

TOWN OF SHALLOTTE, NORTH CAROLINA



Comprehensive Annual Financial Report Fiscal Year Ending June 30, 2020

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	
Letter of Transmittal	6
Organizational Chart	9
List of Elected and Appointed Officials	10
FINANCIAL SECTION	
Independent Auditor's Report	12
Management's Discussion and Analysis	15
<i>Basic Financial Statements</i>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	25
Statement of Activities	27
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	32
Statement of Fund Net Position – Proprietary Fund	33
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	35
Statement of Cash Flows – Proprietary Fund	36
Notes to the Financial Statements	38
<i>Required Supplementary Financial Data</i>	
Proportionate Share of Net Pension Liability (Asset) - LGERS	76
Town's Contributions - LGERS	77
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance	78
Schedule of Total Pension Liability as a Percentage of Covered Payroll	79
Schedule of Changes in Total OPEB Liability and Related Ratios	80

Major Governmental Funds – General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	82
---	----

Major Governmental Fund – Capital Project Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – River Development Capital Project Fund	86
---	----

Enterprise Funds

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Fund	88
---	----

Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual- Riverfront Utilities Capital Project	90
--	----

Other Schedules

Schedule of Ad Valorem Taxes Receivable – General Fund	92
Analysis of Current Tax Levy	93

STATISTICAL SECTION

Table 1 Net Position by Component	95
Table 2 Changes in Net Position	97
Table 3 Fund Balances of Governmental Funds	99
Table 4 Changes in Fund Balances of Governmental Funds	101
Table 5 Assessed and Estimated Actual Value of Taxable Property	103
Table 6 Property Tax Rates-Direct and Overlapping Governments	104
Table 7 Top Ten Taxpayers	105
Table 8 Property Tax Levies and Collection	106
Table 9 Ratio of Outstanding Debt by Type	107
Table 10 Direct and Overlapping Governmental Activities Debt	108
Table 11 Legal Debt Margin Information	109
Table 12 Demographic and Economic Statistics	111
Table 13 Principal Employers	112
Table 14 Full-time Equivalent Town Governmental Employees by Function	113
Table 15 Operating Indicators by Function	114
Table 16 Capital Asset Statistics by Function	116

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	119
Schedule of Findings and Responses	121
Corrective Action Plan	123
Schedule of Prior Audit Findings	124

Introductory Section



TOWN OF SHALLOTTE

Post Office Box 2287 • Shallotte, North Carolina 28459

Telephone: (910) 754-4032 • Facsimile: (910) 754-2740

January 11, 2021

To the Honorable Mayor, Members of the Board of Aldermen and Citizens of the Town of Shallotte:

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

W. Greene, PLLC, Certified Public Accountants and Consultants, have issued an unqualified ("clean") opinion on the Town of Shallotte's financial statements for the year ended June 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basis financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Town of Shallotte was incorporated on March 6, 1899 and is located in Brunswick County which is located in the southeastern part of North Carolina. The Town occupies 28 square miles and is home to approximately 4,979 residents. The Town of Shallotte is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The Town of Shallotte operates under the mayor-council form of government with a Board of Aldermen and a mayor. Policy-making and legislative authority are vested in the governing council (Board) consisting of the mayor and five other members, all of whom are elected at large. The Board members serve four-year terms, with the mayor and two board members elected in one election and the remaining three board members elected two years later. The Mayor is elected for a four-year term. The Mayor, with Board approval, hires the Town of Shallotte's Administrator who in turn hires the department heads. The department heads hire employees for their department.

The Town of Shallotte provides a full range of services, including police and fire protection; recycling collection; licenses and permits; the construction and maintenance of streets, and other infrastructure;

recreational and cultural activities. The Town contracts with the local county thru Brunswick County Public Utilities to provide water and sewer treatment and distribution services for the Town.

The Board is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. The annual budget serves as a foundation for the Town of Shallotte's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the Town's Administrator.

Local economy

The Town is home to several well known tenants such as Belk, Tractor Supply, Wal Mart, Chili's, Golden Corral, Home Depot, Lowe's Home Improvement. Big Lots, Hardee's, Zaxbys and Ashley Furniture. By the Town being centrally located (45 miles from Myrtle Beach International Airport and 37 miles from Wilmington International Air Port), it gives its residents access to 39 signature golf courses and 45 miles of beautiful beach shores. The Town also has a major highway (U.S. Route 17) which by passes the Town on its north-south trek along the eastern seaboard of the United States. The Town's downtown is continuously growing from year to year with new businesses and improvements to existing ones. As of June 30, 2020, Brunswick County (the county in which Shallotte is located) had an unemployment rate of 8.3% with the state unemployment rate being 7.6% and the national rate being 11.2%.

Over the last ten years, the Town has seen considerable economic growth. Sales tax revenue which is based on a combination of retail sales and population has increased 269.68% during the last ten years. During the last ten years, several large retail establishments have located in the Town as well as several well know food chain restaurants. Several apartment complexes have been built to fulfill the ever growing need for additional housing. This can be seen in the Town's demand for its water and sewer services during this period. During the last ten years, revenues from water and sewer charges has increased by 67.84%. Tourism revenues from occupancy taxes has increased by 23.68% over the last ten years as well.

The percentages for water and sewer charges and especially occupancy taxes have been negatively affected by the Town's encounters with hurricanes over the past few years. In October, 2018, the Town's hotel industry suffered considerable damage by having two of its hotels damaged. Both did not become fully operational again until February, 2020.

The Town has seen growth in its business and residential sector over the last ten years as evidenced by the growth in its zoning fees and permit fees as well as its water and sewer system development fees. Zoning and permit fees have increased by 123.31% and water and sewer system development fees have increased 346.38% over the last ten years.

Long-term financial planning and major initiatives

A well maintained police department is very important for the public's safety. For the year ending June 30, 2021, the Town has budgeted approximately \$129,417 in equipment purchases. Fire protection is also very important for the Town. The Town has set high standards for its fire department. In fact, the standards set by the Town exceed those of the County in which the Town is located. As part of the "Capital Improvement Plan" for 2020-2021, the Town has plans for a new substation in one of the

residential developments located in the Town. This new substation is estimated to cost \$1.2 million dollars.

Maintaining the streets of the Town is also a key factor to the Town. In the fiscal year ended June 30, 2021, the Town has budgeted for additional street improvements of \$140,000 and other equipment purchases totaling \$82,000.


The Town has taken a great effort to improve its parks and provide a great place for recreation for its citizens. For the fiscal year ending June 30, 2021, improvements of \$187,000 are planned for the Town's parks.

As we have previously seen, the Town has enjoyed economic success over the last ten years. Part of that reason has been that the Town has maintained its water and sewer system. For the fiscal year ending June 30, 2020, the Town has plans to spend approximately \$937,800 in improvements to its water and sewer system. In the latter part of fiscal year 2019-2020, the Town completed its AIA Water Study which resulted in the mapping of the Town's entire water system. The Town is currently undertaking the AIA Sewer Study which will map the Town's sewer system. This information will be used in the Town's Water Rate Study to measure the Town's ability to cover its future capital needs

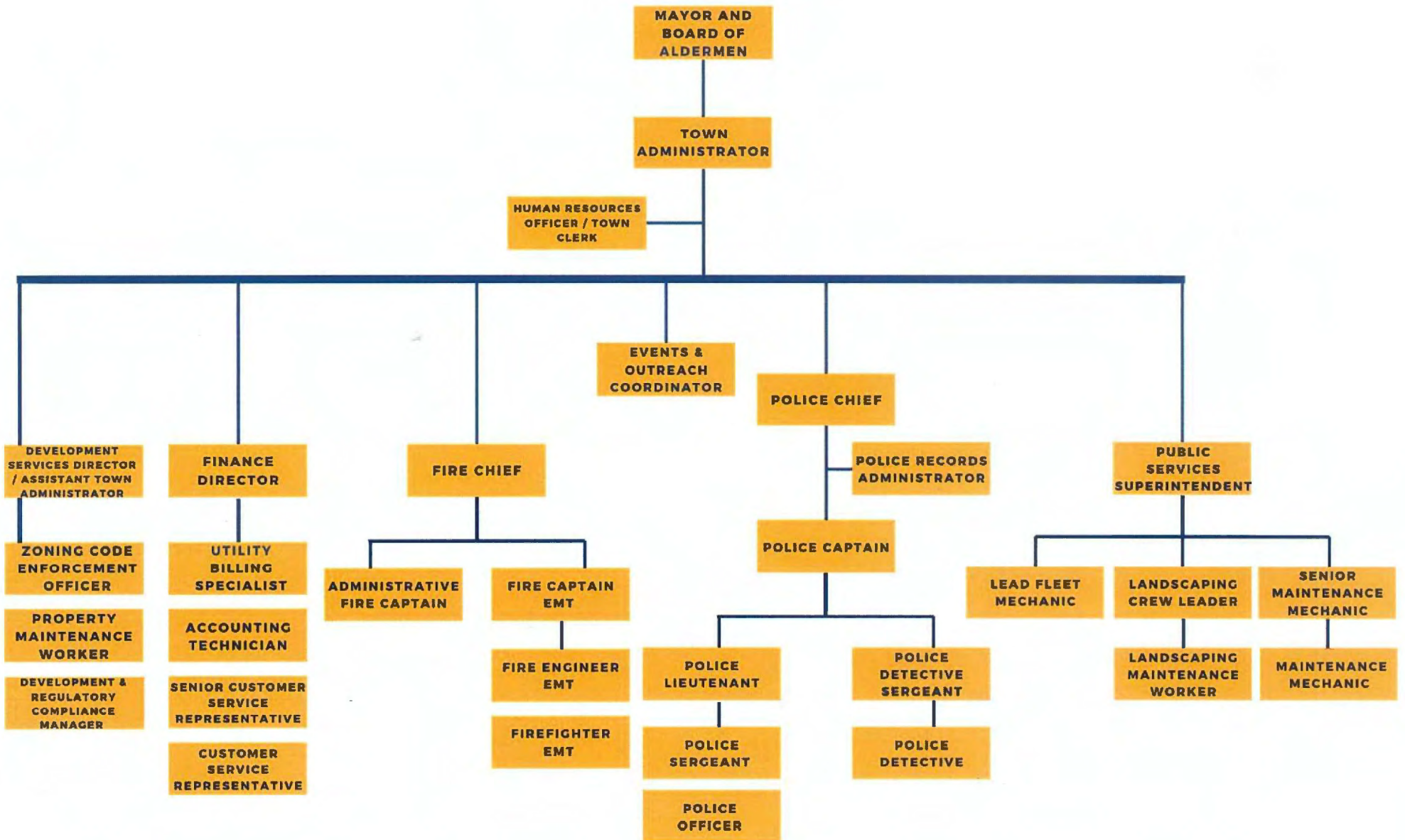
Acknowledgements

We wish to thank the Mayor and the Board of Aldermen for their support and guidance they have given to the Finance Department. It takes all of us working together to make "things happen" and the Town to prosper. For the preparation of this report, the Town is indebted to the Town's Administrator, the department heads and to the staff of the finance department for their invaluable assistance in preparing this report. Without their assistance, this report would not have been possible on a timely and accurate basis.

Respectively submitted,


Isaac Norris, Jr., CPA
Finance Director


Maria O. Gaither
Town Administrator



Town of Shallotte
List of Elected and Appointed Officials
June 30, 2020

Elected Officials

Mayor
Mayor Pro-Tempore
Alderman
Alderman
Alderman
Alderman

Walter Eccard
Carson H. Durham
James L. Harrelson
James Stanley
Eugene Vasile
James E. Bellamy

Appointed Officials

Town Administrator
Assistant Town Administrator/ Town Planner
Police Chief
Fire Chief
Finance Director
Public Works & Utilities Supervisor
Town Clerk/Human Resource Director
Town Attorney

Maria O. Gaither
Robert Waring
Scott Branning
Paul Dunwell
Isaac Norris Jr
Bill Hall
Sandy Strickland
Laura Thompson

FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Shallotte ABC Board, which represents 71.87 percent, 67.86 percent, and 96.37 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Shallotte ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Shallotte ABC Board and the Shallotte Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Shallotte, North Carolina. The introductory information, individual fund statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021 on our consideration of the Town of Shallotte's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Shallotte's internal control over financial reporting and compliance.

W Greene PLLC

Whiteville, North Carolina
January 11, 2021

Management's Discussion and Analysis

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

Financial Highlights

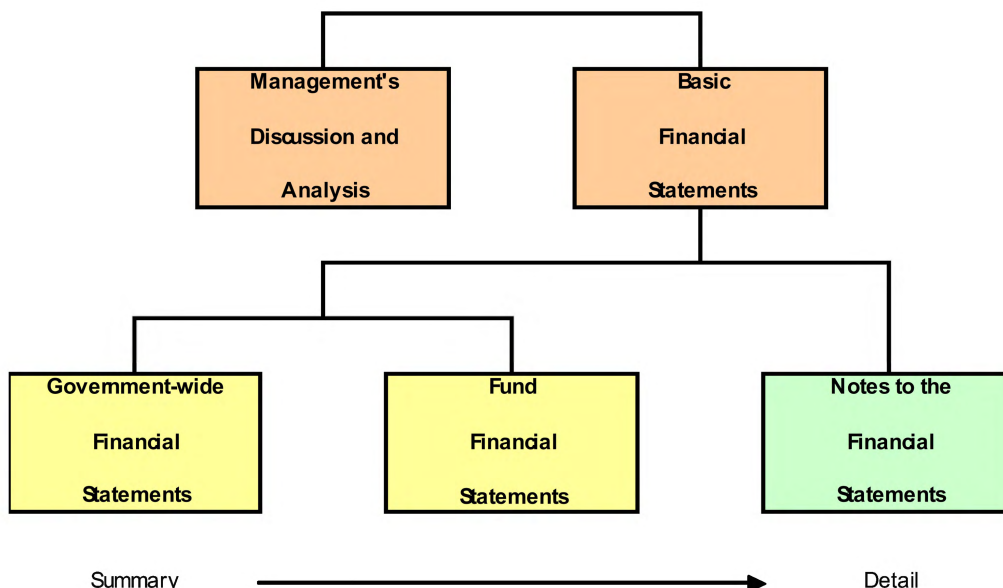
- The assets and deferred outflows of resources of the Town of Shallotte exceeded its liabilities and deferred inflows at the close of the fiscal year by \$35,746,133 (net position).
- The government's total net position increased by \$1,180,456, primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Shallotte's governmental funds reported combined ending fund balances of \$8,425,715 with a net increase of \$603,982 in fund balance. Approximately 9.02 percent of this total amount, or 759,695, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,350,462, or 1.21 percent of total general fund expenditures for the fiscal year.
- The Town of Shallotte's total debt decreased by \$22,428 during the current fiscal year. The key factor in this decrease was the Town's payments on its debt during the current year which offset the large increase in the Town's LGERS and LEO's liabilities for the current year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 25 through 27) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 28 through 37) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administrative. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Shallotte. The final category is the component units. Although legally separate from the Town, the ABC Board and Shallotte Tourism Development Authority are important to the Town because the Town exercises control over the Board and the Authority by appointing its members and because the Board is required to distribute a portion of its profits to the Town while the Authority distributes 50% of the occupancy taxes it collects to the Town.

The government-wide financial statements are on pages 25 through 27 of this report.

Fund Financial Statements

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

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

The Town of Shallotte adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 38 through 74 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Shallotte's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 76 of this report.

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

Management's Discussion and Analysis (Continued)

Government-Wide Financial Analysis

Town of Shallotte's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 9,071,750	\$ 8,477,975	\$ 5,661,282	\$ 5,130,599	\$ 14,733,032	\$ 13,608,574
Capital assets	15,524,331	15,550,436	10,838,205	10,378,964	26,362,536	25,929,400
Total Assets	24,596,081	24,028,411	16,499,487	15,509,563	41,095,568	39,537,974
DEFERRED OUTFLOWS OF RESOURCES						
	642,009	617,657	169,658	193,733	811,667	811,390
LIABILITIES						
Long-term liabilities outstanding	4,316,637	4,364,694	388,916	365,850	4,705,553	4,730,544
Other liabilities	840,801	825,851	579,052	355,092	1,419,853	1,180,943
Total liabilities	5,157,438	5,190,545	967,968	720,942	6,125,406	5,911,487
DEFERRED INFLOWS OF RESOURCES						
	32,344	45,809	3,352	3,691	35,696	49,500
NET POSITION						
Net investment in capital assets	12,455,806	12,140,534	10,798,617	10,300,587	23,254,423	22,441,121
Restricted	679,221	623,749	-	-	679,221	623,749
Unrestricted	6,913,281	6,645,431	4,899,208	4,678,076	11,812,489	11,323,507
Total net position	\$ 20,048,308	\$ 19,409,714	\$ 15,697,825	\$ 14,978,663	\$ 35,746,133	\$ 34,388,377

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Shallotte exceeded liabilities and deferred inflows by \$35,746,133 as of June 30, 2020. The Town's net position increased by \$1,180,456 for the fiscal year ended June 30, 2020. However, a large portion (65.05%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Shallotte uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Shallotte's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Shallotte's net position, \$679,221, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,812,489 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.09% .
- Increases in the following revenues for the 2019-2020 year contributed to the increase in total unrestricted governmental net position – (1) sales tax; (2) district fire fees and (3) Permits and fees .

Management's Discussion and Analysis (Continued)

The Town of Shallotte's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 933,558	\$ 774,746	\$ 3,691,322	\$ 3,251,556	\$ 4,624,880	\$ 4,026,302
Operating grants and contributions	255,008	605,294	144,989	206,484	399,997	811,778
Capital grants and contributions	66,667	-	-	-	66,667	-
General Revenues						
Property taxes	2,417,459	2,384,174	-	-	2,417,459	2,384,174
Other taxes	2,013,077	1,928,244	-	-	2,013,077	1,928,244
Grants and contributions	-	-	-	-	-	-
Other	92,265	141,977	183,935	183,524	276,200	325,501
Total revenues	5,778,034	5,834,435	4,020,246	3,641,564	9,798,280	9,475,999
Expenses:						
General Government	1,003,763	985,645	-	-	1,003,763	985,645
Public Safety	3,102,067	2,814,877	-	-	3,102,067	2,814,877
Transportation	447,344	444,267	-	-	447,344	444,267
Environmental Protection	-	-	-	-	-	-
Economic and Physical Development	188,457	115,815	-	-	188,457	115,815
Cultural and Recreation	320,853	331,086	-	-	320,853	331,086
Interest on long-term debt	76,956	72,540	-	-	76,956	72,540
Water and Sewer	-	-	3,478,384	3,386,397	3,478,384	3,386,397
Total expenses	5,139,440	4,764,230	3,478,384	3,386,397	8,617,824	8,150,627
Increase(Decrease) in net position before transfers	638,594	1,070,205	541,862	255,167	1,180,456	1,325,372
Transfers	-	-	-	-	-	-
Change in net position	638,594	1,070,205	541,862	255,167	1,180,456	1,325,372
Net position, July 1 (consolidated)	19,409,714	18,321,412	15,155,963	14,723,496	34,565,677	33,044,908
Restatement	-	18,097	-	177,300	-	195,397
Net Position, July 1 - Restated	19,409,714	18,339,509	15,155,963	14,900,796	34,565,677	33,240,305
Net position, June 30	\$ 20,048,308	\$ 19,409,714	\$ 15,697,825	\$ 15,155,963	\$ 35,746,133	\$ 34,565,677

Management's Discussion and Analysis (Continued)

Governmental activities. Governmental activities increased the Town's net position by \$638,594, thereby accounting for 54.10% of the total increase in the net position of the Town of Shallotte. Key elements of this increase are as follows:

- The Town had the following increases in these revenues for 2019-2020 from 2018-2019:
 - Sales Tax – 6.08%
 - Fire Fees – 10.20%
 - Zoning & Other Permits – 123.72%

Business-type activities. Business-type activities increased the Town of Shallotte's net position by \$541,862. Key elements of this increase are as follows:

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

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Shallotte. At the end of the current fiscal year, Town of Shallotte's fund balance available in the General fund was \$7,913,132, while total fund balance reached \$8,474,567. The Town currently has an available fund balance of 150.93% of general fund expenditures, while the total balance represents 161.64% of the same amount.

At June 30, 2020, the governmental funds of Town of Shallotte reported a combined fund balance of \$8,425,715 with a net increase in fund balance of \$603,982.

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

1. Record receipt of FEMA grant proceeds.
2. Record approved payment to ABC board as part of land swap.
3. Record additional costs for Sunnyside repairs.
4. Record costs associated with implementing Wage Study completed in 2019-20.

Proprietary Funds. The Town of Shallotte's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,899,208. The total change in net position for the water and sewer fund was an increase of \$541,862. The change in net position in the Water and Sewer Fund is due largely to an increase in System Development Fees compared to the prior fiscal year. The Town also received FEMA proceeds and a grant to cover the cost of mapping its water and sewer lines.

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital assets. The Town of Shallotte's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$26,362,536 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

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

- Purchase of vehicles and equipment.
- Laying of water lines on Shallotte Main Street.
- Beginning construction of 12" forcemain to Waste Water Treatment Plan.
- Costs for mapping of Sewer lines.
- Continuing costs for initial phases of Riverfront Capital Project for the Riverwalk.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 7,169,884	\$ 7,073,084	\$ 114,949	\$ 113,068	\$ 7,284,833	\$ 7,186,152
Buildings and Distribution systems	2,580,397	2,605,343	9,574,657	9,464,846	12,155,054	12,070,189
Furniture	24,401	22,404	270,254	287,361	294,655	309,765
Machinery and Equipment	389,708	377,713	-	-	389,708	377,713
Computer Software	4,363	5,553	-	-	4,363	5,553
Infrastructure	3,327,882	3,422,396	-	-	3,327,882	3,422,396
Construction in Progress	422,346	344,842	574,682	216,495	997,028	561,337
Vehicles and Motorized Equipment	1,605,350	1,699,101	303,663	297,194	1,909,013	1,996,295
Total	\$ 15,524,331	\$ 15,550,436	\$ 10,838,205	\$ 10,378,964	\$ 26,362,536	\$ 25,929,400

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

Long-term Debt. As of June 30, 2020, the Town of Shallotte had total debt outstanding of \$5,088,950 . Of this, \$-0- is debt backed by the full faith and credit of the Town of Shallotte.

The Town of Shallotte's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment purchase debt	\$ 3,068,525	\$ 3,409,902	\$ 39,588	\$ 78,377	\$ 3,108,113	\$ 3,488,279
Compensated absences	188,623	146,654	53,803	51,110	242,426	197,764
Total OPEB liability	190,283	192,745	60,122	34,014	250,405	226,759
Pension related debt (LGRS)	892,205	680,978	274,991	241,151	1,167,196	922,129
Pension related debt (LEO)	320,810	276,447	-	-	320,810	276,447
Total	\$ 4,660,446	\$ 4,706,726	\$ 428,504	\$ 404,652	\$ 5,088,950	\$ 5,111,378

Town of Shallotte Outstanding Debt

The Town of Shallotte's total debt decreased by 22,428 during the fiscal year. The key factors in this increase were the payments made by the Town on its existing debt along with the increase in the Town's liability for its LGERS and LEO related debt for the current year.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Shallotte is \$54,900,310. The Town of Shallotte does not have any authorized but un-issued debt at June 30, 2020.

Additional information regarding the Town of Shallotte's long-term debt can be found beginning on page 70 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- The County's unemployment rate as of July 2020 was 9.4% while the state average was 8.8%. This represents a 80.77% increase from July 2019. This rise is due mainly to the effects of the COVID-19 virus; however the Town is hoping that this rate will decrease due to the increased business activity that is occurring .The increase in the unemployment rate did have a slight effect on the Town that can be seen in its increase in its Water and Sewer receivable balance at June 30, 2020 as compared to the balance as of June 30, 2019. The increase was 8.99%.
- Construction activity has increased in 2019-2020 as evidenced by the increase in system development fees. Construction is expected to continue this trend for 2020-2021.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

- The property tax rate for the 2020-2021 year was kept the same as the rate in 2019-20 The Board did not feel comfortable increasing the rate due to the COVID-19 scenario and all the related problems that it brought to the Town's citizens.
- Fire fees have been increased by 2.97 percent in order to continue to provide excellent service to the community in regards to Fire and EMT services.
- Construction on the Riverwalk project is expected to begin in the 2020-2021 year.
- The Town was concerned that its sales tax revenue for 2019-20 would be significantly lower because of the effects of the COVID-19 virus. Sales tax revenues were lower for April and May, 2020 with the revenues in June, 2020 exceeding those of a year earlier by a small amount. The Town is hoping that this trend will continue into the 2020-2021 year. The Town, however, budgeted for a 2.17% decrease in total spending for the General Fund for 2020-2021 to be conservative.

Business-type Activities.

- The water and sewer rates for the 2020-2021 year is to remain the same as the rates in 2019-2020. The estimated revenue for 2020-2021 from water and sewer billings have been

Management's Discussion and Analysis (Continued)

decreased due to the estimated effects of the COVID-19 virus by approximately 20.2%. The Town did not increase its System Development Fees for the 2020-2021 year.

- The 2020-2021 budget includes appropriations for the completion of the construction project to construct a 12" line to the Regional Waste Water Treatment Plant. This line will see lower head pressures and therefore, reduce the pressure on house pumps and lift stations throughout the Town's system.
- The Town's sewer lines are expected to be fully mapped by the end of the 2020-2021 year. The water lines were finished in the early part of the 2019-2020 year.
- The Town is currently having conducting a review of its System Development Fees to make sure that the fee is adequate to cover the Town's costs of maintaining its Water and Sewer System.

Requests for Information

This report is designed to provide an overview of the Town finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the following:

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

Basic Financial Statements

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Net Position

June 30, 2020

	Primary Government				Shallotte Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total	Shallotte ABC Board	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 7,966,930	\$ 4,530,826	\$ 12,497,756	\$ 232,615	\$ 224,258
Receivables (net):					
Ad Valorem Taxes	150,991	-	150,991	-	-
Accrued Interest Receivable on Taxes	42,167	-	42,167	-	-
Accounts Receivable	-	549,420	549,420	-	13,758
Due from Other Governments	397,096	138,502	535,598	-	-
Due from Component Units	62,072	-	62,072	-	-
Internal Balances	(59,762)	59,762	-	-	-
Inventories	-	196,946	196,946	321,834	-
Prepaid Items	80,474	42,462	122,936	-	-
Restricted Cash and Cash Equivalents	431,782	143,364	575,146	-	-
Total Current Assets	9,071,750	5,661,282	14,733,032	554,449	238,016
Noncurrent Assets:					
Capital Assets					
Land, Nondepreciable Improvements, and Construction in Progress	7,592,230	689,631	8,281,861	589,936	-
Other Capital Assets, Net of Depreciation	7,932,101	10,148,574	18,080,675	939	-
Total Noncurrent Assets	15,524,331	10,838,205	26,362,536	590,875	-
Total Assets	24,596,081	16,499,487	41,095,568	1,145,324	238,016
DEFERRED OUTFLOWS OF RESOURCES					
Pension Deferrals	630,441	167,013	797,454	36,376	-
OPEB Deferrals	11,568	2,645	14,213	-	-
Total Deferred Outflows of Resources	\$ 642,009	\$ 169,658	\$ 811,667	\$ 36,376	\$ -

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2020

	Primary Government				Shallotte Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total	Shallotte ABC Board	
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 496,992	\$ 396,100	\$ 893,092	\$ 92,291	\$ -
Due to Primary Government	-	-	-	62,072	2,089
Liabilities payable from restricted assets:					
Customer Deposits	-	143,364	143,364	-	-
Current Portion of Long-Term Liabilities	343,809	39,588	383,397	-	-
Total Current Liabilities	840,801	579,052	1,419,853	154,363	2,089
Long-Term Liabilities:					
Net Pension Liability	892,205	274,991	1,167,196	42,875	-
Total Pension Liability	320,810	-	320,810	-	-
Total OPEB Liability	190,283	60,122	250,405	-	-
Compensated Absences	-	53,803	53,803	-	-
Due in More Than One year	2,913,339	-	2,913,339	324,624	-
Total Liabilities	5,157,438	967,968	6,125,406	521,862	2,089
DEFERRED INFLOWS OF RESOURCES					
Pension Deferrals	21,733	-	21,733	-	-
OPEB Deferrals	10,611	3,352	13,963	-	-
Total Deferred Inflows of Resources	32,344	3,352	35,696	-	-
NET POSITION					
Net Investment in Capital Assets	12,455,806	10,798,617	23,254,423	266,251	-
Restricted for:					
Transportation	104,398	-	104,398	-	-
Stabilization by State Statute	480,961	-	480,961	-	13,758
Cemetery	8,423	-	8,423	-	-
Pursuant to Loan Requirements	85,439	-	85,439	-	-
Capital Improvements	-	-	-	100,000	-
Working Capital	-	-	-	69,830	-
Unrestricted	6,913,281	4,899,208	11,812,489	223,757	222,169
Total Net Position	\$ 20,048,308	\$ 15,697,825	\$ 35,746,133	\$ 659,838	\$ 235,927

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Shallotte ABC Board	Shallotte Tourism Development Authority
					Governmental Activities	Business-Type Activities	Total		
Primary Government:									
Governmental Activities:									
General Government	\$ 1,003,763	\$ 60	\$	\$	\$ (1,003,703)	\$	\$ (1,003,703)	\$ -	\$ -
Public Safety	3,102,067	891,417		115,788	66,667	(2,028,195)	-	(2,028,195)	-
Transportation	447,344	27,525		135,567	-	(284,252)	-	(284,252)	-
Economic and Physical Development	188,457	3,074		-	-	(185,383)	-	(185,383)	-
Cultural and Recreation	320,853	11,482		-	-	(309,371)	-	(309,371)	-
Environmental Protection	-	-		3,653	-	3,653	-	3,653	-
Interest and Other Charges	76,956	-		-	-	(76,956)	-	(76,956)	-
Total Governmental Activities	5,139,440	933,558		255,008	66,667	(3,884,207)		(3,884,207)	-
Business-Type Activities:									
Water and Sewer	3,478,384	3,691,322		144,989	-	-	357,927	357,927	-
Total Business-Type Activities	3,478,384	3,691,322		144,989			357,927	357,927	-
Total Primary Government	\$ 8,617,824	\$ 4,624,880	\$	399,997	\$ 66,667	(3,884,207)	357,927	(3,526,280)	-
Component Units:									
ABC Board	2,213,580	2,359,885		-	-			146,305	-
Shallotte Tourism Development Authority	52,941	-		-	-			-	(52,941)
Total Component Units	\$ 2,266,521	\$ 2,359,885	\$	-	\$ -	-	-	146,305	(52,941)
General Revenues:									
Property Taxes, Levied for General Purpose						2,417,459	-	2,417,459	-
Other Taxes and Licenses						2,013,077	-	2,013,077	69,646
Investment Earnings						80,596	39,761	120,357	231
Miscellaneous						11,669	144,174	155,843	-
Total General Revenues and Transfers						4,522,801	183,935	4,706,736	51,175
Change in Net Position						638,594	541,862	1,180,456	16,936
Net Position, Beginning						19,409,714	14,978,663	34,388,377	462,358
Restatement						-	177,300	177,300	-
Net Position, Ending						\$ 20,048,308	\$ 15,697,825	\$ 35,746,133	\$ 659,838
									\$ 235,927

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2020

	Major Funds		
	General Fund	Riverfront Development Capital Project Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 7,953,007	\$ 13,923	\$ 7,966,930
Restricted Cash	431,782	-	431,782
Receivables (net):			
Ad Valorem Taxes	150,991	-	150,991
Due from Component Units	64,161	-	64,161
Due from Other Governments	395,007	-	395,007
Due from Other Funds	21,793	-	21,793
Prepaid Expenses	80,474	-	80,474
Total Assets	9,097,215	13,923	9,111,138
LIABILITIES			
Accounts Payable and			
Accrued Liabilities	411,895	40,982	452,877
Due to Other Funds	59,762	21,793	81,555
Total Liabilities	471,657	62,775	534,432
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Receivable	150,991	-	150,991
Total Deferred Inflows of Resources	150,991	-	150,991
FUND BALANCES			
Nonspendable			
Prepays	80,474	-	80,474
Restricted			
Stabilization by State Statute	480,961	-	480,961
Streets	104,398	-	104,398
Cemetery Maintenance	8,423	-	8,423
Pursuant to Loan Requirements	85,439	-	85,439
Subsequent Year's Expenditures	1,364,410	-	1,364,410
Unassigned	6,350,462	(48,852)	6,301,610
Total Fund Balances	8,474,567	(48,852)	8,425,715
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,097,215	\$ 13,923	\$ 9,111,138

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2020

		Total Governmental Funds
<hr/>		
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance		\$ 8,425,715
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	\$ 20,393,676	
Accumulated depreciation	<u>(4,869,345)</u>	15,524,331
Deferred outflows of resources related to pensions are not reported in the funds	<u>630,441</u>	630,441
Deferred outflows of resources related to OPEB are not reported in the funds	<u>11,568</u>	11,568
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes	<u>42,167</u>	42,167
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes	<u>150,991</u>	150,991
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment notes	(3,068,525)	
Compensated absences	(188,623)	
OPEB liability	(190,283)	
Total pension liability	(320,810)	
Net pension liability	<u>(892,205)</u>	(4,660,446)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(21,733)</u>	(21,733)
Deferred inflows of resources related to OPEB are not reported in the funds	<u>(10,611)</u>	(10,611)
Other liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	<u>(44,115)</u>	(44,115)
Net position of governmental activities		<u>\$ 20,048,308</u>

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	Major Funds		
	General Fund	Riverfront Development Capital Project Fund	Total Governmental Funds
Revenues			
Ad Valorem Taxes	\$ 2,444,431	\$ -	\$ 2,444,431
Other Taxes and Licenses	600	-	600
Unrestricted Intergovernmental	2,011,593	-	2,011,593
Restricted Intergovernmental	1,171,081	-	1,171,081
Permits and Fees	72,613	-	72,613
Sales and Services	3,074	-	3,074
Investment Earnings	80,596	-	80,596
Miscellaneous	18,874	-	18,874
Total Revenues	5,802,862	-	5,802,862
Expenditures			
Current			
General Government	994,649	47,022	1,041,671
Public Safety	2,882,978	-	2,882,978
Transportation	343,689	-	343,689
Economic and Physical Development	176,156	-	176,156
Cultural and Recreation	333,633	-	333,633
Debt Service			
Principal	341,379	-	341,379
Interest and Other Charges	79,374	-	79,374
Total Expenditures	5,151,858	47,022	5,198,880
Excess (Deficiency) of Revenues Over Expenditures	651,004	(47,022)	603,982
Other Financing Sources (Uses)			
Transfers from Other Funds	-	90,900	90,900
Transfers to Other Funds	(90,900)	-	(90,900)
Total Other Financing Sources (Uses)	(90,900)	90,900	-
Net Change in Fund Balance	560,104	43,878	603,982
Fund Balance - Beginning as Previously Reported	7,914,463	(92,730)	7,821,733
Fund Balance - End of Year	\$ 8,474,567	\$ (48,852)	\$ 8,425,715

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

TOWN OF SHALLOTTE, NORTH CAROLINA

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

Governmental Funds

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		\$ 603,982
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures which were capitalized	407,280	
Depreciation expense	<u>(433,384)</u>	(26,104)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		198,775
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		13,344
OPEB benefit payments paid and administrative costs paid in the current year are not included on the Statement of Activities		3,194
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for tax revenues	(27,572)	
Amount of donated assets	<u>-</u>	(27,572)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issuance	-	
Decrease in Accrued interest payable	2,418	
Debt retirement	<u>341,379</u>	343,797
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Pension Expense	(447,387)	
OPEB expense	18,534	
Compensated absences	<u>(41,969)</u>	<u>(470,822)</u>
Total changes in net position of governmental activities		<u>\$ 638,594</u>

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

TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad Valorem Taxes	\$ 2,351,295	\$ 2,351,295	\$ 2,444,431	\$ 93,136
Other Taxes and Licenses	550	550	600	50
Unrestricted Intergovernmental	1,930,357	1,930,357	2,011,593	81,236
Restricted Intergovernmental	1,152,941	1,256,062	1,171,081	(84,981)
Permits and Fees	18,950	18,950	72,613	53,663
Sales and Services	3,504	3,504	3,074	(430)
Investment Earnings	50,000	50,000	80,596	30,596
Miscellaneous	24,825	24,825	18,874	(5,951)
Total Revenues	<u>5,532,422</u>	<u>5,635,543</u>	<u>5,802,862</u>	<u>167,319</u>
Expenditures				
General Government	1,035,962	1,095,637	994,649	100,988
Public Safety	2,934,479	3,114,102	2,882,978	231,124
Transportation	788,095	798,813	343,689	455,124
Economic and Physical Development	203,601	208,640	176,156	32,484
Cultural and Recreation	622,904	652,986	333,633	319,353
Debt Service				
Principal	361,953	361,953	361,299	654
Interest and Other Charges	78,614	78,614	79,374	(760)
Total Expenditures	<u>6,025,608</u>	<u>6,310,745</u>	<u>5,171,778</u>	<u>1,138,967</u>
Revenues Over (Under) Expenditures	<u>(493,186)</u>	<u>(675,202)</u>	<u>631,084</u>	<u>1,306,286</u>
Other Financing Sources (Uses)				
Transfers to Other Funds	(750,000)	(750,000)	(90,900)	659,100
Total Other Financing Sources (Uses)	<u>(750,000)</u>	<u>(750,000)</u>	<u>(90,900)</u>	<u>659,100</u>
Plus: Reconciling Item -				
Interfund loan payment	-	-	19,920	19,920
Appropriated Fund Balance	1,243,186	1,425,202	-	(1,425,202)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>560,104</u>	<u>\$ 560,104</u>
Fund Balance, Beginning			<u>7,914,463</u>	
Fund Balance - End of Year			<u>\$ 8,474,567</u>	

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

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	Water and Sewer Fund
ASSETS	
Current Assets	
Cash and Investments	\$ 4,530,826
Accounts Receivable (net)	549,420
Due from Other Funds	59,762
Due from Other Governments	138,502
Inventories	196,946
Prepaid Expenses	42,462
Restricted Cash and Cash Equivalents	143,364
Total Current Assets	<u>5,661,282</u>
Noncurrent Assets	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	689,631
Other Capital Assets, Net of Depreciation	10,148,574
Total Noncurrent Assets	<u>10,838,205</u>
Total Assets	<u><u>16,499,487</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferrals	167,013
OPEB Deferrals	2,645
Total Deferred Outflows of Resources	<u><u>\$ 169,658</u></u>

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

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	Water and Sewer Fund
LIABILITIES	
Current Liabilities	
Accounts Payable and	
Accrued Liabilities	\$ 396,100
Notes Payable	39,588
Liabilities payable from restricted assets:	
Customer Deposits	143,364
Total Current Liabilities	<u>579,052</u>
Noncurrent Liabilities	
Compensated Absences Payable	53,803
Net Pension Liability	274,991
Total OPEB Liability	60,122
Total Noncurrent Liabilities	<u>388,916</u>
Total Liabilities	<u>967,968</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB Deferrals	3,352
Total Deferred Inflows of Resources	<u>3,352</u>
NET POSITION	
Net Investment in Capital Assets	10,798,617
Unrestricted	4,899,208
Total Net Position	<u>\$ 15,697,825</u>

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

TOWN OF SHALLOTTE, NORTH CAROLINA

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

Proprietary Fund

For the Year Ended June 30, 2020

	Water and Sewer Fund
Operating Revenues	
Water Charges	\$ 1,070,930
Sewer Charges	1,721,238
Water and Sewer Taps	178,212
System Development Fees	717,674
Transmission Recovery Fees	3,319
Other Operating Revenues	17,962
Total Operating Revenues	<u>3,709,335</u>
Operating Expenses	
Water Treatment and Distribution	1,192,901
Waste Collection and Treatment	1,311,386
Depreciation	473,912
Total Operating Expenses	<u>2,978,199</u>
Operating Income (Loss)	<u>731,136</u>
Nonoperating Revenues (Expenses)	
Investment Earnings	39,761
Grants	144,989
Capital Charges to Brunswick County	(498,570)
Interest Expense	(1,615)
Total Nonoperating Revenues (Expenses)	<u>(315,435)</u>
Total Income (Loss) Before Contributions and Transfers	<u>415,701</u>
Capital Contributions	<u>126,161</u>
Change in Net Position	<u>541,862</u>
Total Net Position - Previously Reported	14,978,663
Prior Period Adjustment	<u>177,300</u>
Total Net Position - End of Year	<u><u>\$ 15,697,825</u></u>

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2020

	Water and Sewer Fund
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 3,689,681
Cash Paid for Goods and Services	(1,577,249)
Cash Paid to Employees for Services and Benefits	(769,120)
Customer Deposits Received	32,230
Customer Deposits Returned	(25,480)
Other Revenues	43,031
Net Cash Provided(Used) by Operating Activities	<u>1,393,093</u>
Cash Flows from Noncapital Financing Activities	
Decrease in Due from Other Funds	19,920
Capital Charges paid to Brunswick County	(498,570)
Federal and State Grants	144,989
Net Cash Provided(Used) by Noncapital Financing Activities	<u>(333,661)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(806,956)
Installment Obligation Issued	-
Capital Contributions-Donated Asset	126,161
Interest Paid on Bond Maturities and Equipment Contracts	(1,615)
Principal Paid on Bond Maturities and Equipment Contracts	(38,789)
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>(721,199)</u>
Cash Flows from Investing Activities	
Interest on Investments	39,761
Net Increase(Decrease) in Cash and Cash Equivalents	377,994
Cash and Cash Equivalents - Beginning of Year	<u>4,296,196</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,674,190</u>

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

TOWN OF SHALLOTTE, NORTH CAROLINA
Statement of Cash Flows (Continued)
Proprietary Fund
For the Year Ended June 30, 2020

	Water and Sewer Fund
<hr/>	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	731,136
<hr/>	
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	473,912
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(71,306)
(Increase) Decrease in Due From Other Governments	(1,866)
(Increase) Decrease in Prepaids	(30,867)
(Increase) Decrease in Inventories	(17,467)
(Increase) Decrease in Deferred Outflows of Resources - Pensions	26,220
(Increase) Decrease in Deferred Outflows of Resources - OPEB	(2,145)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	216,424
Increase (Decrease) in Customer Deposits	6,750
Increase (Decrease) in OPEB Liability	26,108
Increase (Decrease) in Net Pension Liability	33,840
Increase (Decrease) in Deferred Inflows of Resources - Pensions	(1,248)
Increase (Decrease) in Deferred Inflows of Resources - OPEB	909
Increase (Decrease) in Compensated Absences Payable	2,693
<hr/>	
Total Adjustments	661,957
<hr/>	
Net Cash Provided(Used) by Operating Activities	\$ 1,393,093
<hr/>	

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Town of Shallotte ABC Board

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

Shallotte Tourism Development Authority

The members of Shallotte Tourism Development Authority (the Authority) governing board are appointed by the Town. In addition, the Authority is required by State Statute to pay the Town a collection fee for collecting occupancy taxes on its behalf and at its discretion, distributes 50% of its "net revenue" to the Town for tourism related expenditures. Net revenue is the occupancy taxes collected each month less the collection fee due to the Town. The Authority, which has a June 30 year end, is presented as if it were a general fund. Complete financial statements for the Authority may be obtained from the Shallotte Town Hall at 106 Cheers Street, Shallotte, NC 28459.

B. Basis of Presentation

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

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Fund Accounting (Continued)

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

Riverfront Utilities Capital Project Fund. This fund is used to account for the construction of water and sewer lines that will be necessary to accommodate the development of the Riverfront development. For accounting purposes it is part of the Riverfront Development Capital Project Fund.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations.

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

cost-reimbursement grant resources to such programs, followed by categorical block grants and then general revenues.

D. Budgetary Data

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

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

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

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

Town of Shallotte Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 307,920
Administration – Cemetery Care	8,423
Economic Development	30,000
Pursuant to Loan Requirements	85,439
Total Governmental Activities	<u>431,782</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	143,364
Total Restricted Cash	<u>\$ 575,146</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****6. Inventory and Prepaid Items**

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$0; buildings, improvements, substations, lines, and other plant and distribution systems, \$20,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	10-75
Buildings	50
Vehicles	6
Furniture and Equipment	10
Computer Equipment	3

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

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

10. Compensated Absences

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Compensated Absences (Continued)

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Assets/Fund Balances (Continued)

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

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

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Assets/Fund Balances (Continued)

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

12. Defined Benefit Cost-Sharing Plans

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit in Fund Balance of Individual Funds

The Riverfront Development Capital Project Fund and the Riverfront Utilities Capital Project Capital Fund both have a deficit fund balance at June 30, 2020 of \$48,852 and \$6,000, respectively. This is due to the fact that expenditures are incurred at year end (payables) before the revenues (transfers from the General Fund and the Water and Sewer Fund) are made to pay for the expenditures. Thus, it is a timing difference that is causing the deficit in fund balance in both funds.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town, the ABC Board and the Authority have no formal policy regarding custodial credit risk for deposits but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when

At June 30, 2020, the Town's deposits had a carrying amount of \$9,118,672 and a bank balance of \$9,261,621. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$230,390 and the bank balance was \$386,108. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Authority was \$224,258 and the bank balance was \$224,258. All of the bank balance was covered by federal depository insurance. At June 30, 2020, the Town's petty cash fund totaled \$500. At June 30, 2020, the ABC Board's petty cash fund was \$2,225. designating official depositories and verifying that deposits are properly secured.

2. Investments

At June 30, 2020, the Town of Shallotte had \$3,953,730 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk. The Authority did not have any investments at June 30, 2020. Neither the ABC Board nor the Authority have a policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

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

Fund	06/30/2020
General Fund:	
Taxes receivable	\$ -
Total General Fund	-
Enterprise Fund:	
Utilities receivable	54,443
Total Enterprise Fund	54,443
Total	\$ 54,443

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,073,084	\$ 96,800	\$ -	\$ 7,169,884
Construction in Progress	344,842	121,304	43,800	422,346
Total capital assets not being depreciated	7,417,926	218,104	43,800	7,592,230
Capital assets being depreciated:				
Buildings	3,687,590	67,071	-	3,754,661
Equipment	1,388,467	88,251	-	1,476,718
Furniture	96,906	5,920	-	102,826
Computer equipment	61,770	-	-	61,770
Computer software	89,359	-	-	89,359
Vehicles and motorized equipment	3,197,594	71,734	-	3,269,328
Infrastructure	4,046,784	-	-	4,046,784
Total capital assets being depreciated	12,568,470	232,976	-	12,801,446
Less accumulated depreciation for:				
Buildings	1,082,247	92,017	-	1,174,264
Equipment	1,010,754	76,256	-	1,087,010
Furniture	74,502	3,923	-	78,425
Computer equipment	61,770	-	-	61,770
Computer software	83,806	1,190	-	84,996
Vehicles and motorized equipment	1,498,493	165,485	-	1,663,978
Infrastructure	624,388	94,514	-	718,902
Total accumulated depreciation	4,435,960	433,385	-	4,869,345
Total capital assets being depreciated, net	8,132,510			7,932,101
Governmental activity capital assets, net	\$ 15,550,436			\$ 15,524,331

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

General Government	\$ 36,535
Public Safety	238,527
Transportation	101,908
Economic and Physical Development	1,190
Cultural and Recreational	55,225
Total	<u>\$ 433,385</u>

TOWN OF SHALLOTTE, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 113,068	\$ 1,881	\$ -	\$ 114,949
Construction in progress	216,495	503,187	145,000	574,682
Total capital assets not being depreciated	329,563	505,068	145,000	689,631
Capital assets being depreciated:				
Plant and distribution systems	14,243,156	499,493	-	14,742,649
Furniture and maintenance equipment	647,699	23,510	-	671,209
Vehicles	509,982	50,082	-	560,064
Total capital assets being depreciated	15,400,837	573,085	-	15,973,922
Less accumulated depreciation for:				
Plant and distributions systems	4,778,310	389,682	-	5,167,992
Furniture and maintenance equipment	360,338	40,617	-	400,955
Vehicles	212,788	43,613	-	256,401
Total accumulated depreciation	5,351,436	473,912	-	5,825,348
Total capital assets being depreciated, net	10,049,401			10,148,574
Water and Sewer fund capital assets, net	\$ 10,378,964			\$ 10,838,205

Construction Commitments

The Town has active construction contracts as of June 30, 2020. At year end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
12" Water Line	\$ 308,809	\$ 259,432

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

Discretely presented component units

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 8,250	\$ -	\$ -	\$ 8,250
Construction in Progress	-	581,686	-	581,686
Total capital assets not being depreciated	8,250	581,686	-	589,936
Capital assets being depreciated:				
Buildings and improvements	180,541	-	-	180,541
Land improvements	8,853	-	-	8,853
Furniture and equipment	97,443	-	-	97,443
Total capital assets being depreciated	286,837	-	-	286,837
Less accumulated depreciation for:				
Buildings and improvements	178,088	2,453	-	180,541
Land improvements	8,853	-	-	8,853
Furniture and equipment	95,842	662	-	96,504
Total accumulated depreciation	282,783	3,115	-	285,898
Total capital assets being depreciated, net	4,054			939
Total ABC Board capital assets, net	\$ 12,304			\$ 590,875

The Shallotte Tourism Development Authority had no fixed assets as of June 30, 2020.

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

I. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Shallotte employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Shallotte's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Shallotte were \$260,040 for the year ended June 30, 2020.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2020, the Town reported a liability of \$1,167,196 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.04274%, which was an increase of 0.00387% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$529,137. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 199,854	\$ -
Changes of assumptions	190,234	-
Net difference between projected and actual earnings on pension plan investments	28,470	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	30,285	-
Town contributions subsequent to the measurement date	260,040	-
Total	<u>\$ 708,883</u>	<u>\$ -</u>

TOWN OF SHALLOTTE, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

\$260,040 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ 217,591
2022	73,251
2023	121,797
2024	36,204
2025	-
Thereafter	-
	<u>\$ 448,843</u>

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

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

The plan 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	26.3%	7.0%
Global Equity	36.2%	7.0%
Cash and Receivables	7.4%	7.0%
Real Estate, Alternatives,etc	30.1%	7.0%
Total	100%	

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,669,591	\$ 1,167,196	\$ (81,598)

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

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

Inactive members currently receiving benefits	1
Active plan members	14
Total	<u>15</u>

2. Summary of Significant Accounting Policies:

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 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 percent to 7.35 percent
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-2015 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$26,689 as benefits came due for the year ended June 30, 2020.

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

At June 30, 2020, the Town reported a total pension liability of \$320,810. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$39,765.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,968	\$ 13,104
Changes of assumptions	16,259	8,629
Town benefit payments and plan administrative expense subsequent to the measurement date	13,344	-
Total	<u>\$ 88,571</u>	<u>\$ 21,733</u>

\$13,344 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 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	\$ 10,220
2022	10,220
2023	10,624
2024	12,500
2025	6,391
Thereafter	3,539
	<u>\$ 53,494</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

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

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

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 348,047	\$ 320,810	\$ 296,048

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

	2020
Beginning balance	\$ 276,447
Service Cost	19,968
Interest on the total pension liability	9,577
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	31,814
Changes of assumptions or other inputs	9,693
Benefit payments	(26,689)
Other changes	-
Ending balance of the total pension liability	<u>\$ 320,810</u>

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 529,137	\$ 39,765	\$ 568,902
Pension Liability	1,167,196	320,810	1,488,006
Proportionate share of the net pension liability	0.04274%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	199,854	58,968	258,822
Changes of assumptions	190,234	16,259	206,493
Net difference between projected and actual earnings on plan investments	28,470	-	28,470
Changes in proportion and differences between contributions and proportionate share of contributions	30,285	-	30,285
Benefit payments and administrative costs paid subsequent to the measurement date	260,040	13,344	273,384
Deferred Inflows of Resources			
Differences between expected and actual experience	-	13,104	13,104
Changes of assumptions	-	8,629	8,629
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$59,985 which consisted of \$39,975 from the Town and \$20,010 from the law enforcement officers. No amounts were forfeited.

The Town has also elected for all employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan. The Town contributes five percent of the employee's monthly compensation to the plan, and the employees may make voluntary contributions. Total contributions for the year ended June 30, 2020 were \$157,102, which consisted of \$102,093 from the Town and \$55,009 from the employees. No amounts were forfeited.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefits

Healthcare Benefits

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

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

	General Employees:	Law Enforcement & Firefighter Employees:
Retirees receiving benefits	-	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	28	33
Total	<u>28</u>	<u>34</u>

Total OPEB Liability

The Town's total OPEB liability of \$250,405 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefits (OPEB)

Healthcare Benefits (Continued)

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

Inflation	2.50%
Salary increases, including wage inflation	3.50%–7.75% General Employees 3.50%–7.35% Law Enforcement 3.50%–7.75% Firefighters
Discount rate	3.50%
Healthcare cost trend rate	7.00%, for 2019 decreasing to an ultimate rate of 4.5% by 2026

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	\$ 226,759
Changes for the year	
Service Cost	16,930
Interest	8,611
Changes of benefit terms	-
Differences between expected and actual experience	5,350
Changes in assumptions or other inputs	3,646
Benefit payments	(10,891)
Net Changes	<u>23,646</u>
Balance at June 30, 2020	<u>\$ 250,405</u>

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

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefits (OPEB)

Healthcare Benefits (Continued)

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

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 273,920	\$ 250,405	\$ 228,994

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

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 221,213	\$ 250,405	\$ 285,316

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$24,524. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,727	\$ 1,409
Changes of assumptions	3,292	12,554
Benefit payments and administrative costs made subsequent to the measurement date	3,194	-
Total	\$ 14,213	\$ 13,963

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefits (OPEB)

Healthcare Benefits (Continued)

\$3,194 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2021	\$ (1,017)
2022	(1,017)
2023	(1,017)
2024	(1,017)
2025	(1,017)
Thereafter	2,141
	<u>\$ (2,944)</u>

2. Other Employment Benefit

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

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefit (Continued)

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

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

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

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

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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

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

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$	260,040
Benefit payments made and administrative expenses for LEOSSA		13,344
Benefit payments made for OPEB		3,194
Differences between expected and actual experience		266,549
Changes of assumptions		209,785
Net difference between projected and actual		28,470
Changes in proportion and differences between employer contributions and proportionate share of contributions		30,285
Charge on refunding		-
Total	\$	<u>811,667</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources (Continued)

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

	Statement of	General Fund Balance
	Net Position	Sheet
Taxes Receivable (General Fund)	\$ -	\$ 150,991
Prepaid Taxes	-	-
Changes in assumptions	21,183	-
Difference between expected and actual experience	14,513	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	\$ 35,696	\$ 150,991

4. Risk Management

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

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

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are bonded under a blanket bond for \$110,000. The finance officer and tax collector are each individually bonded for \$150,000 and \$10,000, respectively. The Authority's finance officer is individually bonded for \$50,000.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management (Continued)

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

5. Claims, Judgements and Contingent Liabilities

At June 30, 2020, the Town did not have any litigation pending.

6. Long-Term Obligations

a. Installment Purchases

In August 2007, the Town entered into an agreement with USDA for two loans, one for \$495,000 and one for \$485,000, to finance the construction of its new fire station and another loan of \$475,000 to acquire a building to be used as a new police station headquarters. All three loans carry an interest rate of 4.125% and require thirty payments of \$29,067, \$28,480 and \$27,892, respectively beginning August 7, 2009. All three loans are secured by the buildings constructed. The outstanding principal balances at June 30, 2020 were \$377,608, \$369,977 and \$362,359, respectively.

On March 13, 2014, the Town obtained a loan of \$948,219 from a local bank to purchase a 100ft. aerial platform truck. The loan carries an interest rate of 3.21% and is payable in 15 annual payments of \$80,640 which includes principal and interest beginning March 13, 2015. The loan is secured by the platform truck. The principal balance at June 30, 2020 was \$621,771.

On June 24, 2015, the Town entered into an installment financing agreement with a local utility corporation for a loan of \$2,000,000. The loan is a non-interest bearing loan that requires 10 annual payments of \$200,000. The first payment was due August 1, 2015. The Town used the proceeds of this loan to purchase real estate in June 2015. The principal balance at June 30, 2020 was \$1,000,000.

On October 3, 2017, the Town obtained a loan from a local bank to purchase a 2018 Pumper Truck. The loan carries an interest rate of 2.06% and is payable in 3 annual payments of \$40,404 which includes principal and interest beginning October 5, 2017. The loan is secured by the pumper truck. The principal balance at June 30, 2020 was \$39,588.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

On September 6, 2018, the Town obtained a loan from a local bank to purchase a Pumper Fire Truck. The loan carries an interest rate of 3.30% and is payable in annual payments of \$54,567 which includes principal and interest beginning July 2020. The loan is secured by the truck. The principal balance at June 30, 2020 was \$336,810.

Annual debt service requirements of the installment purchases as of June 30, 2020, including \$662,535 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2021	343,809	76,837	39,588	816
2022	348,827	71,819	-	-
2023	354,023	66,624	-	-
2024	359,402	61,244	-	-
2025	364,972	55,675	-	-
2026-2030	666,404	192,486	-	-
2031-2035	322,570	104,625	-	-
2036-2040	308,518	32,409	-	-
2044-2045	-	-	-	-
Total	\$ 3,068,525	\$ 661,719	\$ 39,588	\$ 816

At June 30, 2020, the Town of Shallotte had no bonds authorized or unissued and had a legal debt margin of \$51,917,224.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

b. Changes in Long-Term Liabilities

	Balance 07/01/19	Increases	Decrease	Balance 06/30/20	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 3,409,902	\$ -	\$ 341,377	\$ 3,068,525	\$ 343,809
Net pension liability (LGERS)	680,978	211,227	-	892,205	-
Total pension liability (LEO)	276,447	44,363	-	320,810	-
Total OPEB liability	192,745	-	2,462	190,283	-
Compensated absences	146,654	128,000	86,031	188,623	-
Governmental activity long-term liabilities	<u>\$ 4,706,726</u>	<u>\$ 383,590</u>	<u>\$ 429,870</u>	<u>\$ 4,660,446</u>	<u>\$ 343,809</u>
Business-type activities:					
Installment purchases	\$ 78,377	\$ -	\$ 38,789	\$ 39,588	\$ 39,588
Net Pension Liability (LGERS)	241,151	33,840	-	274,991	-
Total OPEB liability	34,014	26,108	-	60,122	-
Compensated absences	51,110	39,262	36,569	53,803	-
Business-type activity long-term liabilities	<u>\$ 404,652</u>	<u>\$ 99,210</u>	<u>\$ 75,358</u>	<u>\$ 428,504</u>	<u>\$ 39,588</u>

Compensated absences typically have been liquidated in the General Fund and Water and Sewer Fund.

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 15,524,331	\$ 10,838,205
less: long-term debt	3,068,525	39,588
Add: unexpended debt proceeds	-	-
Net Investment in Capital Assets	<u>\$ 12,455,806</u>	<u>\$ 10,798,617</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

D. Interfund Balances and Activity

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

Due to the Water and Sewer Fund from the General Fund	\$	59,762
Due to the General Fund from the Capital Project Fund		21,793
Total	\$	<u>81,555</u>

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

Interfund loan- In the past, the General Fund borrowed money from the Water and Sewer Fund. Beginning in the year ended June 30, 2019, the Town agreed to begin repaying the loan in 5 annual payments of \$19,920 which includes no interest.

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

From the General Fund to the Capital Project Fund	\$	90,900
From the Enterprise Fund to the Riverfront Utilities Capital Project	\$	5,000
Total	\$	<u>95,900</u>

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$	8,474,567
Less:		
Prepaid expenses		80,474
Stabilization by State Statute		480,961
Streets		104,398
Pursuant to Loan Requirements		85,439
Cemetery Maintenance		8,423
Appropriated Fund Balance in 2020-2021 budget		1,364,410
Remaining Fund Balance		<u>6,350,462</u>

F. Related Party Transactions

In September, 2019, the Town and the Shallotte ABC Board entered into a land swap agreement to accommodate the construction of a new ABC store. The Town is giving up ownership of three lots valued at \$72,610 while receiving from the Shallotte ABC Board two lots valued at \$350,595. To compensate for the difference in values, the Town has paid the ABC Board \$50,000 in the year ended June 30, 2020 and will pay an additional \$50,000 in the year ended June 30, 2021. The Town has also agreed to pave the Board's parking lot at the Town's expense during the year ended June 30 2021 when construction of the new ABC building is expected to be completed.

TOWN OF SHALLOTTE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**Federal and State Assisted Programs**

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

IV. RestatementPrior Period Adjustment

During the fiscal year ended June 30 2020, the Town discovered that the inventory for the Water and Sewer Fund as of July 1, 2019 was understated by \$177,300; therefore, an adjustment to beginning net position has been recorded to account for this understatement thereby increasing beginning net position in the Water and Sewer Fund by \$177,300.

V. Subsequent Events

Subsequent events have been evaluated through January 11, 2021, which is the date the financial statements were available to be issued.

***Required Supplementary
Financial Data***

TOWN OF SHALLOTTE, NORTH CAROLINA
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
Shallotte's proportion of the net pension liability (asset) (%)	0.04274%	0.03887%	0.03624%	0.03650%	0.03575%	0.03569%	0.04100%
Shallotte's proportion of the net pension liability (asset) (\$)	\$ 1,167,196	\$ 922,129	\$ 553,647	\$ 774,652	\$ 160,444	\$ (210,480)	\$ 494,207
Shallotte's covered-employee payroll	\$ 2,576,720	\$ 2,487,618	\$ 2,282,832	\$ 2,200,262	\$ 2,214,492	\$ 2,082,896	\$ 2,004,756
Shallotte's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.30%	37.07%	24.25%	35.21%	7.25%	(10.11)%	24.65%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Town of Shallotte's Contributions
Required Supplementary Information
Last Seven Fiscal Years

	Local Government Employees' Retirement System							
	2020	2019	2018	2017	2016	2015	2014	
Contractually required contribution	\$ 260,040	\$ 205,204	\$ 191,702	\$ 170,704	\$ 158,269	\$ 146,470	\$ 136,714	
Contributions in relation to the contractually required contribution	260,040	205,204	191,702	170,704	158,269	146,470	136,714	
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Shallotte's covered employee payroll	\$ 2,840,700	\$ 2,576,720	\$ 2,487,618	\$ 2,282,832	\$ 2,200,262	\$ 2,214,492	\$ 2,082,896	
Contributions as a percentage of covered-employee payroll	9.15%	7.96%	7.71%	7.48%	7.19%	6.61%	6.56%	

TOWN OF SHALLOTTE, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
June 30, 2020

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Beginning balance	\$ 276,447	\$ 241,328	\$ 237,977	\$ 218,291
Service cost	19,968	16,615	15,237	17,033
Interest on the total pension liability	9,577	7,204	8,976	7,793
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	31,814	47,966	(25,824)	-
Changes of assumptions or other inputs	9,693	(9,977)	15,853	(5,140)
Benefit payments	(26,689)	(26,689)	(10,891)	-
Other changes	-	-	-	-
Ending balance of the total pension liability	\$ 320,810	\$ 276,447	\$ 241,328	\$ 237,977

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

June 30, 2020

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Total pension liability	\$ 320,810	\$ 276,447	\$ 241,328	\$ 237,977
Covered payroll	786,858	681,413	638,465	651,975
Total pension liability as a percentage of covered payroll	40.77%	40.57%	37.80%	36.50%

Notes to the schedules:

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

TOWN OF SHALLOTTE, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

June 30, 2020

Total OPEB Liability	2020	2019	2018
Service Cost	\$ 16,930	\$ 17,351	\$ 18,481
Interest	8,611	7,411	6,016
Changes of benefit terms	-	-	-
Differences between expected and actual experience	5,350	3,766	(2,156)
Changes of assumptions	3,646	(6,921)	(11,062)
Benefit payments	(10,891)	(5,984)	-
Net change in Total OPEB Liability	23,646	15,623	11,279
Total OPEB Liability - Beginning	226,759	211,136	199,857
Total OPEB Liability - Ending	\$ 250,405	\$ 226,759	\$ 211,136
Covered Payroll	\$ 2,611,533	\$ 2,386,292	\$ 2,386,292
Total OPEB Liability as a percentage of covered payroll	9.59%	9.50%	8.85%

Notes to Schedule

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

Fiscal Year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

Major Governmental Funds

General Fund

TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes	\$ 2,351,295	\$ 2,444,431	\$ 93,136
Total Ad Valorem Taxes	<u>2,351,295</u>	<u>2,444,431</u>	<u>93,136</u>
Other Taxes and Licenses			
Beer & Wine Licenses	550	600	50
Total Other Taxes and Licenses	<u>550</u>	<u>600</u>	<u>50</u>
Unrestricted Intergovernmental			
Local Option Sales Tax	1,322,079	1,410,215	88,136
Utility Sales Tax	415,281	377,678	(37,603)
Telecommunications Tax	39,379	35,098	(4,281)
Video Franchise Tax	76,779	74,281	(2,498)
ABC Profit Distribution	16,000	53,692	37,692
Court Facility Fees	750	603	(147)
Beer and Wine Tax	20,089	20,761	672
Total Unrestricted Intergovernmental	<u>1,890,357</u>	<u>1,972,328</u>	<u>81,971</u>
Restricted Intergovernmental			
Powell Bill Allocation	134,267	135,567	1,300
Federal Grants	221,815	160,139	(61,676)
Occupancy Taxes	40,000	39,265	(735)
Collection Fees - Tourism Authority	3,000	2,089	(911)
Law Enforcement - Drug Monies	500	870	370
SRFTC Donation	7,500	7,500	-
Fire Department Donations	856	1,278	422
Police Department Donations	4,500	3,700	(800)
District Fire Fees	843,798	845,727	1,929
Sunnyside Revenue	1,250	2,294	1,044
Controlled Substance Tax	-	588	588
ABC - Law Enforcement	200	8,380	8,180
Solid Waste Disposal Tax	3,126	3,653	527
Total Restricted Intergovernmental	<u>1,260,812</u>	<u>1,211,050</u>	<u>(49,762)</u>
Permits and Fees			
Various Permits	19,150	72,673	53,523
Total Permits and Fees	<u>19,150</u>	<u>72,673</u>	<u>53,523</u>
Sales and Services			
Farmers' Market Revenue	3,504	3,074	(430)
Total Sales and Services	<u>3,504</u>	<u>3,074</u>	<u>(430)</u>

TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Investment Earnings			
General	50,000	80,596	30,596
Total Investment Earnings	50,000	80,596	30,596
Miscellaneous			
Other	34,875	18,110	(16,765)
Total Miscellaneous	34,875	18,110	(16,765)
Total Revenues	5,610,543	5,802,862	192,319
Expenditures			
Governing Body			
Salaries and Employee Benefits	42,630	39,238	3,392
Other Expenditures	53,230	34,956	18,274
Capital Outlay	17,500	19,088	(1,588)
Total Governing Body	113,360	93,282	20,078
Administration			
Salaries and Employee Benefits	534,638	531,081	3,557
Other Expenditures	387,139	302,266	84,873
Capital Outlay	60,500	68,020	(7,520)
Total Administration	982,277	901,367	80,910
Police Department			
Salaries and Employee Benefits	1,305,959	1,226,257	79,702
Other Expenditures	275,887	213,143	62,744
Capital Outlay	195,220	190,953	4,267
Total Police Department	1,777,066	1,630,353	146,713
Fire Department#	-	-	-
Salaries and Employee Benefits	1,007,575	988,407	19,168
Other Expenditures	220,167	165,557	54,610
Capital Outlay	100,408	93,317	7,091
Total Fire Department	1,328,150	1,247,281	80,869
Firetraining Facility			
Other Expenditures	8,886	5,344	3,542
Total Firetraining Facility	8,886	5,344	3,542
Transportation Department			
Salaries and Employee Benefits	157,105	147,885	9,220
Other Expenditures	211,441	172,479	38,962
Capital Outlay	430,267	23,325	406,942
Total Transportation Department	798,813	343,689	455,124

TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Economic and Physical Development			
Planning:			
Salaries and Employee Benefits	150,121	147,533	2,588
Other Expenditures	57,019	27,926	29,093
Capital Outlay	246,500	697	245,803
Total Economic and Physical Development	453,640	176,156	277,484
Cultural and Recreational			
Parks:			
Salaries and Employee Benefits	189,299	154,694	34,605
Other Expenditures	122,301	87,036	35,265
Parks_Capital Outlay	96,386	91,903	4,483
Total Cultural and Recreational	407,986	333,633	74,353
Debt Service			
Principal Retirement	361,953	361,299	654
Interest and Other Charges	78,614	79,374	(760)
Total Debt Service	440,567	440,673	(106)
Total Expenditures	6,310,745	5,171,778	1,138,967
Excess (Deficiency) of Revenues Over (Under) Expenditures	(700,202)	631,084	1,331,286
Other Financing Sources (Uses)			
Transfers In:			
Transfers Out:			
Capital Project Fund	(750,000)	(90,900)	659,100
Total Other Financing Sources (Uses)	(750,000)	(90,900)	659,100
Plus: Reconciling Item -			
Interfund loan payment	-	19,920	19,920
Fund Balance Appropriated	1,450,202	-	(1,450,202)
Net Change in Fund Balance	\$ -	560,104	\$ 560,104
Fund Balance, Beginning		7,914,463	
Fund Balance - End of Year		\$ 8,474,567	

Major Governmental Fund

Capital Project Fund

TOWN OF SHALLOTTE, NORTH CAROLINA
Riverfront Development Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Actual				
	Project Authorization	Prior Year	Current Year	Totals to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental:					
State Grants	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Total Revenues	500,000	-	-	-	(500,000)
Expenditures					
Governing Body					
Capital Outlay	1,549,000	155,080	47,022	202,102	1,346,898
Total Expenditures	1,549,000	155,080	47,022	202,102	1,346,898
Excess (Deficiency) of Revenues Over Expenditures	(1,049,000)	(155,080)	(47,022)	(202,102)	846,898
Other Financing Sources (Uses)					
Transfers in:					
General Fund	1,030,000	62,350	90,900	153,250	(876,750)
Total Other Financing Sources (Uses)	1,030,000	62,350	90,900	153,250	(876,750)
Appropriated Fund Balance	19,000	-	-	-	(19,000)
Net Change in Fund Balance	\$ -	\$ (92,730)	43,878	\$ (48,852)	\$ (48,852)
Fund Balance - Beginning			(92,730)		
Fund Balance - Ending		\$	(48,852)		

Enterprise Funds

TOWN OF SHALLOTTE, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water Charges	\$ 1,092,081	\$ 1,070,930	\$ (21,151)
Sewer Charges	1,848,730	1,721,238	(127,492)
Water and Sewer Taps	128,250	178,212	49,962
System Development Fees	518,133	717,674	199,541
Transmission Recovery Fees	-	3,319	3,319
Other Operating Revenues	19,000	17,959	(1,041)
Total Revenues	3,606,194	3,709,332	103,138
Expenditures			
Water Treatment and Distribution			
Salaries and Employee Benefits	494,807	476,577	18,230
Repairs and Maintenance	71,895	27,454	44,441
Other Expenditures	602,287	576,750	25,537
Capital Outlay	363,285	347,145	16,140
Total Water Treatment and Distribution	1,532,274	1,427,926	104,348
Waste Collection and Treatment			
Salaries and Employee Benefits	608,264	530,990	77,274
Repairs and Maintenance	273,073	232,164	40,909
Other Expenditures	700,463	474,768	225,695
Capital Outlay	818,537	674,213	144,324
Total Waste Collection and Treatment	2,400,337	1,912,135	488,202
Debt Service			
Principal Retirement	38,884	38,789	95
Total Expenditures	3,971,495	3,378,850	592,645
Revenues Over (Under) Expenditures	(365,301)	330,482	695,783
Other Financing Sources (Uses)			
Investment Earnings	26,000	39,761	13,761
Grants	139,181	144,989	5,808
Capital Charges to Brunswick County	(499,000)	(498,570)	430
Interest Expense	(1,615)	(1,615)	-
Loan Payment from General Fund	19,920	19,920	-
Appropriated Fund Balance	680,815	-	(680,815)
Total Other Financing Sources (Uses)	365,301	(295,515)	(660,816)
Less: Reconciling Item -			
Interfund loan payment	-	(19,920)	(19,920)
Transfers			
Transfer to Capital Project	-	(5,000)	(5,000)
Total Transfers	-	(5,000)	(5,000)
Revenues and Other Financing Sources Over Expenditures and Other Uses	-	10,047	10,047
Fund balance, beginning as previously reported	-	14,978,663	14,978,663
Prior period adjustment	-	177,300	177,300
Fund balance, beginning as restated	-	15,155,963	15,155,963
Fund balance, ending	\$ -	\$ 15,166,010	\$ 15,166,010

TOWN OF SHALLOTTE, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures (Continued)
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		\$ 10,047	
Reconciling items:			
Depreciation Expense		(473,912)	
Capital Outlay		922,152	
Principal Retirement		38,789	
Installment Loan Proceeds		-	
(Increase) Decrease in Accrued Vacation		(2,693)	
(Increase) Decrease in Net Pension Liability		(33,840)	
(Increase) Decrease in OPEB Liability		(26,108)	
Increase (Decrease) in Deferred Outflows of Resources Pensions		(26,220)	
Increase (Decrease) in Deferred Outflows of Resources OPEB		2,146	
(Increase) Decrease in Deferred Inflows of Resources OPEB		(909)	
(Increase) Decrease in Deferred Inflows of Resources Pensions		1,249	
Capital Contributions		126,161	
Transfer To Utilities Capital Project		5,000	
Total Reconciling Items		531,815	
Change in Net Position		\$ 541,862	

TOWN OF SHALLOTTE, NORTH CAROLINA

Riverfront Utilities Capital Project Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2020

		Actual			
	Project Authorization	Prior Year	Current Year	Totals to Date	Variance Positive (Negative)
Revenues					
State Grants	\$ 300,000	\$ -	\$ -	\$ -	\$ (300,000)
Total Revenues	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Expenditures					
Capital Outlay	2,210,000	-	11,000	11,000	2,199,000
Total Expenditures	<u>2,210,000</u>	<u>-</u>	<u>11,000</u>	<u>11,000</u>	<u>2,199,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,910,000)</u>	<u>-</u>	<u>(11,000)</u>	<u>(11,000)</u>	<u>1,899,000</u>
Other Financing Sources (Uses)					
Loan Proceeds	1,900,000	-	-	-	(1,900,000)
Transfers in:					
General Fund	10,000	-	5,000	5,000	(5,000)
Total Other Financing Sources (Uses)	<u>1,910,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>(1,905,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(6,000)</u>	<u>\$ (6,000)</u>	<u>\$ (6,000)</u>
Fund Balance - Beginning			<u>-</u>		
Fund Balance - Ending			<u>\$ (6,000)</u>		

Other Schedules

TOWN OF SHALLOTTE, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2020

Fiscal Year	Unallocated Balance 7-1-19	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-20
2019-20	\$ -	\$ 2,421,021	\$ 2,374,795	\$ 46,226
2018-19	51,739	-	20,351	31,388
2017-18	28,800	-	7,787	21,013
2016-17	13,915	-	3,264	10,651
2015-16	10,954	-	5,291	5,663
2014-15	12,911	-	7,177	5,734
2013-14	11,547	-	4,348	7,199
2012-13	13,346	-	887	12,459
2011-12	11,711	-	1,053	10,658
2010-11	18,789	-	18,789	-
	<u>\$ 173,712</u>	<u>\$ 2,421,021</u>	<u>\$ 2,443,742</u>	<u>150,991</u>

Less: Allowance for Uncollectible Accounts:

General Fund

-

Ad Valorem Taxes Receivable - Net

\$ 150,991Reconciliation with Revenues

Ad Valorem Taxes - General Fund

2,444,431

Reconciling items:

Interest and Penalties Collected

(18,912)

Taxes Released

17,729

Taxes Written Off

494

Total Collections and Credits

\$ 2,443,742

TOWN OF SHALLOTTE, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$ 100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 683,850,698	0.3525	\$ 2,410,574	\$ 2,237,177	\$ 173,397
Penalties	-		1,976	1,976	-
	<u>683,850,698</u>		<u>2,412,550</u>	<u>2,239,153</u>	<u>173,397</u>
Discoveries:					
Current Year Taxes	2,840,942	0.3525	10,014	10,014	-
Penalties	-		-	-	-
	<u>2,840,942</u>		<u>10,014</u>	<u>10,014</u>	<u>-</u>
Abatelements:					
Property Taxes-					
Current Year's Rate	(437,762)	0.3525	(1,543)	(1,543)	-
Total Property Valuations	<u>\$ 686,253,878</u>				
Net Levy			2,421,021	2,247,624	173,397
Uncollected Taxes at June 30, 2020			46,226	46,226	-
Current Year's Taxes Collected			<u>\$ 2,374,795</u>	<u>\$ 2,201,398</u>	<u>\$ 173,397</u>
Current Levy Collection Percentage			<u>98.09%</u>	<u>97.94%</u>	<u>100.00%</u>

STATISTICAL SECTION
(unaudited)

This section includes detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends – These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time:

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue Capacity – These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property taxes:

- Assessed and Estimated Actual Value of Taxable Property
- Property Tax Rates- Direct and Overlapping Governments
- Top Ten Taxpayers
- Property Tax Levies and Collections

Debt Capacity – These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future:

- Ratio of Outstanding Debt by Type
- Direct and Overlapping Governmental Activities Debt
- Legal Debt Margin Information

Demographic and Economic Information – These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments:

- Demographic and Economic Statistics
- Principal Employers
- Full-time Equivalent Town Governmental Employees by Function

Operating Information – These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs:

- Operating Indicators by Function
- Capital Asset Statistics by Function

TOWN OF SHALLOTTE, NORTH CAROLINA
Net Position by Component

Last Ten Years
(Accrual basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
Governmental Activities:				
Net investment in capital assets	\$ 5,120,359	\$ 5,512,303	\$ 5,857,327	\$ 7,276,657
Restricted	397,914	607,323	437,736	521,409
Unrestricted	4,784,778	5,642,864	6,657,717	6,503,304
Total governmental activities net position	<u>\$ 10,303,051</u>	<u>\$ 11,762,490</u>	<u>\$ 12,952,780</u>	<u>\$ 14,301,370</u>
Business-type activities:				
Net investment in capital assets	\$ 10,700,691	\$ 10,430,520	\$ 10,333,024	\$ 10,258,514
Restricted	-	-	-	-
Unrestricted	2,900,006	2,984,698	2,931,204	3,046,396
Total business-type activities net position	<u>\$ 13,600,697</u>	<u>\$ 13,415,218</u>	<u>\$ 13,264,228</u>	<u>\$ 13,304,910</u>
Primary government:				
Net investment in capital assets	\$ 15,821,050	\$ 15,942,823	\$ 16,190,351	\$ 17,535,171
Restricted	397,914	607,323	437,736	521,409
Unrestricted	7,684,784	8,627,562	9,588,921	9,549,700
Total government net position	<u>\$ 23,903,748</u>	<u>\$ 25,177,708</u>	<u>\$ 26,217,008</u>	<u>\$ 27,606,280</u>

Notes:

- (1) Unrestricted governmental and business-type activities net position is restated in fiscal 2014 to record the Town's proportionate share of the Local Governmental Employees' Retirement System's beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014), pursuant to GASB Statement No. 68.
- (2) Unrestricted governmental activities net position is restated in fiscal year 2016 to record the Town's total pension liability of the Law Enforcement Officer's Special Separation Allowance and the effects on net position of benefit payments and administrative payments paid by the Town during the measurement period (calendar year ending December 31, 2016), pursuant to GASB Statement No. 73.
- (3) The Unrestricted governmental and business-type activities net position is restated in fiscal year 2017 to record the Town's net other postemployment benefits liability, pursuant to GASB Statement No. 75.

TABLE 1

Fiscal Year					
2,015	2016	2017	2018	2019	2020
\$ 9,394,873	\$ 10,415,326	\$ 10,518,108	\$ 11,147,830	\$ 12,140,534	\$ 12,455,806
530,051	533,198	440,242	568,099	623,749	679,221
5,563,432	5,630,403	6,401,409	6,605,483	6,645,431	6,913,281
\$ 15,488,356	\$ 16,578,927	\$ 17,359,759	\$ 18,321,412	\$ 19,409,714	\$ 20,048,308
\$ 10,231,618	\$ 10,071,140	\$ 9,902,449	\$ 10,331,536	\$ 10,300,587	\$ 10,798,617
-	-	-	-	-	-
3,202,522	3,859,810	4,505,808	4,387,431	4,678,076	4,899,208
\$ 13,434,140	\$ 13,930,950	\$ 14,408,257	\$ 14,718,967	\$ 14,978,663	\$ 15,697,825
\$ 19,626,491	\$ 20,486,466	\$ 20,420,557	\$ 21,479,366	\$ 22,441,121	\$ 13,135,027
530,051	533,198	440,242	568,099	623,749	679,221
8,765,954	9,490,213	10,907,217	10,992,914	11,323,507	11,812,489
\$ 28,922,496	\$ 30,509,877	\$ 31,768,016	\$ 33,040,379	\$ 34,388,377	\$ 25,626,737

TOWN OF SHALLOTTE, NORTH CAROLINA
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 635,574	\$ 635,383	\$ 656,307	\$ 804,120	\$ 776,753	\$ 812,758	\$ 813,795	\$ 805,508	\$ 985,645	\$ 1,003,763
Public safety	1,926,925	1,964,839	2,037,768	2,011,062	2,059,166	2,138,009	2,370,390	2,483,946	2,814,877	3,102,067
Transportation	311,814	340,690	504,675	459,810	498,957	663,252	425,351	427,275	444,267	447,344
Economic and physical development	133,451	85,937	88,891	96,778	101,235	127,354	115,732	87,750	115,815	188,457
Environmental protection	-	-	-	-	-	-	-	1,346	-	-
Cultural and recreational	4,627	8,603	6,716	5,011	4,802	9,745	295,117	296,480	331,086	320,853
Interest on long-term debt	64,542	64,288	60,558	65,873	87,923	82,671	77,553	74,402	72,540	76,956
Total governmental activities expenses	3,076,933	3,099,740	3,354,915	3,442,654	3,528,836	3,833,789	4,097,938	4,176,707	4,764,230	5,139,440
Business-type activities:										
Water and Sewer	2,625,131	2,668,055	2,682,275	2,787,064	2,736,733	2,788,148	3,104,523	3,132,445	3,386,397	3,478,384
Total primary government expenses	\$ 5,702,064	\$ 5,767,795	\$ 6,037,190	\$ 6,229,718	\$ 6,265,569	\$ 6,621,937	\$ 7,202,461	\$ 7,309,152	\$ 8,150,627	\$ 8,617,824
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 4,005	\$ 3,804	\$ -	\$ 7,508	\$ -	\$ -	\$ 2,381	\$ 2,628	\$ 2,429	\$ 60
Public safety	561,001	541,205	565,174	552,762	611,236	556,071	564,530	659,032	768,142	891,417
Transportation	-	-	-	-	-	-	-	-	-	27,525
Economic and physical development	-	-	1,362	1,889	1,965	-	-	4,403	4,175	3,074
Environmental protection	-	-	-	-	-	-	-	-	-	-
Cultural and recreational	315	4,345	-	-	-	2,866	2,407	-	-	11,482
Operating grants and contributions	169,734	193,666	177,600	155,472	157,706	235,313	185,841	155,652	605,294	255,008
Capital grants and contributions	1,840,811	40,646	-	-	-	89,870	-	58,255	-	66,667
Total governmental activities program revenues	2,575,866	783,666	744,136	717,631	770,907	884,120	755,159	879,970	1,380,040	1,255,233
Business-type activities:										
Charges for services:										
Water and Sewer	\$ 2,522,214	\$ 2,476,587	\$ 2,456,552	\$ 2,827,203	\$ 2,900,898	\$ 3,050,893	\$ 3,419,738	\$ 3,149,996	\$ 3,251,556	3,691,322
Operating grants and contributions	-	-	73,650	-	-	-	78,344	-	206,484	144,989
Capital grants and contributions	2,006,765	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	4,528,979	2,476,587	2,530,202	2,827,203	2,900,898	3,050,893	3,498,082	3,149,996	3,458,040	3,836,311
Total government program revenues	\$ 7,104,845	\$ 3,260,253	\$ 3,274,338	\$ 3,544,834	\$ 3,671,805	\$ 3,935,013	\$ 4,253,241	\$ 4,029,966	\$ 4,838,080	\$ 5,091,544

TOWN OF SHALLOTTE, NORTH CAROLINA
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

TABLE 2

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (expense) /revenue										
Governmental activities	\$ (501,067)	\$ (2,316,074)	\$ (2,610,779)	\$ (2,725,023)	\$ (2,757,929)	\$ (2,949,669)	\$ (3,342,779)	\$ (3,296,737)	\$ (3,384,190)	\$ (3,884,207)
Business-type activities	1,903,848	(191,468)	(152,073)	40,139	164,165	262,745	393,559	17,551	71,643	357,927
Total primary government net expense	\$ 1,402,781	\$ (2,507,542)	\$ (2,762,852)	\$ (2,684,884)	\$ (2,593,764)	\$ (2,686,924)	\$ (2,949,220)	\$ (3,279,186)	\$ (3,312,547)	\$ (3,526,280)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Ad Valorem	\$ 2,490,607	\$ 2,450,227	\$ 2,472,547	\$ 2,504,991	\$ 2,467,973	\$ 2,279,688	\$ 2,240,357	\$ 2,368,267	\$ 2,384,174	\$ 2,417,459
Other taxes	922,814	1,299,390	1,394,566	1,435,264	1,653,168	1,709,773	1,739,424	1,893,674	1,928,244	2,013,077
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Investment earnings	9,784	10,537	853	24	18	355	614	30,811	60,503	80,596
Disposal of capital assets	-	-	-	-	-	-	101,970	-	19,843	-
Miscellaneous	18,645	15,359	235,632	133,334	92,068	50,424	-	56,006	61,631	11,669
Special Item: Demolishment of Buildings (1)	-	-	(302,529)	-	-	-	-	-	-	-
Transfer from (to) other funds	-	-	-	-	-	-	-	-	-	-
Total governmental activities	3,441,850	3,775,513	3,801,069	4,073,613	4,213,227	4,040,240	4,082,365	4,348,758	4,454,395	4,522,801
Business-type activities:										
Investment earnings	7,045	5,989	1,083	543	452	615	753	13,564	29,122	39,761
Miscellaneous	11,624	-	-	-	53,907	44,341	82,995	243,701	154,402	144,174
Total business-type activities	18,669	5,989	1,083	543	54,359	44,956	83,748	257,265	183,524	183,935
Total primary government	\$ 3,460,519	\$ 3,781,502	\$ 3,802,152	\$ 4,074,156	\$ 4,267,586	\$ 4,085,196	\$ 4,166,113	\$ 4,606,023	\$ 4,637,919	\$ 4,706,736
Change in Net Position										
Governmental activities	\$ 2,940,783	\$ 1,459,439	\$ 1,190,290	\$ 1,348,590	\$ 1,455,298	\$ 1,090,571	\$ 739,586	\$ 1,052,021	\$ 1,070,205	\$ 638,594
Business-type activities	1,922,517	(185,479)	(150,990)	40,682	218,524	307,701	477,307	274,816	255,167	541,862
Total primary government	\$ 4,863,300	\$ 1,273,960	\$ 1,039,300	\$ 1,389,272	\$ 1,673,822	\$ 1,398,272	\$ 1,216,893	\$ 1,326,837	\$ 1,325,372	\$ 1,180,456

Notes:

- (1) The Town purchased several properties in May, 2009 and in September and October, 2010 on which buildings were located. Some of the buildings were rented from 2009 thru 2011. During the 2011-12 fiscal year, the Town decided not to keep renting the buildings and the buildings were demolished in August, 2012. The book value of the buildings at the time of the demolishment was \$302,529.
- (2) In fiscal year 2015, pursuant to the implementation of GASB Statement No. 68, the Town's proportionate share of the Local Governmental Employees' Retirement System's beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014) totaling \$357,606 were recognized as an adjustment to beginning net position in the current year. Of this amount \$268,312 related to governmental activities and \$89,294 related to business-type activities.
- (3) In fiscal year 2017, pursuant to the implementation of GASB Statement No. 73, the Town's total pension liability of the Law Enforcement Officer's Special Separation Allowance and the effects on net position of benefit payments and administrative expenses paid by the Town during the measurement period (calendar year ending December 31, 2106) totaling \$41,246 were recognized as an adjustment to beginning net position in the current year.
- (4) In fiscal year 2018, pursuant to the implementation of GASB No. 75, the Town's beginning net other postemployment benefits liability totaling \$118,871 was recognized as an adjustment to beginning net position in the current year. Of this amount, \$90,368 related to governmental activities and \$28,503 related to business-type activities.

TOWN OF SHALLOTTE, NORTH CAROLINA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	18,767	38,758	54,059	24,183
Restricted	397,914	607,323	437,736	521,409
Committed	-	-	-	-
Assigned	64,404	78,350	227,500	381,650
Unassigned	4,331,657	5,074,263	5,989,162	5,788,898
Total general fund	<u>\$ 4,812,742</u>	<u>\$ 5,798,694</u>	<u>\$ 6,708,457</u>	<u>\$ 6,716,140</u>
All other governmental funds				
Reserved	-	-	-	-
Unreserved, reported in :				
Capital projects fund	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes: Includes General and Capital Project Funds.

The Town made the option to adopt GASB 54 fund balance presentation prospectively.

TABLE 3

Fiscal Year					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-
40,291	40,091	20,247	19,242	58,934	80,474
530,051	533,198	440,242	568,099	623,749	679,221
-	-	-	-	-	-
540,688	405,686	391,686	421,686	1,243,186	1,364,410
4,989,472	5,304,962	6,331,430	6,646,882	5,988,594	6,350,462
<u>\$ 6,100,502</u>	<u>\$ 6,283,937</u>	<u>\$ 7,183,605</u>	<u>\$ 7,655,909</u>	<u>\$ 7,914,463</u>	<u>\$ 8,474,567</u>
-	-	-	-	-	-
-	-	-	-	(92,730)	(48,852)
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(92,730)</u>	<u>\$ (48,852)</u>

TOWN OF SHALLOTTE, NORTH CAROLINA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrued Basis of Accounting)

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues										
Taxes:										
Ad valorem taxes	\$ 2,309,605	\$ 2,354,986	\$ 2,524,206	\$ 2,563,202	\$ 2,560,816	\$ 2,385,962	\$ 2,396,710	\$ 2,376,207	\$ 2,406,273	\$ 2,444,431
Other taxes and licenses	82,690	59,229	17,332	20,628	640	645	765	600	620	600
Unrestricted intergovernmental	808,801	1,210,731	1,351,134	1,386,468	1,636,694	1,678,023	1,705,220	1,855,240	1,902,343	2,011,593
Restricted intergovernmental	679,610	740,850	702,558	685,190	745,587	906,665	773,972	944,908	1,368,662	1,171,081
Permits and fees	63,729	45,782	61,177	50,734	53,113	21,961	25,175	22,803	32,484	72,613
Sales and services	2,166	1,804	1,362	1,889	1,657	2,866	3,845	4,403	4,175	3,074
Investment earnings	9,784	10,537	853	24	18	355	614	30,811	60,503	80,596
Miscellaneous	15,862	29,784	10,829	15,842	34,345	50,424	73,226	33,737	64,331	18,874
Total revenues	3,972,247	4,453,703	4,669,451	4,723,977	5,032,870	5,046,901	4,979,527	5,268,709	5,839,391	5,802,862
Expenditures										
General government	1,362,481	787,978	942,403	2,046,787	4,795,368	1,642,035	812,406	1,129,327	1,820,136	1,041,671
Public safety	1,784,306	2,030,584	2,022,028	2,883,655	1,999,175	2,029,194	2,188,990	2,514,636	3,104,093	2,882,978
Transportation	367,388	400,312	552,073	595,593	528,616	645,885	373,728	459,359	409,556	343,689
Economic and physical development	139,038	99,030	96,625	92,042	98,144	123,144	112,954	88,110	115,553	176,156
Cultural and recreational	1,945	5,922	4,034	2,329	2,120	3,318	244,082	257,423	274,700	333,633
Debt service										
Principal retirement	78,583	78,650	81,967	63,921	138,652	312,775	293,417	295,453	293,540	341,379
Interest and other charges	66,409	65,275	60,558	57,853	87,156	107,115	79,181	75,888	72,540	79,374
Total expenditures	3,800,150	3,467,751	3,759,688	5,742,180	7,649,231	4,863,466	4,104,758	4,820,196	6,090,118	5,198,880
Excess (deficiency) of revenues over (under) expenditures	172,097	985,952	909,763	(1,018,203)	(2,616,361)	183,435	874,769	448,513	(250,727)	603,982

TOWN OF SHALLOTTE, NORTH CAROLINA
Changes in Fund balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrued Basis of Accounting)

TABLE 4

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Other financing sources(uses)										
Transfer from other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,350	\$ 90,900
Transfer to other funds	-	-	-	-	-	-	-	-	(62,350)	(90,900)
Issuance of installment obligations	59,414	-	-	1,025,886	2,000,000	-	-	-	381,311	-
Sale of capital assets	2,782	-	-	-	723	-	24,899	23,791	17,143	-
Total other financing sources (uses)	<u>62,196</u>	<u>-</u>	<u>-</u>	<u>1,025,886</u>	<u>2,000,723</u>	<u>-</u>	<u>24,899</u>	<u>23,791</u>	<u>398,454</u>	<u>-</u>
 Net change in fund balances	 \$ 234,293	 \$ 985,952	 \$ 909,763	 \$ 7,683	 \$ (615,638)	 \$ 183,435	 \$ 899,668	 \$ 472,304	 \$ 147,727	 \$ 603,982
 Debt service as a percentage of noncapital expenditures	 5.01%	 4.94%	 4.51%	 3.77%	 6.60%	 10.90%	 9.51%	 9.10%	 7.99%	 8.09%

TOWN OF SHALLOTTE, NORTH CAROLINA
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

TABLE 5

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Company	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Taxable Value As a Percentage of Actual Value
2011	872,532,331	18,947,454	12,495,197	903,974,982	\$ 0.2700	100%
2012	653,386,531	25,056,722	5,701,245	684,144,498	\$ 0.3500	100%
2013	664,833,798	19,353,252	5,760,850	689,947,900 (1)	\$ 0.3500	100%
2014	665,733,895	37,312,875	5,313,722	708,360,492	\$ 0.3500	100%
2015	640,965,168	63,749,439	6,871,909	711,586,516	\$ 0.3500	100%
2016	608,818,122	37,465,644	7,019,026	653,302,792	\$ 0.3500	100%
2017	618,280,509	40,057,458	7,352,028	665,689,995	\$ 0.3500	100%
2018	624,655,183	40,830,118	7,577,228	673,062,529	\$ 0.3500	100%
2019	629,795,483	54,134,131	6,028,496	689,958,110	\$ 0.3450	100%
2020	611,948,406	68,246,125	6,059,347	686,253,878	\$ 0.3525	100%

Source: Brunswick County Tax Office

Notes: (1) A reevaluation of real property is required by the North Carolina General Statutes at least every eight years. Real estate in Brunswick County is reassessed once every four years. Property is assessed at 100 percent of value. Tax rates are per \$100 of assessed value.

TOWN OF SHALLOTTE, NORTH CAROLINA
Property Tax Rates-Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

TABLE 6

Fiscal Year Ended	Town Rate	Brunswick County Rate	Total Direct & Overlapping Rates
2011	\$ 0.2700	\$ 0.3050	\$ 0.5750
2012	\$ 0.3500	\$ 0.4425	\$ 0.7925
2013	\$ 0.3500	\$ 0.4425	\$ 0.7925
2014	\$ 0.3500	\$ 0.4425	\$ 0.7925
2015	\$ 0.3500	\$ 0.4425	\$ 0.7925
2016	\$ 0.3500	\$ 0.4850	\$ 0.8350
2017	\$ 0.3500	\$ 0.4850	\$ 0.8350
2018	\$ 0.3500	\$ 0.0485	\$ 0.3985
2019	\$ 0.3450	\$ 0.4850	\$ 0.8300
2020	\$ 0.3525	\$ 0.4850	\$ 0.8300

Source: County of Brunswick Tax Office.

Notes: Overlapping rates are those of the county government that apply to property owners within the Town of Shallotte. This is in addition to the town tax rate that is levied on residents within the corporate limits. The Town tax rate may not exceed \$1.50 per \$100 of assessed value under state law.

TOWN OF SHALLOTTE, NORTH CAROLINA
Top Ten Taxpayers
Current and Nine Years Ago

TABLE 7

Taxpayer	2020			2011		
	Taxable Assessed	Rank	Percentage of	Taxable Assessed	Rank	Percentage of
	Value		Total Taxable Assessed Value	Value		Total Taxable Assessed Value
Walmart Real Estate Business Trust	\$ 16,313,132	1	2.38%	17,081,533	2	1.88%
Shallotte Crossing LLC	16,091,050	2	2.34%	17,530,171	1	1.93%
Lowes Home Centers Inc.	9,768,417	3	1.42%	10,628,348	3	1.17%
Highlands Forest Holdings LLC	6,614,432	4	0.96%	-	-	-
David Rourk et al	6,500,700	5	0.95%	5,223,302	7	0.57%
Brunswick Electric Membership Corp	6,059,347	6	0.88%	5,701,245	6	0.63%
Professional Properties of Oklahoma	5,538,740	7	0.81%	-	-	-
Birch Pond NC LLC	5,130,058	8	0.75%	-	-	-
ZP No 131 LLC	4,842,640	9	0.71%	-	-	-
OHI Asset NC Shallotte LLC	4,560,970	10	0.66%	-	-	-
Rivers Edge Golf Club & Plantation	-	-	0.00%	10,106,228	4	1.11%
Inland American Shallotte LLC	-	-	0.00%	7,256,649	5	0.80%
Sandler at Shallotte LLC	-	-	0.00%	4,173,530	8	0.46%
Noyes Holdings LLC	-	-	0.00%	4,152,584	9	0.46%
Red Apple Group LLC	-	-	0.00%	4,131,400	10	0.45%
	<u>\$ 81,419,486</u>		<u>11.85%</u>	<u>85,984,990</u>		<u>9.46%</u>

Source: Brunswick County Tax Office.

TOWN OF SHALLOTTE, NORTH CAROLINA

Property Tax Levies and Collection
Last Ten Fiscal Years

TABLE 8

Fiscal Year Ended June 30,	Total Tax Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 2,470,171	\$ 2,165,580	88.21%	\$ 286,916	\$ 2,452,496	99.28%
2012	2,397,930	2,154,070	89.82%	233,201	2,387,271	99.56%
2013	2,423,813	2,218,788	91.54%	192,566	2,411,354	99.49%
2014	2,416,522	2,318,548	95.95%	90,706	2,409,254	99.70%
2015	2,542,190	2,351,783	92.51%	184,645	2,536,428	99.77%
2016	2,291,334	2,199,401	95.99%	86,073	2,285,474	99.74%
2017	2,337,871	2,273,355	97.24%	54,627	2,327,982	99.58%
2018	2,359,079	2,309,045	97.88%	29,020	2,338,065	99.11%
2019	2,382,516	2,330,023	97.83%	21,106	2,351,129	98.68%
2020	2,421,021	2,374,795	98.09%	-	2,374,795	98.09%

Source: Brunswick County Tax Office.

TOWN OF SHALLOTTE, NORTH CAROLINA

TABLE 9

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Purchases	Capitalized Leases	Installment Obligations	Capitalized Leases			
2011	\$ -	\$ 1,542,839	\$ 40,063	\$ -	\$ -	\$ 1,582,902	1.30%	428
2012	-	1,483,745	20,507	375,000	-	1,879,252	1.46%	496
2013	-	1,422,285	-	250,000	-	1,672,285	1.23%	428
2014	-	2,306,583	77,667	125,000	102,028	2,611,278	1.77%	647
2015	-	4,189,900	55,698	-	79,150	4,324,748	2.75%	1,057
2016	-	3,899,661	11,340	-	79,150	3,990,151	2.30%	927
2017	-	3,612,450	5,134	-	41,360	3,658,944	1.97%	820
2018	-	3,322,131	-	78,377	-	3,400,508	1.69%	724
2019	-	3,409,902	-	78,377	-	3,488,279	1.67%	714
2020	-	3,068,525	-	39,588	-	3,108,113	1.46%	624

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

(1) See Table 14, Demographic and Economic Statistics for personal income and population data.

TOWN OF SHALLOTTE, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

TABLE 10

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes:			
Brunswick County General Obligation Bonds	\$ 62,590,000	3.41%	\$ 2,132,519
Brunswick County Limited Obligation Bonds	26,340,000	3.41%	897,436
Subtotal, overlapping debt			<u>3,029,955</u>
 Direct debt-Town of Shallotte (1)	 <u>3,068,525</u>	 100.00%	 <u>3,068,525</u>
Total direct and overlapping debt			<u><u>\$ 6,098,480</u></u>

Sources: Population data used to estimate applicable percentages came from the Office of State Budget and Management.

Outstanding debt data came from the governmental unit's notes to the financial statements.

Notes: (1) The percentage of overlapping debt applicable is estimated using population figures.

Applicable percentages were estimated by dividing the Town's population by the County's population.

TOWN OF SHALLOTTE, NORTH CAROLINA

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Debt limit	\$ 72,745,349	\$ 54,816,667	\$ 55,401,435	\$ 56,706,172
Total net debt applicable to debt limit	1,497,463	1,793,813	1,586,846	2,525,839
Legal debt margin	\$ 71,247,886	\$ 53,022,854	\$ 53,814,589	\$ 54,180,333
Total net debt applicable to the debt limit as a percentage of the debt limit	2.06%	3.27%	2.86%	4.45%

Legal Debt Margin for Fiscal Year 2020

Total assessed valuation at June 30, 2020	\$ 686,253,878
Debt limit: 8% of total assessed value	\$ 54,900,310
Amount of debt applicable to debt limit:	
Installment purchases	3,108,113
Less Deductions:	
Water and Sewer Installment purchases/capital leases	39,588
Amount set aside to pay USDA loans	85,439
Total deductions	125,027
Total net debt subject to limit	2,983,086
Legal Debt Margin	\$ 51,917,224

Notes: Under state law, the Town's debt limit should not exceed 8% of the Town's assessed valuation.

Total net debt is total outstanding bonds debt (other than revenue bonds) plus other outstanding debt minus funding and refunding bonds authorized but not yet issued and bonded debt incurred for water and sewer enterprise operations.

TABLE 11

Fiscal Year					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 34,109,275	\$ 52,319,749	\$ 53,319,535	\$ 53,864,936	\$ 55,229,273	\$ 54,900,310
4,239,309	3,904,712	3,532,145	3,236,692	3,324,463	2,983,086
\$ 29,869,966	\$ 48,415,037	\$ 49,787,390	\$ 50,628,244	\$ 51,904,810	\$ 51,917,224
12.43%	7.46%	6.62%	6.01%	6.02%	5.43%

TOWN OF SHALLOTTE, NORTH CAROLINA
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE 12

Fiscal Year Ended June 30	Population (1)	Personal Income	Per Capita Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
2011	3,699	\$ 121,545,441	\$ 32,859	47.97	3,232	10.3%
2012	3,785	128,970,090	34,074	48.39	3,203	10.3%
2013	3,908	135,822,540	34,755	48.84	3,189	9.1%
2014	4,033	147,511,008	36,576	49.30	3,243	6.9%
2015	4,090	157,129,620	38,418	49.74	3,306	7.1%
2016	4,304	173,429,680	40,295	50.20	3,252	5.8%
2017	4,462	185,703,978	41,619	50.64	3,203	4.8%
2018	4,697	200,792,053	42,749	50.98	3,228	5.0%
2019	4,885	208,828,865	42,749	51.27	3,262	5.2%
2020	4,979	Not Available	Not Available	51.53	3,212	8.3%

Sources and notes:

- (1) Office of State Budget and Management's certified municipal estimates. 2019 is estimated based on prior historical increases.
- (2) United States Bureau of Economic Analysis. These numbers are for Brunswick County as a whole, which includes the Town of Shallotte. No reliable numbers are available for the Town due to its small population. Latest per capital income available is for 2018. This number is used for 2019.
- (3) Office of State Budget and Management, Median age statistics are for Brunswick County as a whole, which includes the Town of Shallotte.
- (4) NC Board of Education and for 2014 & 2015, the US Department of Education. Enrollment numbers are not available for the entire school year of 19-20 due to the coronavirus.
- (5) North Carolina Employment Security Commission. This is the rate for Brunswick County, the county in which Shallotte is located. Reliable data could not be found for Shallotte for all years and the data that was found is close to that of the County.

TOWN OF SHALLOTTE, NORTH CAROLINA
Principal Employers
Current Year and Nine Years Ago

TABLE 13

Employer	2020			2011		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Brunswick County Board of Education	379	1	22.25%	344	1	22.05%
Wal-Mart Associates, Inc.	272	2	15.97%	247	2	15.83%
Atlantic Telephone Membership Cooperative	205	3	12.04%	186	3	11.92%
Lowe's Companies, Inc.	133	4	7.81%	121	4	7.76%
The Home Depot	125	5	7.34%	-	-	0.00%
Belks Inc.	87	6	5.11%	79	5	5.06%
Town of Shallotte	78	7	4.64%	57	6	3.65%
Food Lion LLC	68	8	3.99%	62	7	3.97%
McDonalds Corporation	45	10	2.64%	41	8	2.63%
Naber Chrysler Jeep Dodge	0	0	0.00%	38	9	2.44%
Hardee's Restaurants LLC	44	11	2.58%	40	10	2.56%
The Shallotte Electric Stores	32	12	1.88%	29	11	1.86%
						0.00%
						0.00%
	<u>1,468</u>		<u>86.25%</u>	<u>1,244</u>		<u>79.73%</u>

Sources: For 2020 data came from each individual business. For 2011, data was estimated.

TOWN OF SHALLOTTE, NORTH CAROLINA
 Full-time Equivalent Town Governmental Employees by Function
 Last Ten Fiscal Years

TABLE 14

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government*	5	5	2	19	17	19	19	19	19	22
Planning	2	1	1	1	1	1	1	1	2	2
Police **	15	18	16	15	22	19	16	17	17	18
Fire	16	16	16	14	16	14	10	17	17	13
Transportation	3	4	2	4	6	4	4	5	4	4
Cultural and recreational	0	0	0	0	0	3	4	3	3	3
Water	6	5	4	5	3	5	5	5	7	7
Sewer	10	11	8	10	9	9	7	11	10	9
	57	60	49	68	74	74	66	78	79	78

Source: Town Finance Department.

*Includes elected officials beginning 7/1/14.

**Includes Fire Marshal until 7/1/15.

TOWN OF SHALLOTTE, NORTH CAROLINA

Operating Indicators by Function Last Ten Fiscal Years

	Fiscal Year			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government				
Number of tax bills issued excluding motor vehicles	3479	3539	3542	3287
Police				
Felony charges	105	51	47	62
Misdemeanor charges	201	212	219	151
Citations	977	980	845	803
Fire				
Fire calls answered	1109	310	272	347
Emergency responses	300	1171	1248	1291
Public Utilities:				
Water customers	1,822	1,996	1,848	2,124
Water purchased (in gallons)	146,392,130	143,027,590	108,750,700	102,804,610
Sewer customers	1,727	1,799	1,799	2,097
Sewer purchased (in gallons)	113,360,980	115,394,882	125,088,897	129,685,595

Source: Various Town departments.

TABLE 15

Fiscal Year					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
3495	3495	3608	3611	3537	3608
44	65	90	50	62	58
168	224	186	119	167	217
620	661	553	498	390	157
463	545	676	1338	708	558
1293	1293	1356	648	1342	1,352
1,936	1,963	1,995	2,128	2,100	2,199
118,428,080	88,843,920	142,933,887	175,939,423	167,320,680	167,086,640
2,123	1,097	2,081	2,049	2,035	2,094
143,849,853	153,047,641	123,475,151	129,903,334	150,079,184	141,884,700

TOWN OF SHALLOTE, NORTH CAROLINA

Capital Asset Statistics by Function

Last Ten Fiscal Years

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police					
Stations	1	1	1	1	1
Patrol units	13	13	13	14	14
Fire					
Fire Stations	3	3	3	3	3
Transportation					
Streets (Miles)	23.88	24.69	25.95	26.4	26.5
Cultural and recreational					
Parks	0	0	0	0	0
Community centers	1	1	1	1	1
Public Utilities:					
Liftstations	21	21	21	21	21
Miles of water mains	54.31	54.31	54.31	54.43	54.43
Miles of sewer mains	73.41	73.68	74.17	74.33	74.33

Sources: Various government departments.

TABLE 16

Fiscal Year				
<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1	1	1	1	1
14	14	14	15	15
3	3	3	3	3
26.5	26.5	26.5	26.5	27.76
1	1	1	1	1
1	1	2	2	2
21	21	21	21	22
54.43	54.76	54.93	55.14	55.35
74.44	74.78	75.16	75.21	77.64

COMPLIANCE SECTION

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Shallotte, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Shallotte's basic financial statements, and have issued our report thereon dated January 11, 2021. Our report includes a reference to other auditors who audited the financial statements of the Town of Shallotte ABC Board, as described in our report on the Town of Shallotte's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Shallotte ABC Board and the Shallotte 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 Town of Shallotte's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shallotte's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be

material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. [2020-01]

Compliance and Other Matters

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

Town of Shallotte's Response to Findings

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

Purpose of this Report

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

W Greene, PLLC

Whiteville, North Carolina
January 11, 2021

TOWN OF SHALLOTTE, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2020

SECTION I. SUMMARY OF AUDITOR'S RESULTS

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X No

Significant deficiency(s)?

 x Yes None
Reported

Noncompliance material to financial statements noted

 Yes X No

TOWN OF SHALLOTTE, NORTH CAROLINA
Schedule of Findings and Responses (Continued)
For the Fiscal Year Ended June 30, 2020

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding: 20-01 Prior Period Adjustment

SIGNIFICANT DEFICIENCY

Criteria: Certain matters related to internal control over financial reporting are required to be communicated.

Condition: There was an adjustment recorded to correct beginning net position because of a correction to increase Water and Sewer Fund inventory in the amount of \$177,300.

Effect: This is an indicator of a control deficiency that is regarded as a significant deficiency.

Cause: The error occurred because pumps were purchased and stored for later use by the Town's maintenance department. This fact was not communicated to the Town's new finance director at the time the pumps were purchased. The error was found by the finance director before the year end, when work on the subsequent year's audit was beginning. A prior period adjustment to beginning inventory was recorded to correct the error.

Recommendation: The finance officer should review to ensure that all balances are properly adjusted for the correct amounts and included in the financial statements.

Views of Responsible Officials and Planned Corrective Actions:

The Town agrees with this finding. Additional review will be performed to check balances of accounts to ensure they are correct.



TOWN OF SHALLOTTE

Post Office Box 2287 • Shallotte, North Carolina 28459

Telephone: (910) 754-4032 • Facsimile: (910) 754-2740

Town of Shallotte, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2020

SECTION II. FINANCIAL STATEMENT FINDINGS

Significant Deficiency

20-01 Prior Period Adjustment

Name of Contact Person Isaac Norris, Jr., CPA, Finance Director

Corrective Action The Finance Director and the Public Works Director will meet to discuss the items that need to be included in the ending inventory of the Water and Sewer Fund at June 30. A discussion will also be held as to how these items will be valued.

Proposed Completion Date The Town will implement this procedure in its count of the ending inventory at June 30, 2021.

TOWN OF SHALLOTTE, NORTH CAROLINA
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

Finding: 2018-1
Status: Corrected