021, the date the financial statements were issued.

During the beginning of the 2020 calendar year, the world has experienced the effects of COVID-19, otherwise known as the Coronavirus. The entire US economy has suffered substantial economic impact and it is unclear how this pandemic will affect the City's operations or its financial position.

Note 7 – Extraordinary Event

During September 2018, the City experienced a record breaking flood from Hurricane Florence. This was the second record breaking flood in a two year period. Insurance proceeds were sufficient to offset the damage.

Note 8 - Prior Period Adjustments

Several prior period adjustments were recorded to adjust beginning balances. In prior years, fica and retirement were not added to the balance of annual leave payouts due at year end which resulted in a decrease in net position of \$129,131, \$19,743, and \$34,758 in the Governmental Activities (Government-wide Statements), Light and Power Fund, and Water and Sewer Fund, respectively. Accrued interest payable was not recorded which resulted in a decrease in net position of \$297,468, \$4,612, and \$45,355 in the Governmental Activities (Government-wide Statements), Light and Power Fund, and Water and Sewer Fund, respectively. Accrued interest on taxes receivable should have been recorded, which resulted in an increase in net position in the Governmental Activities (Government-wide Statements) of \$52,660. Receivables for billings that were mailed in July 2019 but were for June 2019 services should have been accrued, resulting in an increase in net position of \$2,250,543 and \$559,420 in the Light and Power Fund and Water and Sewer Fund, respectively. An adjustment that resulted in a decrease in net position in the Governmental Activities (Government-wide Statements) of \$4,202,462 was a result of OPEB and Pension Deferrals and liability balances not agreeing to the actuary report for the previous year.

Note 9 - Restatement of Fund Balance

GASB Statement 73 was effective for the year ending June 30, 2017. A restatement of fund balance was reflected to show the Law Enforcement Separation Fund netted with the General Fund as per the requirements of GASB 73.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of the Local Government Commission in North Carolina.

Schedule of Proportionate Share of the Net Pension Liability (Asset) - Local Government Employee's Retirement System

Schedule of Contributions - Local Government Employees' Retirement System

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

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

Schedule of Changes in the Total OPEB Liability and Related Ratios

City of Lumberton
City's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net liability (asset) (%)	0.24081%	0.24340%	0.24170%	0.24090%	0.25780%	0.26990%	0.26380%
City's proportion of the net pension liability (asset) (\$)	\$ 6,576,333	\$ 5,774,992	\$ 3,692,812	\$ 5,112,281	\$ 1,157,350	\$(1,591,430)	\$ 3,179,803
City's covered payroll	\$15,853,001	\$15,229,125	\$14,470,326	\$14,373,064	\$14,276,456	\$12,677,177	\$12,677,177
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.48%	37.92%	25.52%	35.57%	8.11%	-12.55%	25.08%
Plan fiduciary net position as a percentage of the total	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

City of Lumberton
City of Lumberton's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,488,661	\$ 1,275,917	\$ 1,187,138	\$ 1,074,316	\$ 972,514	\$ 981,965	\$ 981,965
Contributions in relation to the contractually required	<u>1,488,661</u>	<u>1,275,917</u>	<u>1,187,138</u>	<u>1,074,316</u>	<u>972,514</u>	<u>981,965</u>	<u>981,965</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 16,150,055	\$ 15,853,001	\$ 15,229,125	\$ 14,470,326	\$ 14,373,064	\$ 14,276,456	\$ 12,677,177
Contributions as a percentage of covered payroll	9.22%	8.05%	7.80%	7.42%	6.77%	6.88%	7.75%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 2,707,412	\$ 2,681,112	\$ 2,518,985
Service Cost	127,576	130,348	96,763
Interest on the total pension liability	94,495	81,951	93,994
Changes of benefit terms	-	-	-
Differences between expected and actual	521,564	88,843	(1,616)
Changes of assumptions or other inputs	92,505	(99,362)	140,811
Benefit payments	(222,811)	(175,480)	(167,825)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 3,320,741</u>	<u>\$ 2,707,412</u>	<u>\$ 2,681,112</u>

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

City of Lumberton, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 3,320,741	\$ 2,707,412	\$ 2,681,112
Covered Payroll	4,646,505	4,409,496	3,650,029
Total pension liability as a percentage of covered payroll	71.47%	61.40%	73.45%

Notes to the schedules:

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

City of Lumberton, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
June 30, 2020

Total OPEB Liability	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 1,063,963	\$ 1,126,678	\$ 1,315,824
Interest	1,462,006	1,365,597	991,387
Changes in benefit terms	743,542	-	-
Differences between expected and actual experience	(850,007)	57,775	260,722
Changes of assumptions	(109,504)	(2,048,658)	(3,439,284)
Benefit payments	<u>(1,411,076)</u>	<u>(1,146,645)</u>	<u>(802,639)</u>
Net change in total OPEB liability	<u>898,924</u>	<u>(645,253)</u>	<u>(1,673,990)</u>
Total OPEB liability - beginning	<u>38,282,512</u>	<u>38,927,765</u>	<u>33,334,776</u>
Total OPEB liability - ending	<u><u>\$ 39,181,436</u></u>	<u><u>\$ 38,282,512</u></u>	<u><u>\$ 31,660,786</u></u>
 Covered payroll	 \$ 14,092,952	 \$ 13,670,022	 \$ 18,184,909
Total OPEB liability as a percentage of covered payroll	 278.02%	 280.05%	 174.10%

Notes to Schedule

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

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

Major Governmental Funds

General Fund - The General Fund is the general operating fund of the City. 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, and sanitation services.

Community Development Fund - This fund is used to account for on-going grant activity that is not yet completed.

City of Lumberton, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 10,738,195	\$ 10,446,130	\$ (292,065)
Other taxes and licenses	7,519,170	7,276,186	(242,984)
Unrestricted intergovernmental	1,911,235	1,775,238	(135,997)
Restricted intergovernmental	3,081,205	1,435,006	(1,646,199)
Permits and fees	1,178,700	1,108,654	(70,046)
Sales and services	3,173,000	2,542,750	(630,250)
Investment earnings	70,135	42,912	(27,223)
Miscellaneous	821,185	1,867,594	1,046,409
Total Revenues	28,492,825	26,494,470	(1,998,355)
Expenditures			
General government			
Mayor	35,755	32,166	3,589
Council	313,430	307,535	5,895
Manager	452,195	446,952	5,243
Personnel	322,165	305,202	16,963
Finance director	259,395	254,841	4,554
Accounting	284,245	261,127	23,118
Purchasing	68,510	63,100	5,410
Tax department	230,030	220,323	9,707
City attorney	354,385	344,792	9,593
Data processing	340,770	328,498	12,272
Municipal building	233,250	218,680	14,570
Municipal building and grounds	793,590	708,755	84,835
Insurance	276,970	276,970	-
Total general government	3,964,690	3,768,941	195,749
Public Safety			
Police	8,957,600	8,260,361	697,239
Communications	1,208,250	1,099,004	109,246
Fire	3,890,915	3,632,963	257,952
Safety and inspection	385,280	362,024	23,256
Rescue Unit	25,000	25,000	-
Insurance	870,025	870,025	-
Total public safety	15,337,070	14,249,377	1,087,693
Transportation			
Street maintenance	185,245	171,322	13,923
Powell Bill - Street Maintenance	585,015	530,381	54,634
Drainage	962,850	927,255	35,595
Airport transportation	764,880	684,490	80,390
Insurance	99,145	99,145	-
Total Transportation	2,597,135	2,412,593	184,542

(continued)

City of Lumberton, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Environmental protection			
Cemeteries	584,870	489,427	95,443
Environmental control	174,180	157,022	17,158
Insurance	50,810	50,810	-
Total Environmental Protection	809,860	697,259	112,601
Economic and physical development			
Planning administration	86,065	69,713	16,352
Planning and zoning	271,670	239,371	32,299
Community development	132,880	114,710	18,170
Precincts	37,985	-	37,985
Insurance	46,245	46,245	-
Special appropriations	1,591,290	1,477,684	113,606
Total Economic and Physical Development	2,166,135	1,947,723	218,412
Cultural and recreational			
Robeson County library	315,000	315,000	-
Recreation administration	285,555	267,008	18,547
Programs	435,295	400,184	35,111
Senior citizens	143,450	128,685	14,765
Parkview activity	204,195	170,728	33,467
Britt Park activity	188,850	177,488	11,362
Insurance	124,135	124,135	-
Special appropriations	993,120	634,725	358,395
Total Cultural and Recreational	2,689,600	2,217,953	471,647
Debt service			
Principal	978,195	978,176	19
Interest and other charges	561,210	561,144	66
Total debt service	1,539,405	1,539,320	85
Capital outlay	5,014,415	2,038,836	2,975,579
Total expenditures	34,118,310	28,872,002	5,246,308
Revenues over (under) expenditures	(5,625,485)	(2,377,532)	3,247,953

City of Lumberton, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers in (out)			
Water and Sewer Fund	-	-	-
Light and Power Fund	662,245	662,245	-
Grant Loan Fund	15,000	-	(15,000)
Capital Lease Obligations Issued	1,220,660	1,163,660	(57,000)
Total other financing sources (uses)	<u>1,897,905</u>	<u>1,825,905</u>	<u>(72,000)</u>
 Appropriated fund balance	 <u>3,727,580</u>	 <u>-</u>	 <u>(3,727,580)</u>
 Revenues and other financing sources (uses) over expenditures and other financing uses	 <u>\$ -</u>	 (551,627)	 <u>\$ (551,627)</u>
 Fund balance, beginning		5,908,816	
 Restatement (see Note 9)		<u>26,222</u>	
 Fund balance, ending		<u>\$ 5,383,411</u>	

City of Lumberton, North Carolina
Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total Project to Date	Positive (Negative)
Revenues					
CDBG Grant	\$ 4,247,500	\$ 158,494	\$ 515,011	\$ 673,505	\$ (3,573,995)
Other	-	4,244	32,845	37,089	37,089
HMGP Federal Grant	9,647,325	-	1,844,908	1,844,908	(7,802,417)
HMGP State Grant	3,215,770	1,436,368	1,117,446	2,553,814	(661,956)
Total intergovernmental revenues	17,110,595	1,599,106	3,510,210	5,109,316	(12,001,279)
Expenditures					
Economic and Physical Development					
NC Housing Finance	6,010,580	117,548	-	117,548	5,893,032
Hazard Mitigation Grants	7,603,110	1,867,282	2,596,463	4,463,745	3,139,365
Neighborhood Revitalization	3,623,400	65,360	522,571	587,931	3,035,469
Total expenditures	17,237,090	2,050,190	3,119,034	5,169,224	12,067,866
Revenue over (under) expenditures	(126,495)	(451,084)	391,176	(59,908)	66,587
Other financing sources (uses)					
Transfers from Grant Loan Fund	126,495	3,595	125,900	129,495	3,000
Total other financing sources (uses)	126,495	3,595	125,900	129,495	3,000
Net change in fund balance	\$ -	\$ (447,489)	517,076	\$ 69,587	\$ 69,587
Fund Balance (Deficit), beginning of year			(447,489)		
Fund Balance (Deficit), end of year			\$ 69,587		

Non-Major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Grant Loan Fund - This fund is used to account for the restricted funds of completed community development block grants in compliance with regulatory requirements.

Emergency Telephone System Special Revenue Fund - This fund is used to account for 911 revenues received by the State 911 Board to enhance the State's 911 system.

Capital Projects Funds

Capital Projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

General Fund Capital Projects Fund - This fund is used to account for the Northeast Park project.

Capital Reserve Fund - This fund is used to account for the accumulation of the resources necessary to accomplish future capital projects.

City of Lumberton, North Carolina
Non-Major Funds
Combining Balance Sheet
Budget and Actual
For the Year Ended June 30, 2020

	Special Revenue Funds	Capital Project Funds	Total
ASSETS			
Cash and cash equivalents	\$ 391,172	\$ 886	\$ 392,058
Accounts receivable, net	397,698	-	397,698
Due from other governments	-	-	-
Total assets	<u>\$ 788,870</u>	<u>\$ 886</u>	<u>\$ 789,756</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 698	\$ -	\$ 698
Due to Other Funds	-	-	-
Unearned revenues	321,130	-	321,130
Total liabilities	<u>321,828</u>	<u>-</u>	<u>321,828</u>
Fund balances			
Restricted:			
Public safety	322,759	-	322,759
Economic and physical development	144,283	-	144,283
Assigned:			
Capital projects	-	886	886
Unassigned	-	-	-
Total fund balances	<u>467,042</u>	<u>886</u>	<u>467,928</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 788,870</u>	<u>\$ 886</u>	<u>\$ 789,756</u>

City of Lumberton, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Funds
For the Year Ended June 30, 2020

	Special Revenue Funds	Capital Projects Funds	Total
Revenues			
Other taxes and license	\$ 188,069	\$ -	\$ 188,069
Restricted intergovernmental	-	-	-
Miscellaneous	7,284	-	7,284
Investment earnings	14,367	4	14,371
Total revenues	<u>209,720</u>	<u>4</u>	<u>209,724</u>
Expenditures			
Economical and physical development	-	-	-
Public safety	91,948	-	91,948
Capital outlay	-	-	-
Total expenditures	<u>91,948</u>	<u>-</u>	<u>91,948</u>
Excess (deficiency) of revenues over expenditures	117,772	4	117,776
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(25,900)	-	(25,900)
Total other financing sources (uses)	<u>(25,900)</u>	<u>-</u>	<u>(25,900)</u>
Net change in fund balances	91,872	4	91,876
Fund balances (deficit), beginning of year	<u>375,170</u>	<u>882</u>	<u>376,052</u>
Fund balances (deficit), end of year	<u><u>\$ 467,042</u></u>	<u><u>\$ 886</u></u>	<u><u>\$ 467,928</u></u>

City of Lumberton, North Carolina
Non-Major Special Revenue Funds
Combining Balance Sheet
Budget and Actual
For the Year Ended June 30, 2020

	Grant Loan Fund	Emergency Telephone System	Total
ASSETS			
Cash and cash equivalents	\$ 85,783	\$ 305,389	\$ 391,172
Accounts receivable, net	379,630	18,068	397,698
Due from other governments	-	-	-
Restricted cash and cash equivalents	-	-	-
Total assets	<u>\$ 465,413</u>	<u>\$ 323,457</u>	<u>\$ 788,870</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 698	\$ 698
Due to Other Funds	-	-	-
Unearned revenues	321,130	-	321,130
Total liabilities	<u>321,130</u>	<u>698</u>	<u>321,828</u>
Fund balances			
Restricted:			
Public safety	-	322,759	322,759
Economic and physical development	144,283	-	144,283
Unassigned	-	-	-
Total fund balances	<u>144,283</u>	<u>322,759</u>	<u>467,042</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 465,413</u>	<u>\$ 323,457</u>	<u>\$ 788,870</u>

City of Lumberton, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Special Revenue Funds
For the Year Ended June 30, 2020

	Grant Loan Fund	Emergency Telephone System	Total
Revenues			
Other taxes and license	\$ -	\$ 188,069	\$ 188,069
Miscellaneous	7,284	-	7,284
Investment earnings	13,379	988	14,367
Total revenues	<u>20,663</u>	<u>189,057</u>	<u>209,720</u>
Expenditures			
Public safety	-	91,948	91,948
Economic and physical development	-	-	-
Total expenditures	<u>-</u>	<u>91,948</u>	<u>91,948</u>
Excess (deficiency) of revenues over expenditures	20,663	97,109	117,772
Other financing sources (uses)			
Transfers out	(25,900)	-	(25,900)
Total other financing sources (uses)	<u>(25,900)</u>	<u>-</u>	<u>(25,900)</u>
Net change in fund balances	(5,237)	97,109	91,872
Fund balances (deficit), beginning of year	<u>149,520</u>	<u>225,650</u>	<u>375,170</u>
Fund balances (deficit), end of year	<u><u>\$ 144,283</u></u>	<u><u>\$ 322,759</u></u>	<u><u>\$ 467,042</u></u>

City of Lumberton, North Carolina
Grant Loan Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 7,700	\$ 7,284	\$ (416)
Miscellaneous	12,930	13,379	449
Total revenues	20,630	20,663	33
Expenditures			
Economic and physical development	-	-	-
Revenues over (under) expenditures	20,630	20,663	33
Other financing sources (uses)			
Transfers in (out):			
General Fund	(15,000)	-	15,000
Community Development Fund	(25,900)	(25,900)	-
Total other financing sources (uses)	(40,900)	(25,900)	15,000
Revenue and other financing sources over (under) expenditure	(20,270)	(5,237)	15,033
Appropriated fund balance	20,270	-	(20,270)
Net change in fund balance	\$ -	(5,237)	\$ (5,237)
Fund Balance (Deficit), beginning of year		149,520	
Fund Balance (Deficit), end of year		\$ 144,283	

City of Lumberton, North Carolina
Emergency Telephone System
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Other taxes and license	\$ 190,005	\$ 188,069	\$ (1,936)
Miscellaneous revenues	-	-	-
Investment earnings	1,000	988	(12)
Total revenues	<u>191,005</u>	<u>189,057</u>	<u>(1,948)</u>
Expenditures			
Public safety			
Operational expenditures	191,005	91,948	99,057
Total expenditures	<u>191,005</u>	<u>91,948</u>	<u>99,057</u>
Revenues over (under) expenditures	<u>-</u>	<u>97,109</u>	<u>97,109</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>97,109</u>	<u>\$ 97,109</u>
Fund Balance (Deficit), beginning of year		<u>225,650</u>	
Fund Balance (Deficit), end of year		<u>\$ 322,759</u>	

City of Lumberton, North Carolina
Non-Major Capital Projects Funds
Combining Balance Sheet
Budget and Actual
For the Year Ended June 30, 2020

	General Fund Capital Projects	Capital Reserve Fund	Total
ASSETS			
Cash and cash equivalents	\$ 647	\$ 239	\$ 886
Accounts receivable, net	-	-	-
Due from other governments	-	-	-
Restricted cash and cash equivalents	-	-	-
Total assets	<u>\$ 647</u>	<u>\$ 239</u>	<u>\$ 886</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted:			
Economic and Physical Development	-	-	-
Assigned:			
Capital projects	647	239	886
Unassigned	-	-	-
Total fund balances	<u>647</u>	<u>239</u>	<u>886</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 647</u>	<u>\$ 239</u>	<u>\$ 886</u>

City of Lumberton, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects
For the Year Ended June 30, 2020

	General Fund Capital Projects	Capital Reserve Fund	Total
Revenue			
Restricted intergovernmental	\$ -	\$ -	\$ -
Investment earnings	2	2	4
Miscellaneous	-	-	-
Total revenue	<u>2</u>	<u>2</u>	<u>4</u>
Expenditures			
Economical and physical development	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	2	2	4
Other financing sources (uses)			
Transfers (to) from other funds:			
Grant Loan	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2	2	4
Fund balances (deficit), beginning of year	<u>645</u>	<u>237</u>	<u>882</u>
Fund balances (deficit), end of year	<u><u>\$ 647</u></u>	<u><u>\$ 239</u></u>	<u><u>\$ 886</u></u>

City of Lumberton, North Carolina
General Fund Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total Project to Date	Positive (Negative)
Revenues					
Investment earnings	\$ -	\$ 2,452	\$ 2	\$ 2,454	\$ 2,454
Other donations	757,920	224,500		224,500	
Total revenues	757,920	226,952	2	226,954	2,454
Expenditures					
Capital outlay:					
Northeast Park	1,395,410	1,395,039	-	1,395,039	371
Total expenditures	1,395,410	1,395,039	-	1,395,039	371
Revenue over (under) expenditures	(637,490)	(1,168,087)	2	(1,168,085)	2,825
Other financing sources (uses)					
Transfers in:					
General Fund	275,000	209,050	-	209,050	(65,950)
Light and Power Fund	362,490	362,490	-	362,490	-
Total other financing sources (uses)	637,490	571,540	-	571,540	(65,950)
Net change in fund balance	\$ -	\$ (596,547)	2	\$ (596,545)	\$ (63,125)
Fund Balance (Deficit), beginning of year			645		
Fund Balance (Deficit), end of year			\$ 647		

City of Lumberton, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ 2	\$ 2
Total revenues	<u>-</u>	<u>2</u>	<u>2</u>
Expenditures			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	-	2	2
Other financing sources (uses)			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u><u>\$ -</u></u>	2	<u><u>\$ 2</u></u>
Fund Balance (Deficit), beginning of year		<u>237</u>	
Fund Balance (Deficit), end of year		<u><u>\$ 239</u></u>	

Detailed Financial Statements and Schedules

Internal Service Funds

Internal Service Funds - These funds are used to account for the goods and services provided by one department to other departments, on a cost reimbursement basis.

Insurance Fund - This fund is used to account for the City's risk management and self funded health insurance programs.

Fleet Maintenance Fund - This fund is used to account for the costs associated with the City's vehicle and equipment maintenance needs.

Enterprise Funds

Light and Power Fund - This fund is used to account for the City's revenues and expenses associated with the City's sale of electricity and utility operations.

Water and Sewer Fund - This fund is used to account for the City's revenues and expenses associated with the City's water and waste water operations.

Sanitation Fund - This fund is used to account for the City's revenues and expenses associated with the City's sanitation operations.

City of Lumberton, North Carolina
Combining Statement of Net Position
Internal Service Funds
June 30, 2020

	Insurance Fund	Fleet Maintenance Fund	Totals
<u>Assets</u>			
Current assets			
Cash and cash equivalent	\$ 435,867	\$ 206,538	\$ 642,405
Accounts receivable - net	428	33,516	33,944
Prepaid expense	1,156,715	-	1,156,715
Inventories	-	84,493	84,493
Total current assets	<u>1,593,010</u>	<u>324,547</u>	<u>1,917,557</u>
Non current assets			
Capital assets - net	-	52,082	52,082
Total noncurrent assets	<u>-</u>	<u>52,082</u>	<u>52,082</u>
Total assets	<u>1,593,010</u>	<u>376,629</u>	<u>1,969,639</u>
Deferred Outflows of Resources			
Pension related deferrals	-	63,916	63,916
OPEB related deferrals	-	160,647	160,647
Total deferred outflows of resources	<u>-</u>	<u>224,563</u>	<u>224,563</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities from restricted assets	-	752	752
Current portion of long term liabilities	-	-	-
Total current liabilities	<u>-</u>	<u>752</u>	<u>752</u>
Long term liabilities			
Total OPEB liability	-	726,351	726,351
Compensated absences	-	26,813	26,813
Net pension liability	-	105,520	105,520
Total liabilities	<u>-</u>	<u>859,436</u>	<u>859,436</u>
Deferred Inflows of Resources			
Pension related deferrals	-	650	650
OPEB related deferrals	-	77,373	77,373
Total deferred outflows of resources	<u>-</u>	<u>78,023</u>	<u>78,023</u>
Net position			
Invested in capital assets, net of related debt	-	52,082	52,082
Restricted for employee benefits	1,593,010	-	1,593,010
Unrestricted	-	(388,349)	(388,349)
Total net position	<u>\$ 1,593,010</u>	<u>\$ (336,267)</u>	<u>\$ 1,256,743</u>

City of Lumberton, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Funds
For the Fiscal Year end June 30, 2020

	Insurance Fund	Fleet Maintenance Fund	Totals
Revenues:			
Operating revenues			
Charges for services	\$ 6,922,078	\$ 860,933	\$ 7,783,011
Miscellaneous	-	-	-
Total revenue	<u>6,922,078</u>	<u>860,933</u>	<u>7,783,011</u>
Expenditures			
Personal services	-	282,723	282,723
Fringe benefits	-	91,198	91,198
Insurance	-	43,947	43,947
Operations - General	-	29,485	29,485
Maintenance and construction	-	474,806	474,806
Health claims and insurance	6,921,078	-	6,921,078
Depreciation	-	5,259	5,259
Total expenditures	<u>6,921,078</u>	<u>927,418</u>	<u>7,848,496</u>
Operating income (loss)	<u>1,000</u>	<u>(66,485)</u>	<u>(65,485)</u>
Nonoperating revenue (expenses)			
Investment earnings	<u>7,553</u>	<u>1,929</u>	<u>9,482</u>
Total non-operating revenue (expenses)	<u>7,553</u>	<u>1,929</u>	<u>9,482</u>
Change in net position	8,553	(64,556)	(56,003)
Net position, beginning	1,584,457	(268,363)	1,316,094
Prior Period Adjustment (see Note 8)	<u>-</u>	<u>(3,346)</u>	<u>(3,346)</u>
Net position, ending	<u>\$ 1,593,010</u>	<u>\$ (336,265)</u>	<u>\$ 1,256,745</u>

City of Lumberton, North Carolina
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2020

	Insurance Fund	Fleet Maintenance Fund	Totals
Cash Flows From:			
Operating Activities			
Cash received from customers	\$ 6,922,076	\$ 869,173	\$ 7,791,249
Cash paid to employees	-	(373,897)	(373,897)
Cash paid to suppliers	(7,905,783)	(537,287)	(8,443,070)
Net cash provided (used) by operating activities	<u>(983,707)</u>	<u>(42,011)</u>	<u>(1,025,718)</u>
Investing Activities			
Interest earnings	<u>7,553</u>	<u>1,929</u>	<u>9,482</u>
Net cash provided (used) by investing activities	<u>7,553</u>	<u>1,929</u>	<u>9,482</u>
Net increase (decrease) in cash and cash equivalents	<u>(976,154)</u>	<u>(40,082)</u>	<u>(1,016,236)</u>
Cash and cash equivalents			
Beginning of period	<u>1,412,021</u>	<u>246,621</u>	<u>1,658,642</u>
End of period	<u>\$ 435,867</u>	<u>\$ 206,539</u>	<u>\$ 642,406</u>
			(continued)

City of Lumberton, North Carolina
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2020

	Insurance Fund	Fleet Maintenance Fund	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income	\$ 1,000	\$ (66,485)	\$ (65,485)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	5,259	5,259
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts Receivable	(2)	8,240	8,238
Prepaid Items	(559,681)	-	(559,681)
Inventory	-	12,282	12,282
Deferred outflows - pension	-	9,164	9,164
Deferred outflows - OPEB	-	(59,499)	(59,499)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(425,024)	(1,331)	(426,355)
Accrued Vacation	-	1,849	1,849
Total OPEB Liability	-	39,369	39,369
Deferred inflows - pension	-	(1,027)	(1,027)
Deferred inflows - OPEB	-	(1,215)	(1,215)
Net pension liability	-	11,383	11,383
Total adjustments	<u>(984,707)</u>	<u>24,474</u>	<u>(960,233)</u>
Net cash provided (used) by operating activities	<u>\$ (983,707)</u>	<u>\$ (42,011)</u>	<u>\$ (1,025,718)</u>

City of Lumberton, North Carolina
Insurance Fund
Schedule of Revenues, Expenditures, and Changes in Net Position -
Budget and Actual (Non-GAAP)
For the Year end June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues			
Charges for services		\$ 6,922,078	
Miscellaneous		-	
Total operating revenues	<u>\$ 6,924,135</u>	<u>6,922,078</u>	<u>\$ (2,057)</u>
Nonoperating revenue			
Investment earnings		7,553	
Total non-operating revenue	<u>-</u>	<u>7,553</u>	<u>7,553</u>
Total revenues	<u>6,924,135</u>	<u>6,929,631</u>	<u>5,496</u>
Expenditures			
Health claims and insurance		6,921,078	
Total expenditures	<u>6,924,135</u>	<u>6,921,078</u>	<u>3,057</u>
Revenues over (under) expenditures	<u>-</u>	<u>8,553</u>	<u>8,553</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u><u>\$ -</u></u>	<u><u>\$ 8,553</u></u>	<u><u>\$ 8,553</u></u>

City of Lumberton, North Carolina
Fleet Maintenance Fund
Schedule of Revenues, Expenditures, and Changes in Net Position -
Budget and Actual (Non-GAAP)
For the Year end June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues			
Charges for services		\$ 860,933	
Miscellaneous		-	
Total operating revenues	<u>\$ 944,480</u>	<u>860,933</u>	<u>\$ (83,547)</u>
Nonoperating revenue			
Investment earnings		1,929	
Total non-operating revenue	<u>975</u>	<u>1,929</u>	<u>954</u>
Total revenues	<u>945,455</u>	<u>862,862</u>	<u>(82,593)</u>
Expenditures			
Personal services		280,874	
Fringe benefits		93,023	
Insurance		43,947	
Operations - General		29,485	
Maintenance and construction		474,806	
Total expenditures	<u>945,455</u>	<u>922,135</u>	<u>23,320</u>
Revenues over (under) expenditures	<u>-</u>	<u>(59,273)</u>	<u>(59,273)</u>
Other financing sources (uses):			
Capital Reserve Fund		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(59,273)</u>	<u>\$ (59,273)</u>

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

Depreciation expense	(5,259)
(Increase) decrease in accrued vacation	(1,849)
Increase (decrease) in deferred outflows of resources - pensions	(9,164)
Increase (decrease) in deferred outflows of resources - OPEB	59,499
(Increase) decrease in net pension liability	(11,383)
(Increase) decrease in OPEB liability	(39,369)
(Increase) decrease in deferred inflows of resources - pensions	1,027
(Increase) decrease in deferred inflows of resources - OPEB	1,215
Total reconciling items	<u>(5,283)</u>
Change in net position	<u>\$ (64,556)</u>

City of Lumberton, North Carolina
Light and Power Fund
Schedule of Revenues, Expenditures, and Changes in Net Position -
Budget and Actual (Non-GAAP)
For the Year end June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues			
Charges for services		\$ 28,015,219	
Total operating revenues	<u>\$ 30,295,415</u>	<u>28,015,219</u>	<u>\$ (2,280,196)</u>
Other operating revenue			
Connection fees		103,764	
Off street lighting		777,063	
Late penalty charges		104,230	
Electricity sales tax charges		1,837,078	
Other		216,463	
Total other operating revenue	<u>3,018,040</u>	<u>3,038,598</u>	<u>20,558</u>
Nonoperating revenue			
Investment earnings		86,435	
NC Department of Agriculture		12,000	
Total non-operating revenue	<u>37,000</u>	<u>98,435</u>	<u>61,435</u>
Total revenues	<u>33,350,455</u>	<u>31,152,252</u>	<u>(2,198,203)</u>
Operating expenditures			
Personal services		1,932,301	
Fringe benefits		632,376	
Insurance		682,505	
Administration		1,371,881	
Operations - Collections		221,157	
Operations -Substations		23,635,772	
Operations - General		416,603	
Meter service		36,999	
Operations - Public enterprises		3,927	
Economic development		930	
Contingency		-	
Total operating expenditures	<u>30,325,870</u>	<u>28,934,451</u>	<u>1,391,419</u>
Debt service			
Principal retirement		91,132	
Interest		7,364	
Total debt service	<u>98,505</u>	<u>98,496</u>	<u>9</u>
Capital outlay	<u>2,963,835</u>	<u>2,038,845</u>	<u>924,990</u>
Total expenditures	<u>33,388,210</u>	<u>31,071,792</u>	<u>2,316,418</u>
Revenues over (under) expenditures	<u>(37,755)</u>	<u>80,460</u>	<u>118,215</u> (continued)

City of Lumberton, North Carolina
Light and Power Fund
Schedule of Revenues, Expenditures, and Changes in Net Position -
Budget and Actual (Non-GAAP)
For the Year end June 30, 2020

Other financing sources (uses):			
Transfers (to) from General Fund		(662,245)	
Transfers (to) from Community Development Fund		(100,000)	
Loan proceeds		-	
Total other financing sources (uses)	<u>37,755</u>	<u>(762,245)</u>	<u>(800,000)</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(681,785)</u>	<u>\$ (681,785)</u>

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

Capital outlay	2,079,992
Principal retirement	91,132
Depreciation expense	(849,783)
Bad debt expense	(16,483)
(Increase) decrease in accrued vacation	12,903
(Increase) decrease in accrued interest payable	1,334
Increase (decrease) in deferred outflows of resources - pensions	(80,640)
Increase (decrease) in deferred outflows of resources - OPEB	416,625
(Increase) decrease in net pension liability	(100,168)
(Increase) decrease in OPEB liability	(271,208)
(Increase) decrease in deferred inflows of resources - pensions	9,040
(Increase) decrease in deferred inflows of resources - OPEB	8,374
Total reconciling items	<u>1,301,118</u>
Change in net position	<u>\$ 619,333</u>

City of Lumberton, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Net Position -
Budget and Actual (Non-GAAP)
For the Year end June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Charges for services		\$ 8,893,159	
Total operating revenues	\$ 8,788,990	8,893,159	\$ 104,169
Other operating revenue			
Pretreatment user fees		1,674,119	
Connection fees		11,825	
Other		58,738	
Total other operating revenue	2,275,765	1,744,682	(531,083)
Nonoperating revenue			
Grants		1,669,983	
Sale of materials		2,179	
Investment earnings		374	
Total non-operating revenue	5,311,365	1,672,536	(3,638,829)
Total revenues	16,376,120	12,310,377	(4,065,743)
Operating expenditures			
Personal services		3,268,285	
Fringe benefits		1,228,404	
Insurance		401,550	
Operations - Administration		1,256,861	
Operations - Water treatment plant		231,722	
Operations - Maintenance		598,522	
Operations - Waste treatment plant		1,202,288	
Operations - Laboratory		88,053	
Operations - P/U Maintenance		474,866	
Operations - Public enterprises		8,338	
Total operating expenditures	8,949,545	8,758,889	190,656
Debt service			
Principal retirement		696,226	
Interest		45,792	
Total debt service	742,035	742,018	17
Capital outlay	8,631,350	2,714,985	5,916,365
Total expenditures	18,322,930	12,215,892	6,107,038
Revenues over (under) expenditures	(1,946,810)	94,485	2,041,295

(continued)

City of Lumberton, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Net Position -
Budget and Actual (Non-GAAP)
For the Year end June 30, 2020

Other financing sources (uses):			
From General Fund		-	
PILOT services		-	
From Light and Power Fund		-	
Loan proceeds		-	
Total other financing sources (uses)	<u>1,550,000</u>	<u>-</u>	<u>(1,550,000)</u>
 Appropriated fund balance	 <u>396,810</u>	 <u>-</u>	 <u>(396,810)</u>
 Revenues and other financing sources over (under) expenditures	 <u>\$ -</u>	 94,485	 <u>\$ 94,485</u>

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

Capital outlay	2,787,164
Principal retirement	696,226
Depreciation expense	(1,969,711)
Bad debt expense	(15,070)
Loan proceeds	-
(Increase) decrease in accrued vacation	(24,235)
(Increase) decrease in accrued interest payable	9,079
Increase (decrease) in deferred outflows of resources - pensions	(122,793)
Increase (decrease) in deferred outflows of resources - OPEB	609,617
(Increase) decrease in net pension liability	(152,528)
(Increase) decrease in OPEB liability	(393,690)
(Increase) decrease in deferred inflows of resources -	13,765
(Increase) decrease in deferred inflows of resources - OPEB	<u>12,157</u>
Total reconciling items	<u>1,449,981</u>
Change in net position	<u>\$ 1,544,466</u>

City of Lumberton, North Carolina
Sanitation Fund
Schedule of Revenues, Expenditures, and Changes in Net Position -
Budget and Actual (Non-GAAP)
For the Year end June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenue			
Charges for Services		\$ 1,800,191	
Total operating revenues	<u>\$ 1,800,190</u>	<u>1,800,191</u>	<u>\$ 1</u>
Other operating revenue			
Other		19,029	
Total other operating revenue	<u>19,030</u>	<u>19,029</u>	<u>(1)</u>
Operating expenditures			
Insurance		27,725	
Operations - Sanitation services		1,790,242	
Total operating expenditures	<u>1,819,220</u>	<u>1,817,967</u>	<u>1,253</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,819,220</u>	<u>1,817,967</u>	<u>1,253</u>
Revenues over (under) expenditures	-	1,253	1,253
Other financing sources (uses):			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources			
(uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	1,253	<u>\$ 1,253</u>

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

Depreciation expense	(10,671)
Bad debt expense	<u>(2,500)</u>
Total reconciling items	<u>(13,171)</u>
Change in net position	<u>\$ (11,918)</u>

OTHER SCHEDULES

This section contains additional information required
on property taxes.

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

City of Lumberton, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 10,422,664	\$ 9,847,041	\$ 575,623
2018-2019	566,952	-	212,121	354,831
2017-2018	333,502	-	119,811	213,691
2016-2017	219,067	-	57,935	161,132
2015-2016	152,631	-	26,073	126,558
2014-2015	120,186	-	10,845	109,341
2013-2014	121,259	-	7,212	114,047
2012-2013	107,855	-	6,325	101,530
2011-2012	98,583	-	5,170	93,413
2010-2011	83,741	-	4,551	79,190
2009-2010	93,833	-	93,833	-
	<u>\$ 1,897,609</u>	<u>\$ 10,422,664</u>	<u>\$ 10,390,917</u>	<u>\$ 1,929,356</u>
Less allowance for uncollectible ad valorem taxes receivable				1,350,549
Ad valorem taxes receivable - net				<u>\$ 3,279,905</u>
Reconciliation of collections and credits with ad valorem tax revenues				
Revenue, ad valorem taxes				\$ 10,446,130
Reconciling items:				
Discounts allowed, net				45,655
Penalties and interest				(212,172)
Releases and refunds				17,471
Barred by State statute				93,833
Total collections and credits				<u>\$ 10,390,917</u>

City of Lumberton, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2020

	City-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 1,406,477,487	0.65	\$ 9,142,104	\$ 9,142,104	\$ -
Penalties		0.65			
Total	<u>1,406,477,487</u>		<u>9,142,104</u>	<u>9,142,104</u>	<u>-</u>
Discoveries					
Current year taxes	203,036,476	0.65	1,319,737	427,280	892,457
Penalties		0.65	-	-	-
Dog tax		0.65	-	-	-
Total	<u>203,036,476</u>		<u>1,319,737</u>	<u>427,280</u>	<u>892,457</u>
Releases and errors					
Current year's rate	<u>(6,027,210)</u>	0.65	<u>(39,177)</u>	<u>(39,177)</u>	<u>-</u>
Total Property Valuation	<u>\$ 1,603,486,753</u>				
Net levy			10,422,664	9,530,207	892,457
Uncollected taxes at June 30, 2020			<u>575,623</u>	<u>575,623</u>	<u>-</u>
Current year taxes, collections and credits			<u>\$ 9,847,041</u>	<u>\$ 8,954,584</u>	<u>\$ 892,457</u>
Percent current year collected			<u>94.48%</u>	<u>93.96%</u>	<u>100.00%</u>

STATISTICAL SECTION

This part of the City of Lumberton's Comprehensive annual financial report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Lumberton, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets,	\$ 25,936,691	\$ 27,570,935	\$ 26,860,627	\$ 24,856,994	\$ 24,451,730	\$ 24,485,055	\$ 23,019,765	\$ 22,263,836	\$ 21,207,732	\$ 21,161,211
Restricted	3,213,489	4,057,061	4,542,038	4,891,367	3,914,504	4,072,877	4,772,375	4,578,965	5,343,487	3,008,516
Unrestricted	(30,208,987)	(27,126,442)	(27,582,309)	(14,139,713)	(11,096,705)	(11,064,071)	(7,237,852)	(4,170,489)	(1,617,832)	1,143,082
Total	<u>\$ (1,058,807)</u>	<u>\$ 4,501,554</u>	<u>\$ 3,820,356</u>	<u>\$ 15,608,648</u>	<u>\$ 17,269,529</u>	<u>\$ 17,493,861</u>	<u>\$ 20,554,288</u>	<u>\$ 22,672,312</u>	<u>\$ 24,933,387</u>	<u>\$ 25,312,809</u>
Business type activities										
Net investment in capital assets,	\$ 60,248,181	\$ 58,217,534	\$ 57,862,770	\$ 56,060,734	\$ 54,560,369	\$ 54,453,014	\$ 51,208,213	\$ 52,714,648	\$ 50,386,874	\$ 47,892,314
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	7,320,319	4,493,590	2,478,322	7,727,103	3,574,876	(1,763,474)	1,757,571	1,194,523	2,863,794	6,523,247
Total	<u>\$ 67,568,500</u>	<u>\$ 62,711,124</u>	<u>\$ 60,341,092</u>	<u>\$ 63,787,837</u>	<u>\$ 58,135,245</u>	<u>\$ 52,689,540</u>	<u>\$ 52,965,784</u>	<u>\$ 53,909,171</u>	<u>\$ 53,250,668</u>	<u>\$ 54,415,561</u>
Primary government										
Net investment in capital assets,	\$ 86,184,872	\$ 85,788,469	\$ 84,723,397	\$ 80,917,728	\$ 79,012,099	\$ 78,938,069	\$ 74,227,978	\$ 74,978,484	\$ 68,434,978	\$ 69,053,525
Restricted	3,213,489	4,057,061	4,542,038	4,891,367	3,914,504	4,072,877	4,772,375	4,578,965	7,093,880	3,008,516
Unrestricted	(22,888,668)	(22,632,852)	(25,103,987)	(6,412,610)	(7,521,829)	(12,827,545)	(5,480,281)	(2,975,966)	2,655,197	7,666,329
Total	<u>\$ 66,509,693</u>	<u>\$ 67,212,678</u>	<u>\$ 64,161,448</u>	<u>\$ 79,396,485</u>	<u>\$ 75,404,774</u>	<u>\$ 70,183,401</u>	<u>\$ 73,520,072</u>	<u>\$ 76,581,483</u>	<u>\$ 78,184,055</u>	<u>\$ 79,728,370</u>

City of Lumberton, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
General government	\$ 4,213,793	\$ 11,029,963	\$ 9,577,178	\$ 9,372,400	\$ 8,815,420	\$ 8,955,140	\$ 8,433,267	\$ 9,410,178	\$ 8,774,265	\$ 9,137,904
Public safety	16,107,825	14,620,716	13,400,363	13,735,316	12,925,150	14,022,371	13,477,079	12,820,102	13,587,910	13,815,520
Transportation	2,665,954	2,069,404	2,221,713	1,970,897	2,163,106	1,890,503	2,614,439	2,541,849	2,855,670	2,447,698
Environmental protection	792,060	716,567	676,091	685,412	550,349	550,997	531,346	524,202	501,005	504,785
Economic and physical development	5,127,091	4,315,004	2,144,410	3,126,834	2,110,188	2,476,358	1,663,707	2,434,457	2,712,527	1,488,800
Culture and recreational	2,536,097	2,483,217	2,365,974	2,331,823	2,103,580	1,667,417	1,678,558	1,607,199	1,279,124	1,763,701
Interest on long term debt	553,677	552,183	577,049	592,381	608,260	607,697	520,765	546,148	508,002	435,265
Total governmental activities	31,996,497	35,787,054	30,962,778	31,815,063	29,276,053	30,170,483	28,919,161	29,884,135	30,218,503	29,593,673
Business type activities										
Water and Sewer Fund	10,750,841	8,578,358	8,287,998	8,644,665	8,352,994	8,283,783	8,212,867	7,697,715	7,185,347	6,964,114
Light and Power Fund	29,754,191	29,067,607	28,881,508	30,158,315	29,610,643	37,281,431	36,604,249	35,195,167	34,697,959	37,727,345
Sanitation Fund	1,828,638	1,899,455	1,743,257	1,730,590	1,705,589	1,662,075	1,654,222	1,690,465	1,710,133	1,817,016
Total business type activities	42,333,670	39,545,420	38,912,763	40,533,570	39,669,226	47,227,289	46,471,338	44,583,347	43,593,439	46,508,475
Total expenses	\$ 74,330,167	\$ 75,332,474	\$ 69,875,541	\$ 72,348,633	\$ 68,945,279	\$ 77,397,772	\$ 75,390,499	\$ 74,467,482	\$ 73,811,942	\$ 76,102,148
Revenues										
Governmental activities										
General government	\$ 2,682,559	\$ 8,778,751	\$ 7,830,134	\$ 7,836,938	\$ 7,478,261	\$ 7,530,252	\$ 7,783,107	\$ 6,827,774	\$ 7,384,857	\$ 7,103,640
Public safety	1,318,959	672,608	1,529,469	780,173	865,918	972,879	423,987	-	-	-
Transportation	-	626,978	636,063	641,960	651,249	656,413	651,725	-	-	-
Environmental protection	22,674	19,315	24,255	22,460	36,615	16,420	16,053	10,355	14,437	13,067
Economic and physical development	-	1,453,868	76,361	361,461	169,509	547,628	132,056	-	-	-
Culture and recreational	83,086	135,449	130,718	139,671	120,895	116,855	132,278	124,314	125,816	130,082
Operating grants and contributions	1,435,006	-	-	-	-	-	-	1,070,323	1,662,849	1,856,521
Capital grants and contributions	3,510,210	-	-	-	-	-	-	889,172	916,773	249,455
Total governmental activities	9,052,494	11,686,969	10,227,000	9,782,663	9,322,447	9,840,447	9,139,206	8,921,938	10,104,732	9,352,765
Business type activities										
Water and Sewer Fund	10,622,771	11,021,872	9,369,687	10,108,882	10,189,002	8,767,566	9,222,947	9,555,406	8,751,688	9,304,472
Light and Power Fund	31,037,334	31,108,611	31,528,434	35,064,670	34,015,763	37,255,820	35,167,848	35,532,565	34,572,594	38,086,113
Sanitation Fund	1,816,720	1,743,800	1,714,692	1,749,473	1,804,881	1,799,133	1,772,287	1,931,809	1,725,410	1,726,264
Operating grants and contributions	1,681,983	-	-	-	-	12,000	12,000	12,000	12,000	12,000
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities	45,158,808	43,874,283	42,612,813	46,923,025	46,009,646	47,834,519	46,175,082	47,031,780	45,061,692	49,128,849
Total revenues	\$ 54,211,302	\$ 55,561,252	\$ 52,839,813	\$ 56,705,688	\$ 55,332,093	\$ 57,674,966	\$ 55,314,288	\$ 55,953,718	\$ 55,166,424	\$ 58,481,614

City of Lumberton, North Carolina
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year					Fiscal Year				
Net revenue (expense)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities	\$ (22,944,003)	\$ (24,100,085)	\$ (20,735,778)	\$ (22,032,400)	\$ (19,953,606)	\$ (20,330,036)	\$ (20,962,197)	\$ (20,113,771)	\$ (20,240,908)	\$ (18,055,292)
Business type activities	2,825,138	4,328,863	3,700,050	6,389,455	6,340,420	607,230	2,448,433	1,468,253	2,620,374	2,241,017
Total primary government	<u>\$ (20,118,865)</u>	<u>\$ (19,771,222)</u>	<u>\$ (17,035,728)</u>	<u>\$ (15,642,945)</u>	<u>\$ (13,613,186)</u>	<u>\$ (18,513,764)</u>	<u>\$ (18,513,764)</u>	<u>\$ (18,645,518)</u>	<u>\$ (17,620,534)</u>	<u>\$ (15,814,275)</u>
General revenues and other changes in net position										
Governmental activities										
Property taxes	\$ 10,455,795	\$ 11,206,397	\$ 10,241,151	\$ 10,169,452	\$ 10,217,929	\$ 9,974,318	\$ 9,513,103	\$ 9,424,611	\$ 9,243,844	\$ 9,373,279
Other taxes and licenses and unrestricted intergovernmental revenues	9,226,732	9,550,270	9,036,843	8,820,445	7,941,602	7,666,489	7,285,299	7,115,271	7,630,058	7,061,146
Investment earnings	57,283	87,201	60,855	37,229	21,724	14,134	15,215	27,167	27,564	20,864
Other revenues (expenses)	1,431,765	1,864,162	862,752	2,297,448	639,829	248,546	189,508	315,096	140,612	522,482
Transfers	762,245	2,046,790	2,374,542	816,375	908,190	285,920	867,136	1,610,649	2,692,271	2,049,351
Total governmental activities	<u>21,933,820</u>	<u>24,754,820</u>	<u>22,576,143</u>	<u>22,140,949</u>	<u>19,729,274</u>	<u>18,189,407</u>	<u>18,492,794</u>	<u>19,734,349</u>	<u>19,027,122</u>	<u>15,981,187</u>
Business type activities										
Investment earnings	86,809	72,193	51,170	28,931	11,419	2,833	3,290	12,667	28,997	36,325
Other revenues (expenses)	2,179	15,766	19,361	50,581	2,056	13,175	15,995	8,772	30,128	12,004
Transfers	(762,245)	(2,046,790)	(2,374,542)	(816,375)	(908,190)	(285,920)	(867,136)	(1,610,649)	(2,692,271)	(2,049,351)
Total business type activities	<u>(673,257)</u>	<u>(1,958,831)</u>	<u>(2,304,011)</u>	<u>(736,863)</u>	<u>(894,715)</u>	<u>(269,912)</u>	<u>(847,851)</u>	<u>(1,589,210)</u>	<u>(2,633,146)</u>	<u>(2,001,022)</u>
Total primary government	<u>\$ 21,260,563</u>	<u>\$ 22,795,989</u>	<u>\$ 20,272,132</u>	<u>\$ 21,404,086</u>	<u>\$ 18,834,559</u>	<u>\$ 17,919,495</u>	<u>\$ 17,644,943</u>	<u>\$ 16,903,584</u>	<u>\$ 17,101,203</u>	<u>\$ 17,026,100</u>
Changes in net position										
Governmental activities	\$ (1,010,183)	\$ 654,735	\$ 1,840,365	\$ 108,549	\$ (224,332)	\$ (2,140,629)	\$ (2,469,403)	\$ 2,469,403	\$ (1,227,848)	\$ (1,086,649)
Business type activities	2,151,881	2,370,032	1,396,039	5,652,592	5,445,705	337,318	1,600,582	(859,223)	(184,713)	(532,769)
Total primary government	<u>\$ 1,141,698</u>	<u>\$ 3,024,767</u>	<u>\$ 3,236,404</u>	<u>\$ 5,761,141</u>	<u>\$ 5,221,373</u>	<u>\$ (1,803,311)</u>	<u>\$ (868,821)</u>	<u>\$ 1,610,180</u>	<u>\$ (1,412,561)</u>	<u>\$ (1,619,418)</u>

City of Lumberton, North Carolina
Governmental Activities Tax Revenue by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Utility Franchise Tax	Motel Occupancy Tax	Beer and Wine Tax	Telecom Tax	Totals
2011	\$ 9,083,830	\$ 3,922,798	\$ 1,370,059	\$ 454,069	\$ 101,542	\$ 203,263	\$ 15,135,561
2012	9,100,445	3,843,142	1,321,243	816,138	93,535	191,257	15,365,760
2013	9,243,105	3,992,410	1,306,467	977,277	87,234	179,524	15,786,017
2014	9,692,301	3,990,698	1,401,616	978,917	93,995	173,898	16,331,425
2015	10,089,727	4,373,679	1,625,636	1,049,138	103,052	173,245	17,414,477
2016	10,217,929	4,634,546	1,784,441	1,153,684	94,754	166,352	18,051,706
2017	10,185,758	5,175,475	1,689,608	1,497,369	97,539	166,296	18,812,045
2018	10,210,448	5,298,563	1,686,625	1,385,945	92,971	160,778	18,835,330
2019	10,383,804	5,621,765	1,708,848	1,655,581	91,360	151,477	19,612,835
2020	10,446,130	5,665,191	1,672,327	1,262,720	90,150	138,998	19,275,516

City of Lumberton, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Nonspendable	\$ 125,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,676,860	2,919,211	1,990,114	2,012,921	1,473,656	1,568,704	1,572,801	1,801,862	1,750,393	2,226,209
Assigned	2,046,175	-	-	-	-	-	-	-	-	-
Unassigned	534,450	2,989,605	3,486,049	4,092,652	3,821,476	3,230,614	3,361,322	3,487,371	4,208,702	4,867,142
Total general fund	<u>\$ 5,383,411</u>	<u>\$ 5,908,816</u>	<u>\$ 5,476,163</u>	<u>\$ 6,105,573</u>	<u>\$ 5,295,132</u>	<u>\$ 4,799,318</u>	<u>\$ 4,934,123</u>	<u>\$ 5,289,233</u>	<u>\$ 5,959,095</u>	<u>\$ 7,093,351</u>
All other governmental funds										
Restricted, reported in										
Special Revenue Funds	\$ 467,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Projects Funds	69,587	-	-	-	-	-	-	-	-	-
Assigned, reported in										
Special Revenue Funds	-	375,170	380,319	517,705	436,743	453,503	1,008,539	557,079	519,108	1,126,357
Capital Projects Funds	886	(446,607)	246,068	597,427	110,125	135,850	925,278	1,534,770	3,271,187	379,379
Total all other governmental funds	<u>\$ 537,515</u>	<u>\$ (71,437)</u>	<u>\$ 626,387</u>	<u>\$ 1,115,132</u>	<u>\$ 546,868</u>	<u>\$ 589,353</u>	<u>\$ 1,933,817</u>	<u>\$ 2,091,849</u>	<u>\$ 3,790,295</u>	<u>\$ 1,505,736</u>

City of Lumberton, North Carolina
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Ad Valorem taxes	\$ 10,446,130	\$ 10,383,804	\$ 10,210,448	\$ 10,185,758	\$ 10,267,048	\$ 10,089,727	\$ 9,692,301	\$ 9,243,105	\$ 9,100,445	\$ 9,083,830
Licenses	7,464,255	7,746,000	7,235,886	7,231,045	6,299,879	7,547,863	5,786,508	5,716,294	6,209,658	5,585,993
Unrestricted intergovernmental	5,285,448	1,804,270	1,800,957	1,805,987	1,882,672	118,627	1,498,791	1,398,977	1,420,400	1,475,153
Restricted intergovernmental	1,435,006	2,753,454	2,241,893	1,783,594	1,686,676	2,176,920	1,213,625	1,959,495	2,579,622	2,105,976
Permits and fees	1,108,654	1,067,634	1,051,543	1,122,676	1,092,381	1,119,545	1,152,370	958,181	987,421	1,007,716
Sales and service	2,542,750	210,730	212,774	202,710	179,207	183,104	195,728	185,615	193,255	195,108
Investment earnings	57,283	75,106	52,891	31,829	19,126	12,394	14,017	23,244	21,480	20,864
Miscellaneous	1,874,878	1,882,107	862,752	2,295,787	639,829	247,041	189,508	315,096	440,591	522,482
Total revenues	30,214,404	25,923,105	23,669,144	24,659,386	22,066,818	21,495,221	19,742,848	19,800,007	20,952,872	19,997,122
Expenditures										
General government	3,768,941	2,755,723	2,533,902	2,461,281	2,433,524	2,296,003	2,447,335	2,691,030	2,564,763	2,867,602
Public safety	14,341,325	14,528,475	13,648,999	12,489,600	11,786,835	11,708,672	11,338,427	10,622,285	11,509,772	11,165,559
Transportation	2,412,593	1,852,245	1,956,932	1,628,684	1,831,570	1,575,676	2,174,529	2,077,731	2,416,157	2,107,859
Environmental protection	697,259	717,630	659,645	633,535	533,266	542,935	525,685	510,979	495,617	498,283
Economic and physical development	5,066,757	4,313,355	3,219,659	3,012,465	2,060,798	2,446,625	1,639,336	2,409,064	2,690,845	1,460,698
Culture and recreation	2,217,953	2,283,521	2,084,253	2,003,496	1,881,743	1,452,710	1,462,744	1,398,839	1,356,268	1,362,760
Debt service				-	-	-				
Principal	978,176	856,079	840,155	814,632	741,742	1,044,983	3,777,069	796,227	689,702	452,827
Interest	561,144	552,183	577,049	592,381	608,260	607,697	520,765	546,148	508,002	435,265
Capital outlay				-	-	-				
General government	205,470	158,088	110,985	125,903	134,760	1,023,002	71,620	94,837	76,202	179,055
Public safety	1,460,934	217,977	416,408	613,425	410,251	1,296,051	1,213,907	219,422	1,139,313	910,932
Transportation	30,084	5,627	-	30,631	118,776	541	19,368	161,008	2,485,824	880,469
Environmental protection	-	-	-	-	-	-	-	-	-	-
Economic and physical development	103	30,304	24,105	-	20,950	-	2,375	-	27,136	17,385
Culture and recreation	342,245	1,044,454	1,089,749	156,023	269,204	95,515	314,946	2,251,394	910,241	281,122
Total expenditures	32,082,984	29,315,661	27,161,841	24,562,056	22,831,679	24,090,410	25,508,106	23,778,964	26,869,842	22,619,816
Excess of revenues over (under) expenditures	\$ (1,868,580)	\$ (3,392,556)	\$ (3,492,697)	\$ 97,330	\$ (764,861)	\$ (2,595,189)	\$ (5,765,258)	\$ (3,978,957)	\$ (5,916,970)	\$ (2,622,694)

City of Lumberton, North Carolina
Changes in Fund Balance of Governmental Funds (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Excess of revenues over (under) expenditures	\$ (1,868,580)	\$ (3,392,556)	\$ (3,492,697)	\$ 97,330	\$ (764,861)	\$ (2,595,189)	\$ (5,765,258)	\$ (3,978,957)	\$ (5,916,970)	\$ (2,622,694)
Other financing sources (uses)										
Transfers in	788,145	3,127,980	2,377,542	908,190	285,920	867,136	867,136	1,610,649	6,949,969	2,321,601
Transfers out	(25,900)	(595)	(3,000)	-	-	(30,000)	(30,000)	-	(4,257,698)	(310,000)
Capital leases/Loan proceeds	1,163,660	-	-	310,000	830,000	4,414,980	4,414,980	-	4,375,000	2,252,000
Total other financing sources (uses)	1,925,905	3,127,385	2,374,542	1,218,190	1,115,920	5,252,116	5,252,116	1,610,649	7,067,271	4,263,601
Net changes in fund balance	<u>\$ 57,325</u>	<u>\$ (265,171)</u>	<u>\$ (1,118,155)</u>	<u>\$ 1,315,520</u>	<u>\$ 351,059</u>	<u>\$ 2,656,927</u>	<u>\$ (513,142)</u>	<u>\$ (2,368,308)</u>	<u>\$ 1,150,301</u>	<u>\$ 1,640,907</u>
Debt service as a percentage of noncapital expenditures	<u>5.12%</u>	<u>5.05%</u>	<u>5.95%</u>	<u>6.17%</u>	<u>7.62%</u>	<u>6.38%</u>	<u>5.39%</u>	<u>4.36%</u>	<u>4.33%</u>	<u>3.73%</u>

City of Lumberton, North Carolina
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property	Personal Property	Corporate Excess	Motor Vehicles	Less Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value*	Assessed Value as a Percentage of Actual Value*
2011	\$ 1,481,546,491	\$ 206,047,297	\$ 21,687,282	\$ 112,518,570	\$ 367,281,467	\$ 1,454,518,173	0.63	-	-
2012	1,516,066,906	191,688,980	20,821,570	121,011,773	382,964,406	1,466,624,823	0.63	-	-
2013	1,494,295,894	209,859,897	21,513,367	131,511,441	368,353,659	1,488,826,940	0.63	-	-
2014	1,533,234,723	198,006,972	23,272,681	146,884,309	396,924,152	1,504,474,533	0.63	-	-
2015	1,586,906,789	200,209,944	24,537,720	139,940,317	449,385,950	1,502,208,820	0.65	-	-
2016	1,602,604,982	195,383,484	41,288,425	144,961,384	455,740,834	1,528,497,441	0.65	-	-
2017	1,620,294,440	183,103,918	40,480,737	149,681,230	441,124,725	1,552,437,600	0.65	-	-
2018	1,636,626,781	206,913,865	41,142,912	140,013,077	457,716,650	1,566,979,985	0.65	-	-
2019	1,594,170,838	222,237,923	44,258,283	156,597,076	413,211,559	1,604,052,561	0.65	-	-
2020	1,625,468,976	226,862,295	43,146,555	137,301,077	429,292,150	1,603,486,753	0.65	-	-

Note * Property in the county is reassessed every eight years. The county assesses property at 100% of actual value for all types of real and personal property except motor vehicles. Tax rates are per \$100 of assessed value.

** Information not separated or available for years above as listed.

Homestead exemption is 50% of property value or \$20,000, whichever is greater.

City of Lumberton, North Carolina
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Total City and County Millage
2011	0.63	-	0.63	0.79	-	0.79	1.42
2012	0.63	-	0.63	0.77	-	0.77	1.40
2013	0.63	-	0.63	0.77	-	0.77	1.40
2014	0.63	-	0.63	0.77	-	0.77	1.40
2015	0.65	-	0.65	0.77	-	0.77	1.42
2016	0.65	-	0.65	0.77	-	0.77	1.42
2017	0.65	-	0.65	0.77	-	0.77	1.42
2018	0.65	-	0.65	0.77	-	0.77	1.42
2019	0.65	-	0.65	0.77	-	0.77	1.42
2020	0.65	-	0.65	0.77	-	0.77	1.42

Overlapping rates are those of local and county governments that apply to property owners within the City of Lumberton.

City of Lumberton, North Carolina
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2020

2020				
Taxpayer	Type of Business	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Elkay Southern	Manufacturing	1	\$ 23,164,552	1.44%
Kayser Roth	Manufacturing	2	19,211,035	1.20%
Wal Mart	Retailer	3	19,027,100	1.19%
Graphic Packaging	Manufacturing	4	16,506,914	1.03%
International Paper	Manufacturing	5	13,131,515	0.82%
Regency Lumberton	Retailer	6	10,118,500	0.63%
Ryder Truck	Retailer	7	10,091,142	0.63%
NK-7, Lumberton Prop.	Retailer	8	9,852,100	0.61%
Biggs Park Mall	Retailer	9	9,376,000	0.58%
U.S.Cold Storage	Manufacturing	10	8,027,600	0.50%
Totals			\$ 138,506,458	8.63%

2011				
Elkay Southern	Manufacturing	1	\$ 20,756,341	1.43%
Graphic Packaging	Manufacturing	2	19,845,456	1.36%
Kayser Roth	Manufacturing	3	15,472,945	1.06%
Wal Mart	Retailer	4	12,203,400	0.83%
BB&T Corporation	Banking	5	11,827,035	0.81%
Lumberton Town Center	Retailer	6	10,578,600	0.73%
Buckeye	Manufacturing	7	10,331,740	0.71%
Biggs Park Mall	Retailer	8	10,327,300	0.71%
NK-7, Lumberton Property	Retailer	9	10,172,200	0.70%
Bellsouth	Utility	10	9,760,390	0.67%
			\$ 131,275,407	9.01%

City of Lumberton, North Carolina
Schedule of Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Amount Collected	% of Levy
		Amount	% of Levy			
2011	\$ 9,163,465	\$ 8,442,248	92.13%	\$ 529,176	\$ 8,971,424	97.90%
2012	9,239,737	8,561,466	92.66%	460,392	9,021,858	97.64%
2013	9,379,611	8,518,108	90.82%	674,312	9,192,420	98.00%
2014	9,478,189	8,973,644	94.68%	684,818	9,658,462	101.90%
2015	9,765,357	9,246,948	94.70%	832,922	10,079,870	103.23%
2016	9,935,234	9,420,921	94.82%	678,041	10,098,962	101.65%
2017	10,090,846	9,551,780	94.66%	593,420	10,145,200	100.54%
2018	10,185,370	9,641,846	94.66%	441,179	10,083,025	101.85%
2019	10,426,342	9,859,390	94.56%	492,742	10,352,132	99.29%
2020	10,422,664	9,847,041	94.56%	492,742	10,339,783	99.29%

City of Lumberton, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business Type Activities				Total Primary Government	Percentage of Personal Income*	Per Capita*
	Capital Leases	Notes/Loans	Sewer Bonds	Refunding Water Bonds	Activities Notes / Loans	Activities Capital Leases			
2011	\$ 1,139,671	\$ 11,167,462	\$ 3,160,000	\$ -	\$ 6,517,700	\$ 1,729,128	\$ 23,713,961	**	**
2012	1,141,103	14,851,089	2,285,000	-	5,342,834	1,231,195	24,851,221	**	**
2013	766,200	14,429,765	1,435,000	-	4,645,224	733,264	22,009,453	**	**
2014	1,426,483	14,553,260	605,000	-	5,435,419	1,680,000	23,700,162	**	**
2015	1,557,463	14,061,430	-	-	5,075,658	1,876,331	22,570,882	**	**
2016	1,625,342	13,561,810	-	-	6,049,763	2,267,929	23,504,844	**	**
2017	1,783,439	13,054,081	-	-	4,701,741	2,119,549	21,658,810	**	**
2018	1,459,456	12,537,908	-	-	3,318,211	1,993,169	19,308,744	**	**
2019	2,208,935	12,012,944	-	-	2,638,532	1,866,790	18,727,201	**	**
2020	2,928,529	11,478,834	-	-	4,670,811	2,000,206	21,078,380	**	**

Notes Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Demographic and Economic Statistics for personal income and population data.

** Information not available.

City of Lumberton, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Total Actual Taxable Value of Property*	Total Per Capita
2011	\$ 3,160,000	\$ -	\$ 3,160,000	0.22%	***
2012	2,285,000	-	2,285,000	0.16%	***
2013	1,435,000	-	1,435,000	0.09%	***
2014	605,000	-	605,000	0.04%	***
2015	-	-	-	0.00%	***
2016	-	-	-	0.00%	***
2017	-	-	-	0.00%	***
2018	-	-	-	0.00%	***
2019	-	-	-	0.00%	***
2020	-	-	-	0.00%	***

Notes Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data. Values are not estimated, actual taxable value of property is 100%.

** Population data can be found in the Schedule of Demographic and Economic Statistics.

*** Information not available.

City of Lumberton, North Carolina
Direct and Overlapping Governmental Activities Debt
June 30, 2020

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County			
Subtotal, overlapping debt	\$ 16,696,672	25.81%	\$ 4,309,411
City of Lumberton, direct debt			14,407,363
Total direct and overlapping debt			\$ 18,716,774

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. The schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lumberton. This process recognizes that, when considering the government's ability to issue and repay long term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible, for repaying the debt of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. The applicable percentage was estimated by using the assessed value of Robeson County (\$6,211,859,031) and assessed value of the City of Lumberton (\$1,603,486,753) and dividing the City's assessed value by the County's assessed value.

City of Lumberton, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt limit	\$ 128,278,940	\$ 128,324,205	\$ 125,358,399	\$ 124,195,008	\$ 122,279,795	\$ 120,176,706	\$ 120,357,963	\$ 119,106,155	\$ 117,329,986	\$ 116,361,454
Total net debt applicable to limit	20,578,382	21,180,256	19,308,741	21,658,810	23,504,844	22,570,883	22,949,285	20,574,450	22,566,221	20,553,961
Legal debt margin	<u>\$ 107,700,558</u>	<u>\$ 107,143,949</u>	<u>\$ 106,049,658</u>	<u>\$ 102,536,198</u>	<u>\$ 98,774,951</u>	<u>\$ 97,605,823</u>	<u>\$ 97,408,678</u>	<u>\$ 98,531,705</u>	<u>\$ 94,763,765</u>	<u>\$ 95,807,493</u>
Total net debt applicable to limit as a % of debt limit	16.04%	16.51%	15.40%	17.44%	19.22%	18.78%	19.07%	17.27%	19.23%	17.66%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	<u>\$ 1,603,486,753</u>
Debt limit (8% of total assessed value)	<u>\$ 128,278,940</u>
Debt applicable to limit:	
Loans/Notes	\$ 17,649,854
Capitalized leases	<u>2,928,528</u>
Total debt	<u>20,578,382</u>
Less bonded debt	<u>-</u>
Net debt	<u>20,578,382</u>
Legal debt margin	<u>\$ 107,700,558</u>

Note: Under state finance law, the City of Lumberton's outstanding general obligation debt should not exceed 8 percent of total assessed property value.

City of Lumberton, North Carolina
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other	Less Operating Expenses	Net Available Revenues	Water and Sewer Bonds		
				Debt Service		Coverage
				Principal	Interest	
2011	\$8,620,351	\$ 4,748,526	\$3,871,825	\$ 880,000	\$ 88,762	399.67%
2012	8,454,020	4,956,409	3,497,611	875,000	64,713	372.20%
2013	8,523,563	5,100,288	3,423,275	850,000	47,213	381.55%
2014	8,402,946	5,951,847	2,451,099	605,000	13,613	396.22%
2015	8,547,747	6,233,718	2,314,029	-	-	0.00%
2016	9,999,822	6,032,858	3,966,964	-	-	0.00%
2017	8,975,963	6,233,718	2,742,245	-	-	0.00%
2018	9,026,254	5,931,917	3,094,337	-	-	0.00%
2019	9,452,817	6,200,904	3,251,913	-	-	0.00%
2020	10,483,089	7,518,986	2,964,103	-	-	0.00%

Notes Details regarding the government's outstanding debt can be found in the notes to the financial statements. Water and Sewer Charges and Other includes investment earnings but not tap fees. Operating expenses do not include interest and depreciation.

City of Lumberton, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling (2)	School Enrollment (2)	Unemployment Rate (1)
		(amounts expressed in thousands)	(1)	(1)			
2011	23,039	*	26,703	35.3	*	23,161	13.2%
2012	21,753	*	29,838	36.5	*	24,046	13.6%
2013	21,768	*	32,969	36.5	*	24,023	13.3%
2014	21,823	*	32,383	35.5	*	23,400	10.1%
2015	21,716	*	30,990	35.5	*	24,000	9.3%
2016	21,667	*	31,899	36.0	*	24,929	8.8%
2017	21,542	*	33,839	35.5	*	22,799	6.1%
2018	21,040	*	33,836	35.5	*	23,757	6.4%
2019	20,840	*	35,399	33.8	*	22,044	6.2%
2020	21,542	*	36,058	33.8	*	22,859	8.8%

Data Sources

- (1) North Carolina Demographic Bureau of Economic Analysis
- (2) Public Schools of Robeson County
- * Information not available at this time

City of Lumberton, North Carolina
Principal Employers
For the Fiscal Year Ended June 30, 2020

2020

Employer	Employees	Rank	Percentage of Total City Employment
UNC Health Southeastern	2,155	1	10.00%
Kayser Roth	548	2	2.54%
Branch Banking & Trust	498	3	2.31%
Robeson Community College	490	4	2.27%
Wal Mart	473	5	2.20%
Quickie Manufacturing	379	6	1.76%
City of Lumberton	352	7	1.63%
Elkay Southern	336	8	1.56%
Graphic Packaging	309	9	1.43%
Lowes	139	10	0.65%
	<u>5,679</u>		<u>26.36%</u>

2011

Employer	Employees	Rank	Percentage of Total City Employment
Southeastern Regional Medical Center	1,945	1	8.44%
Branch Banking & Trust	530	2	2.30%
Robeson Community College	500	3	2.17%
Kayser Roth	475	4	2.06%
Walmart	450	5	1.95%
Graphic Packaging	400	6	1.74%
City of Lumberton	386	7	1.68%
Elkay Southern	325	8	1.41%
Quickie Manufacturing	316	9	1.37%
Acme Electric	100	10	0.43%
	<u>5,427</u>		<u>23.56%</u>

Source: Robeson County Economic Development

City of Lumberton, North Carolina
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government	35	49	49	48	48	48	48	47	47	48
Public safety										
Police										
Officers	90	88	88	88	88	88	88	88	88	88
Civilians	10	17	17	17	17	17	17	17	17	17
Fire										
Firefighters and officers	49	52	52	52	52	52	52	52	52	53
Civilians	-	-	-	-	-	-	-	-	-	-
Emergency services	16	16	16	16	16	16	16	16	16	16
Inspectors	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Maintenance	7	20	20	20	20	20	20	20	20	20
Environmental protection										
Cemeteries	7	7	7	7	7	7	7	7	7	7
Environmental protection	2	2	2	2	2	2	2	2	2	2
Economic & physical development	4	6	6	6	6	6	6	6	6	6
Culture and recreation	12	12	12	12	12	12	12	12	12	12
Water and Sewer	67	59	59	59	59	59	59	59	59	59
Light and Power	44	48	48	48	48	48	48	48	48	48
Sanitation	-	-	-	-	-	-	-	-	-	-
Fleet Maintenance	5	6	6	6	6	6	6	6	6	6
Total	<u>352</u>	<u>386</u>	<u>386</u>	<u>385</u>	<u>385</u>	<u>385</u>	<u>385</u>	<u>384</u>	<u>384</u>	<u>386</u>

Source: Government budget office.

City of Lumberton, North Carolina
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Physical arrests	8,167	7,949	7,546	7,042	7,056	6,950	5,208	4,245	6,784	6,710
Parking violations	99	117	82	74	69	61	67	53	263	186
Traffic violations	504	432	409	325	310	301	297	203	3,254	3,126
Fire										
Number of calls answered	1,909	1,691	1,073	1,266	1,171	1,017	1,096	1,037	1,726	3,331
Inspections	2,988	2,894	3,201	3,011	3,019	3,027	3,047	3,142	3,966	4,088
Highways and streets										
Street resurfacing (miles)	129.95	129.95	129.95	129.52	129.52	129.52	128.42	127.74	126.95	126.95
Potholes repaired	326	372	395	395	387	398	402	473	525	621
Culture and recreation										
Community center admissions	9,644	142,058	158,165	160,165	142,364	139,720	138,530	136,614	112,633	106,810
Water										
New connections	119	99	119	94	69	70	67	59	59	45
Water main breaks	5	3	4	1	2	2	3	6	6	2
Average daily consumption (millions of gallons)	9,244	9,003	8,968	8,896	8,695	7,895	7,895	7,500	7,500	7,500
Water										
Average daily treatment (millions of gallons)	7,356	7,242	7,030	7,025	7,010	7,002	7,002	6,800	6,800	6,800

Source: Government department statistics.

Note: Indicators are not available for the general government function.

City of Lumberton, North Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Patrol units	76	76	76	76	76	76	76	76	76	76
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Streets (miles)	130.74	129.95	129.95	129.52	129.52	129.52	128.42	127.74	127.74	126.95
Street lights	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832
Traffic signals	28	28	28	28	28	28	28	28	28	28
Culture and recreation										
Parks acreage	400	400	400	400	400	400	400	400	400	400
Lakes acreage	40	40	40	40	40	40	40	40	40	40
Major Parks	7	7	7	7	7	7	7	7	7	7
Athletic fields	9	9	9	9	9	9	9	9	9	9
Neighborhood centers	11	11	11	11	11	11	11	11	11	11
Water										
Miles of distribution lines	234	234	234	234	234	234	234	234	234	234
Maximum daily capacity	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200
Sewer										
Miles of distribution lines	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Maximum daily capacity	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Electric										
Number of distribution stations	3	3	3	3	3	3	3	3	3	3
Miles of distribution lines	365.1	365.1	365.1	365.1	365.1	365.1	365.1	365.1	365.1	365.1

Source: Government department statistics.

Note: Indicators are not available for the general government function.

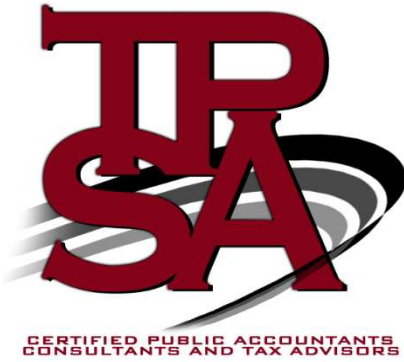
City of Lumberton, North Carolina
Schedule of Insurance in Force
For the Fiscal Year Ended June 30, 2020

Type of Coverage	Details of Coverage	Agency	Expiration Date
Law Enforcement and Public Official/ Employee liability	\$3,000,000 annual aggregate \$2,000,000 each occurrence \$25,000 deductible-Law enforcement \$25,000 deductible-Public official	Glatfleter Insurance Company	06/30/21
Health Insurance	\$5,000,000 lifetime maximum \$5000 individual and \$10,000 family annual deductible 70/30	Cigna	06/30/21
Life Insurance	\$20,000 elected officials All other 1 times annual salary \$20,000 minimum, \$75,000 max	Met Life	06/30/21
Dental Insurance	\$2,000 annual max, \$50 deductible 80/20 basic services, 50/50 Major services \$1,000 lifetime max for braces	Cigna	06/30/21
Comprehensive General liability	\$2,000,000 each occurrence \$25,000 deductible	Glatfleter Insurance Company	06/30/21
Auto liability	\$2,000,000 each occurrence \$2,500 deductible	Glatfleter Insurance Company	06/30/21
Auto collision and comprehensive	\$1,000 deductible on large trucks & autos	Glatfleter Insurance Company	06/30/21
Commercial property (fire and flood)	As scheduled (\$70,752,087), flood-\$25,000 deductible, earthquake-5% deductible \$5,000 deductible	Glatfleter Insurance Company	06/30/21
Inland marine	Heavy equipment (\$2,275,455) \$1,000 deductible Miscellaneous equipment (\$50,000) \$1,000 deductible Computer equipment (\$500,000) \$2,500 deductible Transmitting equipment (\$60,600) \$1,000 deductible Mechanical breakdown \$1,000 deductible	Glatfleter Insurance	06/30/21

City of Lumberton, North Carolina
Schedule of Insurance in Force (continued)
For the Fiscal Year Ended June 30, 2020

Type of Coverage	Details of Coverage	Agency	Expiration Date
Worker's Compensation	\$1,000,000 each occurrence \$750,000 deductible	Self funded, BSI Companies as TPA	06/30/21
Excess liability-Umbrella	\$10,000,000 each occurrence \$10,000 deductible	Glatfleter Insurance Company	06/30/21
Commercial crime	\$50,000 each occurrence, \$1,000 deductible	Glatfleter Insurance Company	06/30/21
Public employee dishonesty	\$50,000 each occurrence \$1,000 deductible	Glatfleter Insurance Company	06/30/21
Worker's compensation (excess coverage)	\$2,000,000 annual aggregate	Safety Insurance	06/30/21
Vision Eye Coverage	Annual exam, \$10 co pay 1 set of glasses every 12 months, \$20 co pay	Municipal Insurance Trust of NC	06/30/21
Public entity management liability/claims made	\$2,000,000 each occurrence \$3,000,000 total limit \$25,000 deductible	Glatfleter Insurance Company	06/30/21
Employee benefit plans liability/claims made	\$2,000,000 each occurrence \$6,000,000 total limit \$1,000 deductible	Glatfleter Insurance Company	06/30/21
Public entity employment practices liability/claims	\$1,000,000 each occurrence \$1,000,000 total limit \$25,000 deductible	Glatfleter Insurance Company	06/30/21
Excess errors and omissions liability	\$10,000,000 aggregate	Glatfleter Insurance Company	06/30/21
Long Term Disability	90 day waiting period 60% of salary up to \$5,000 per month	Met Life Insurance Company	08/30/21
Flood Insurance	Dunn Street Property \$200,000 Building, \$34,000 contents \$25,000 deductible	Hartford Insurance	10/07/21
Flood Insurance	Halsey Street Location \$980,900 building \$478,100 contents	Hartford Insurance	10/07/21
Flood Insurance	1451 Lowery Street Location \$1,178,700 building	Hartford Insurance	10/07/21

Compliance Section



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

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

To the Honorable Mayor and
Members of the City Council
City of Lumberton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lumberton, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the City of Lumberton's basic financial statements, and have issued our report thereon dated January 28, 2021. Other auditors audited the financial statements of the Lumberton ABC Board and Lumberton Tourism Development Authority, as described in our report on the City of Lumberton's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Lumberton ABC Board and Lumberton Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lumberton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lumberton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs [2020-001] that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Lumberton's Response to Findings

The City of Lumberton's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City'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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Whiteville, NC
January 28, 2021



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

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Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Lumberton, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Lumberton, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of City of Lumberton's major federal programs for the year ended June 30, 2020. The City of Lumberton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Lumberton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States; and the audit requirements of Title 2 U.S Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lumberton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Lumberton's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Lumberton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of City of Lumberton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Lumberton's internal control over compliance with the types of requirements that could have a direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

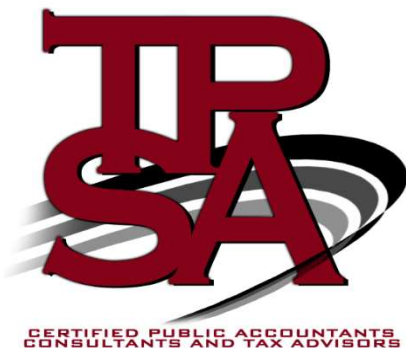
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

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

Whiteville, NC

January 28, 2021



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Report On Compliance With Requirements Applicable To Each Major State Program and Internal Control Over Compliance In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Lumberton, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Lumberton, North Carolina's, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Lumberton's major state programs for the year ended June 30, 2020. City of Lumberton's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Lumberton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States; and the audit requirements of Title 2 U.S Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lumberton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Lumberton's compliance.

Opinion on Each Major State Program

In our opinion, City of Lumberton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of City of Lumberton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Lumberton's internal control over compliance with the types of requirements that could have a direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Whiteville, NC
January 28, 2021

**City of Lumberton, North Carolina
Schedule of Findings and Questioned Cost
For the Fiscal Year Ended June 30, 2020**

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material Weakness(es) identified? X yes no
- Significant Deficiency(s) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal program:

- Material Weakness(es) identified? yes X no
- Significant Deficiency(s) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>CFDA No(s).</u>	<u>Names of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? X yes no

SECTION 1 - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

**City of Lumberton, North Carolina
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2020-01 Prior Period Adjustment

MATERIAL WEAKNESS

Criteria: AU-C 260 requires communication of certain matters related to internal control over financial reporting.

Condition: Several prior period adjustments were recorded to adjust beginning balances. In prior years, fica and retirement were not added to the balance of annual leave payouts due at year end; Accrued interest payable was not recorded; Accrued interest on taxes receivable should have been recorded; Receivables for billings that were mailed in July 2019 but were for June 2019 services should have been accrued; OPEB and Pension Deferrals and liability balances not agreeing to the actuary report for the previous year.

Effect: Management may not receive accurate information to base decisions appropriately for planning and budgeting purposes.

Cause: The entries mentioned above were not properly recored during the year-end closing process.

Recommendation: The design or operation of the internal control system should be reviewed and adjusted to ensure the effectiveness and efficiency.

Views of responsible officials: The City agrees with this finding.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.



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

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding: 2020-01

Name of contact person: Alisha B. Armstrong, Finance Officer

Corrective Action: The City will improve the internal control system and review the financial statements to ensure the balances are correct prior to issuance of the financial

Proposed Completion Date: Immediately.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

**City of Lumberton, North Carolina
Summary Schedule of Prior Year's Findings
For the Fiscal Year Ended June 30, 2020**

Finding: 2019-001

Status: Corrected.

City of Lumberton, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

<u>Grantor/Pass-through/Grantor- Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS				
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through NC Department of Commerce				
CDBG Neighborhood Revitalization Program	14.228	12-D-2948	\$ 134,318	\$ -
Passed-through NC Department of Environment Quality				
CDBG Infrastructure Fund	14.228	17-I-2967	160,032	-
CDBG Infrastructure Fund	14.228	18-E-3049	228,222	-
<u>U.S. Department of Justice</u>				
Passed-through NC Department of Public Safety				
Public Safety Partnership and Community Policing Grants	16.710	2015-UM-WX-0069	1,032	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0351	20,203	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0253	32,882	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0597	15,297	-
<u>U.S. Department of Transportation</u>				
Passed-through NC Department of Transportation				
State and Community Highway Safety	20.600	22019.6.3	14,186	-
State and Community Highway Safety	20.600	22020.6.24	20,423	-
<u>U.S. Department of Homeland Security</u>				
Passed through N.C. Department of Public Safety				
Hazard Mitigation Grant	97.039	HMPG-4285-0052-R	1,183,188	394,396
Hazard Mitigation Grant	97.039	HMPG-4285-0053-R	268,001	89,334
Hazard Mitigation Grant	97.039	HMPG-4285-0054-R	496,159	165,386
Disaster Grants - Public Assistance (Hurricane Matthew)	97.036	FEMA-4285-DR-NC	1,023,440	341,146
Disaster Grants - Public Assistance (Hurricane Florence)	97.036	FEMA-4393-DR-NC	3,115,828	1,038,609
Disaster Grants - Public Assistance (Hurricane Dorian)	97.036	FEMA-4465-DR-NC	44,228	14,743
Total assistance - federal programs			<u>\$ 6,757,440</u>	<u>\$ 2,043,614</u>
STATE AWARDS				
<u>N.C. Department of Commerce</u>				
Building Reuse Grant - Cold Stone Creamery Project		2019-080-3201-	-	23,750
<u>N.C. Office of State Budget and Management</u>				
East Lumberton Housing Project		13624-A	-	123,423
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4 32570	-	741,781
<u>N.C. Golden LEAF Foundation</u>				
JC Hut Reconstruction			-	144,729
Total assistance - State programs			<u>-</u>	<u>1,033,683</u>
Total assistance			<u>\$ 6,757,440</u>	<u>\$ 3,077,297</u>

City of Lumberton, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through/Grantor- Program Title	CFDA Number	Pass-through Grantor's Number	Federal Expenditures	State Expenditures
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Notes to the Schedule of Expenditures of Federal and State Financial Awards

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the City of Lumberton under the programs of Federal governmental and the State of North Carolina for the year ended June 30, 2020. The information in this Schedule of Expenditures of Federal and State Awards is presented with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Lumberton, it is not to and does not present the financial position, changes in net position, or cash flows of the City of Lumberton.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

Note 4: Disaster Grants - Public Assistance

The City of Lumberton received Disaster Grant - Public Assistance (CFDA 97.036) from FEMA passed-through NC Department of Public Safety due to Hurricane Florence. The State-Applicant Disaster Assistance Agreement was granted in November 2018, however the projects related to Hurricane Florence were not obligated until FY 19-20. Therefore, no grant expenditures were reported on FY 19 SEFSA, the amount reported on FY 20 SEFSA includes FY 19 and FY 20 expenditures.