

***REVIEWED***

***By SLGFD at 3:16 pm, Feb 22, 2022***

TOWN OF LAKE WACCAMAW  
LAKE WACCAMAW, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2021

**Town of Lake Waccamaw  
Financial Statements  
June 30, 2021**

Mayor  
Matt Wilson

Town Commissioner's  
  
Frank Carroll - West Ward  
  
Terry Littrell - West Ward  
  
Teresa Neisler - East Ward  
  
Rosemary Dorsey - East Ward

Town Clerk  
Meredith Parker

Town Manager  
Damon Kempski

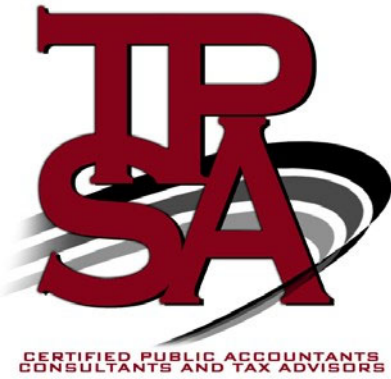
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## FINANCIAL SECTION



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***Gregory S. Adams, CPA***

### Independent Auditors' Report

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lake Waccamaw, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lake Waccamaw ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lake Waccamaw ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Lake Waccamaw ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit, and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lake Waccamaw, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2022 on our consideration of the Town of Lake Waccamaw's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Lake Waccamaw's internal control over financial reporting and compliance.

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

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
January 18, 2022



## Management's Discussion and Analysis

As management of the Town of Lake Waccamaw, we offer readers of the Town of Lake Waccamaw's financial statements this narrative overview and analysis of the financial activities of the Town of Lake Waccamaw for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

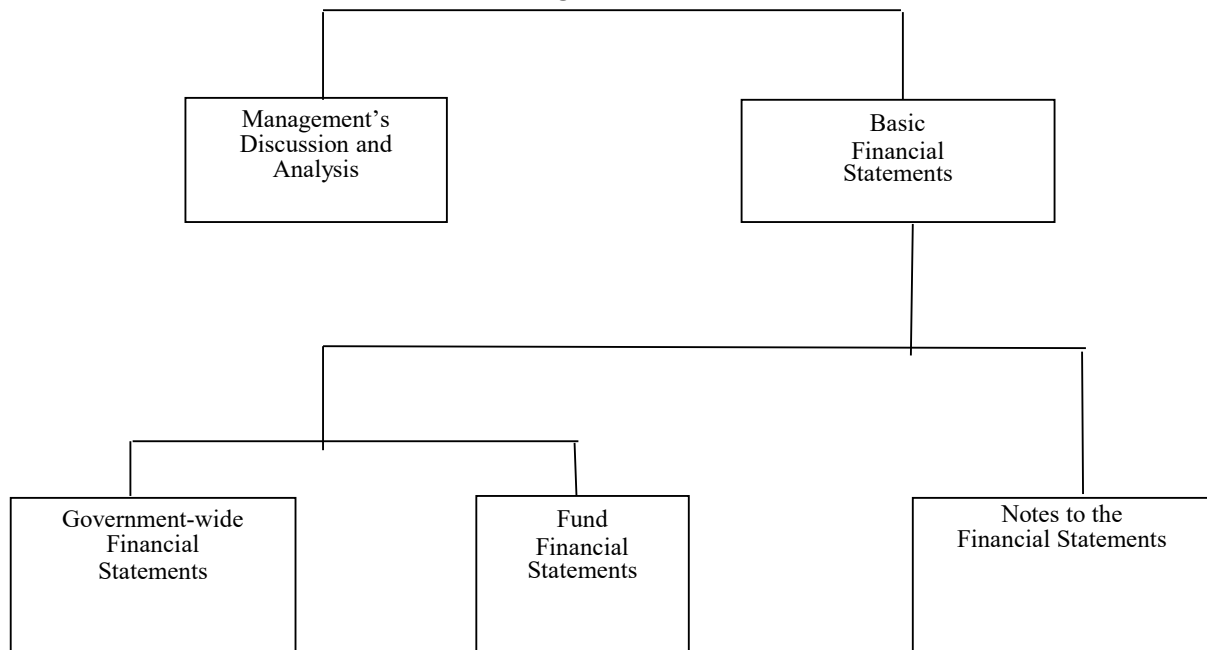
- The assets and deferred outflows of resources of the Town of Lake Waccamaw exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,185,905 (*net position*) .
- The government's total net position increased by \$268,983, primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Lake Waccamaw governmental funds reported combined ending fund balances of \$1,709,789, an increase of \$188,702 in comparison with the prior year. Approximately 28.01 percent of this total amount, or \$478,959 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,164,508 or 99.79 percent of total general fund expenditures for the fiscal year.

## Overview of the Financial Statements

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

### Required Components of Annual Financial Report

Figure 1



Summary-----Details

## Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

## Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) a component unit. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water, sewer and sanitation services offered by the Town of Lake Waccamaw. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

## Fund Financial Statements

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

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

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

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

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

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

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

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

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,761,030	\$ 1,556,435	\$ 1,929,413	\$ 1,687,408	\$ 3,317,465	\$ 3,243,843
Capital assets	2,071,147	2,119,412	8,213,663	8,010,206	10,284,810	10,129,618
Deferred outflows of resources	126,110	83,073	46,249	41,391	172,359	124,464
Total liabilities and deferred outflows of resources	3,958,287	3,758,920	10,189,325	9,739,005	13,774,634	13,497,925
Long-term liabilities outstanding	126,577	111,440	1,273,479	1,149,340	1,400,056	1,260,780
Other liabilities	73,874	75,639	365,779	155,300	439,653	230,939
Deferred inflow of resources	10,402	5,885	-	-	10,402	5,885
Total liabilities and deferred inflows of resources	210,853	192,964	1,639,258	1,304,640	1,850,111	1,497,604
Net position:						
Net investment in capital assets	2,047,977	2,073,649	6,874,816	6,843,869	8,922,793	8,917,518
Restricted	478,959	361,768	-	-	478,959	361,768
Unrestricted	1,108,902	1,047,140	1,675,251	1,590,496	2,784,153	2,637,636
Total net position	\$ 3,635,838	\$ 3,482,557	\$ 8,550,067	\$ 8,434,365	\$ 12,185,905	\$ 11,916,922

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Lake Waccamaw exceeded liabilities and deferred inflows by \$12,185,905 as of June 30, 2021. The Town's net position increased by \$268,983 for the fiscal year ended June 30, 2021. However, the largest portion (73.22%) reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment). The Town of Lake Waccamaw uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lake Waccamaw's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$478,959, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,784,153 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.01%, which is slightly above the statewide average of 98.96%.

## Government-Wide Financial Analysis

### Town of Lake Waccamaw's Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 78,744	\$ 40,470	\$ 1,316,252	\$ 1,002,660	\$ 1,394,996	\$ 1,043,130
Operating grants & contributions	163,478	130,349	-	-	163,478	130,349
Capital grants & contributions	-	-	20,261	-	20,261	-
General revenues:						
Property taxes	537,809	530,455	-	-	537,809	530,455
Other taxes	562,964	523,367	-	-	562,964	523,367
Other	14,941	55,967	14,008	11,175	28,949	67,142
Total revenues	<u>1,357,936</u>	<u>1,280,608</u>	<u>1,350,521</u>	<u>1,013,835</u>	<u>2,708,457</u>	<u>2,294,443</u>
Expenses:						
General government	413,532	335,198	-	-	413,532	335,198
Public safety	552,608	591,436	-	-	552,608	591,436
Transportation	200,537	186,003	-	-	200,537	186,003
Environmental Protection	3,813	14,369	-	-	3,813	14,369
Cultural & Recreation	32,998	22,462	-	-	32,998	22,462
Interest on Long-term Debt	1,167	2,078	-	-	1,167	2,078
Water, sewer, & sanitation	-	-	1,234,818	1,115,673	1,234,818	1,115,673
Total expenses	<u>1,204,655</u>	<u>1,151,546</u>	<u>1,234,818</u>	<u>1,115,673</u>	<u>2,439,473</u>	<u>2,267,219</u>
Increase (Decrease) in net position before transfers	153,281	129,062	115,703	(101,838)	268,984	27,224
Transfers	-	-	-	-	-	-
Increase (Decrease) in net position	153,281	129,062	115,703	(101,838)	268,984	27,224
Net position, July 1	3,482,557	3,353,495	8,434,365	8,536,203	11,916,922	11,889,698
Net position, June 30	<u>\$ 3,635,838</u>	<u>\$ 3,482,557</u>	<u>\$ 8,550,068</u>	<u>\$ 8,434,365</u>	<u>\$ 12,185,906</u>	<u>\$ 11,916,922</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$153,281. Key elements of this increase are as follows:

- Increase in zoning and inspections revenue and addition of a Code Enforcement officer.
- Increase in property taxes and other taxes.

**Business-type activities:** Business-type activities increased the Town of Lake Waccamaw's net position by \$115,703. Key elements of this increase are as follows:

- Charges for water and sewer services increased approximately \$93,000 and \$169,000, respectively, over last year.
- Grant revenue for sewer assessment.

## Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Lake Waccamaw. At the end of the current fiscal year, the Town of Lake Waccamaw's fund balance available in the General Fund was \$1,230,830 while total fund balance reached \$1,709,789.

At June 30, 2021, the governmental funds of the Town of Lake Waccamaw reported a combined fund balance of \$1,709,789 with a net increase in fund balance of \$188,702.

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

The budgetary amendments for FY 20-21 were due to necessary increases in appropriations in order to meet and maintain service needs of the Town's departments.

**Proprietary Funds.** The Town of Lake Waccamaw's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$1,675,251. The total increase in net position was \$115,702.

### Capital Assets and Debt Administration

**Capital Assets.** The Town of Lake Waccamaw's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$10,284,811 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

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

- Vehicle additions
- Computer and security hardware
- Turnout Gear
- Well water project additions

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,094,378	\$ 1,094,378	\$ 152,665	\$ 152,665	\$ 1,247,043	\$ 1,247,043
Buildings and Distribution Systems and Infrastructure	472,006	481,905	7,424,572	7,696,032	7,896,578	8,177,937
Equipment & Vehicles	504,763	543,129	243,220	157,009	747,983	700,138
Construction in Progress	-	-	393,207	4,500	393,207	4,500
Total	\$ 2,071,147	\$ 2,119,412	\$ 8,213,664	\$ 8,010,206	\$ 10,284,811	\$ 10,129,618

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

**Long-term Debt.** As of June 30, 2021, the Town of Lake Waccamaw has debt outstanding of \$1,362,018, which is backed by the full faith and credit of the Town.

**Outstanding Debt  
Figure 5**

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	
	2021	2020	2021	2020	2021	2020
Direct placement installment purchases	\$ 23,170	\$ 45,763	\$ -	\$ -	\$ 23,170	\$ 45,763
Revolving Loans	-	-	1,338,848	1,166,336	1,338,848	1,166,336
Total	\$ 23,170	\$ 45,763	\$ 1,338,848	\$ 1,166,336	\$ 1,362,018	\$ 1,212,099

**Town of Lake Waccamaw Outstanding Debt.** The Town of Lake Waccamaw total debt increased by \$149,919 (12.37%) during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Lake Waccamaw is \$20,174,062. The Town had no bonds authorized but unissued at June 30, 2021.

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

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

**Budget Highlights for the Fiscal Year Ending June 30, 2022**

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

**Business-type Activities:** The water and sewer rates are expected to remain the same next year. Water and sewer projects are expected to continue as planned, and additional grant funds have been awarded in the coming year. There was no fund balance appropriated in the Water / Sewer Fund.

**Requests for Information**

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

## BASIC FINANCIAL STATEMENTS



**Town of Lake Waccamaw, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Lake Waccamaw ABC Board
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,274,557	\$ 1,732,797	\$ 3,007,354	\$ 214,851
Taxes Receivable (Net)	7,087	-	7,087	-
Accrued Interest Receivable on Taxes	427	-	427	-
Accounts Receivable (Net)	150,918	216,343	367,261	413
Due From Other Governments	3,637	-	3,637	-
Inventories	-	6,304	6,304	148,272
Prepaid Expenses	-	-	-	-
Internal Balances	62,158	(62,158)	-	-
Restricted cash and cash equivalents	262,246	36,127	298,373	-
Total Current Assets	1,761,030	1,929,413	3,690,443	363,536
Non-current Assets:				
Capital Assets:				
Land, Non-depreciable Improvements, and Construction in Progress	1,094,378	545,872	1,640,250	-
Other Capital Assets, Net of Depreciation	976,769	7,667,791	8,644,560	-
Total Capital Assets	2,071,147	8,213,663	10,284,810	-
Total Assets	3,832,177	10,143,076	13,975,253	363,536
<b>Deferred Outflows of Resources</b>				
Contributions to Pension Plan in Current Fiscal Year	41,469	20,930	62,399	6,400
Pension Deferrals	84,641	25,319	109,960	-
Total Deferred Outflows of Resources	126,110	46,249	172,359	6,400
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	43,727	168,074	211,801	114,395
Accrued Interest Payable	-	2,614	2,614	-
Current portion of long-term liabilities	30,147	158,964	189,111	-
Payable from restricted assets	-	36,127	36,127	-
Total current liabilities	73,874	365,779	439,653	114,395
Long-Term Liabilities:				
Due in more than one year	-	1,209,592	1,209,592	-
Accrued Vacation	20,930	-	20,930	240
Total Pension Liability	90,666	-	90,666	-
Net Pension Liability	126,577	63,887	190,464	6,075
Total long-term liabilities	238,173	1,273,479	1,511,652	6,315
Total Liabilities	312,047	1,639,258	1,951,305	120,710
<b>Deferred Inflows of Resources</b>				
Prepaid Taxes	-	-	-	-
Pension Deferrals	10,402	-	10,402	-
Total Deferred Inflows of Resources	10,402	-	10,402	-
<b>Net Position</b>				
Net Investment in Capital Assets	2,047,977	6,874,816	8,922,793	-
Restricted for:				
Stabilization by State Statute	216,713	-	216,713	-
Other functions	262,246	-	262,246	73,357
Unrestricted	1,108,902	1,675,251	2,784,153	175,869
Total Net Position	\$ 3,635,838	\$ 8,550,067	\$ 12,185,905	\$ 249,226

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

**Town of Lake Waccamaw, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Lake Waccamaw ABC Board
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 413,532	\$ 78,640	\$ 63,802	\$ -	\$ (271,090)	\$ -	\$ (271,090)	\$ -
Public safety	552,608	104	27,401	-	(525,103)	-	(525,103)	-
Transportation	200,537	-	72,275	-	(128,262)	-	(128,262)	-
Environmental protection	3,813	-	-	-	(3,813)	-	(3,813)	-
Cultural and recreation	32,998	-	-	-	(32,998)	-	(32,998)	-
Interest on Long-Term Debt	1,167	-	-	-	(1,167)	-	(1,167)	-
Total governmental activities	1,204,655	78,744	163,478	-	(962,433)	-	(962,433)	-
Business-type activities:								
Water	269,116	408,982	-	20,261	-	160,127	160,127	-
Sewer	695,521	674,997	-	-	-	(20,524)	(20,524)	-
Sanitation	270,181	232,272	-	-	-	(37,909)	(37,909)	-
Total business-type activities	1,234,818	1,316,251	-	20,261	-	101,694	101,694	-
Total primary government	\$ 2,439,473	\$ 1,394,995	\$ 163,478	\$ 20,261	(962,433)	101,694	(860,739)	-
Component Unit:								
Lake Waccamaw ABC Board	\$ 753,561	\$ 784,847	\$ -	\$ -	-	-	-	31,286
Total Component Unit	\$ 753,561	\$ 784,847	\$ -	\$ -	-	-	-	31,286
General revenues:								
Taxes:								
Property taxes, levied for general purpose					537,809	-	537,809	-
Other taxes and license					562,964	-	562,964	-
Unrestricted investment earnings					1,848	-	1,848	2
Miscellaneous					13,093	14,008	27,101	-
Loss on Asset Disposal					-	-	-	-
Total general revenues not including transfers					1,115,714	14,008	1,129,722	2
Transfers					-	-	-	-
Total general revenues and transfers					1,115,714	14,008	1,129,722	2
Change in net position					153,281	115,702	268,983	31,288
Net position, beginning					3,482,557	8,434,365	11,916,922	217,938
Net position, ending					\$ 3,635,838	\$ 8,550,067	\$ 12,185,905	\$ 249,226

**Town of Lake Waccamaw, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,274,557	\$ 1,274,557
Restricted Cash	262,246	262,246
Receivables, net:		
Taxes	7,087	7,087
Accounts	150,918	150,918
Due from other governments	3,637	3,637
Due from other funds	62,158	62,158
Total assets	<u>\$ 1,760,603</u>	<u>\$ 1,760,603</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 43,727	\$ 43,727
Total liabilities	<u>43,727</u>	<u>43,727</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	7,087	7,087
Prepaid taxes	-	-
Total deferred inflows of resources	<u>7,087</u>	<u>7,087</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	216,713	216,713
Streets	163,340	163,340
Public Safety	98,906	98,906
Assigned:		
Subsequent Year's Expenditures	66,322	66,322
Unassigned	1,164,508	1,164,508
Total fund balances	<u>1,709,789</u>	<u>1,709,789</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,760,603</u>	<u>\$ 1,760,603</u>

**Town of Lake Waccamaw, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

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

Total Fund Balance, Governmental Funds	\$	1,709,789
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	4,373,070	
Accumulated depreciation	<u>(2,301,923)</u>	2,071,147
Deferred outflows of resources related to pensions are not reported in the funds		84,641
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		41,469
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		427
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		7,087
Deferred inflows of resources related to pensions are not reported in the funds		(10,402)
Net pension asset (liability)	(126,577)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	(23,170)	
Total pension asset (liability)	<u>(90,666)</u>	(240,413)
Other liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(27,907)</u>
Net position of governmental activities	<u>\$</u>	<u>3,635,838</u>

**Town of Lake Waccamaw, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Ad valorem taxes	\$ 535,489	\$ 535,489
Other taxes and licenses	436,709	436,709
Unrestricted intergovernmental	125,176	125,176
Restricted intergovernmental	164,557	164,557
Permits and fees	38,934	38,934
Investment earnings	1,848	1,848
Miscellaneous	52,903	52,903
Total revenues	<u>1,355,616</u>	<u>1,355,616</u>
<b>EXPENDITURES</b>		
Current:		
General government	427,904	427,904
Public safety	494,993	494,993
Transportation	198,492	198,492
Environmental protection	3,813	3,813
Cultural and recreational	17,952	17,952
Economic Development	-	-
Debt Service:		
Principal	22,593	22,593
Interest & Other Charges	1,167	1,167
Total expenditures	<u>1,166,914</u>	<u>1,166,914</u>
Excess (deficiency) of revenues over expenditures	<u>188,702</u>	<u>188,702</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from (to) other funds	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	188,702	188,702
Fund balances, beginning	1,521,087	1,521,087
Fund balances, ending	<u>\$ 1,709,789</u>	<u>\$ 1,709,789</u>

**Town of Lake Waccamaw, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$	188,702
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	76,674		
Depreciation expense for governmental assets	(124,939)		(48,265)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			41,469
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues			1,651
Change in accrued interest on taxes receivable			669

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

New long-term debt issued	-		
Principal payments on long-term debt	22,593		
Increase in accrued interest payable	-		22,593

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

Compensated absences & related liabilities			4,118
Pension expense			(57,656)

Total changes in net position of governmental activities	\$	153,281
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**Town of Lake Waccamaw, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 512,703	\$ 526,797	\$ 535,489	\$ 8,692
Other taxes and licenses	313,568	420,017	436,709	16,692
Unrestricted intergovernmental revenues	120,800	109,233	125,176	15,943
Restricted intergovernmental revenues	199,967	212,150	164,557	(47,593)
Permits and fees	2,100	38,504	38,934	430
Investment Earnings	9,000	1,752	1,848	96
Miscellaneous	59,625	63,492	52,903	(10,589)
Total revenues	1,217,763	1,371,945	1,355,616	(16,329)
<b>Expenditures:</b>				
Current:				
General government	372,100	432,804	427,904	4,900
Public safety	568,203	536,043	494,993	41,050
Transportation	184,779	202,634	198,492	4,142
Environmental protection	5,350	3,843	3,813	30
Cultural and recreation	169,721	20,102	17,952	2,150
Debt Service:				
Principal retirement	-	20,003	22,593	(2,590)
Interest and fees	-	3,757	1,167	2,590
Total expenditures	1,300,153	1,219,186	1,166,914	52,272
Revenues over/(under) expenditures	(82,390)	152,759	188,702	35,943
Other financing sources (uses):				
Transfer from (to) other fund:				
Sewer fund	-	(726)	-	726
Total other financing sources (uses)	-	(726)	-	726
Appropriated Fund Balance	82,390	(152,033)	-	152,033
Net change in fund balance	\$ -	\$ -	188,702	\$ 188,702
Fund balance, beginning of year			1,521,087	
Fund balance, end of year			\$ 1,709,789	

**Town of Lake Waccamaw, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,358,678	\$ 374,119	\$ -	\$ 1,732,797
Accounts receivable (net)	53,293	130,610	32,440	216,343
Due from other governments	-	-	-	-
Inventories	6,304	-	-	6,304
Due From Other Funds	-	-	-	-
Restricted cash and cash equivalents	10,062	23,215	2,850	36,127
Total current assets	<u>1,428,337</u>	<u>527,944</u>	<u>35,290</u>	<u>1,991,571</u>
Noncurrent assets:				
Capital assets:				
Land and other non-depreciable assets	419,981	125,891	-	545,872
Other capital assets, net of depreciation	419,609	7,248,182	-	7,667,791
Capital Assets (net)	<u>839,591</u>	<u>7,374,073</u>	<u>-</u>	<u>8,213,663</u>
Total noncurrent assets	<u>839,591</u>	<u>7,374,073</u>	<u>-</u>	<u>8,213,663</u>
Total Assets	<u>2,267,928</u>	<u>7,902,017</u>	<u>35,290</u>	<u>10,205,234</u>
<b>Deferred Outflows of Resources</b>				
Contributions to pension plan	7,918	13,012	-	20,930
Pension Deferrals	9,578	15,741	-	25,319
Total deferred outflows of resources	<u>17,496</u>	<u>28,753</u>	<u>-</u>	<u>46,249</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts Payable and Accrued Liabilities	141,925	26,149	-	168,074
Due to Other Funds	-	-	62,158	62,158
Compensated Absences - Current	3,423	4,005	-	7,427
Accrued Interest Payable	-	2,614	-	2,614
Loans Payable - Current	61,324	90,213	-	151,537
Liabilities payable from restricted assets:				
Customer Deposits	10,062	23,215	2,850	36,127
Total Current Liabilities	<u>216,734</u>	<u>146,196</u>	<u>65,008</u>	<u>427,937</u>
Noncurrent Liabilities				
Net Pension Liability	24,169	39,718	-	63,887
Compensated Absences	10,268	12,014	-	22,281
Loans Payable-Noncurrent	201,400	985,911	-	1,187,311
Total Noncurrent liabilities	<u>235,837</u>	<u>1,037,643</u>	<u>-</u>	<u>1,273,479</u>
Total Liabilities	<u>452,571</u>	<u>1,183,838</u>	<u>65,008</u>	<u>1,701,416</u>
<b>Deferred Inflows of Resources</b>				
Pension deferrals	-	-	-	-
<b>Net Position</b>				
Net Investment in Capital Assets	576,867	6,297,949	-	6,874,816
Unrestricted	1,255,986	448,983	(29,718)	1,675,251
Total Net Position of Business-Type Activities	<u>\$ 1,832,853</u>	<u>\$ 6,746,932</u>	<u>\$ (29,718)</u>	<u>\$ 8,550,067</u>



**Town of Lake Waccamaw, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Operating revenues:				
Sanitation charges	\$ -	\$ -	\$ 232,272	\$ 232,272
Charges for Services	397,607	662,817	-	1,060,424
Other operating revenues	11,375	12,180	-	23,555
Total operating revenues	<u>408,982</u>	<u>674,997</u>	<u>232,272</u>	<u>1,316,251</u>
Operating Expenses:				
Sanitation services	-	-	270,181	270,181
Water treatment and distribution	235,617	-	-	235,617
Sewer operations	-	414,217	-	414,217
Depreciation	33,499	264,430	-	297,929
Total operating expenses	<u>269,116</u>	<u>678,647</u>	<u>270,181</u>	<u>1,217,944</u>
Operating income (loss)	<u>139,866</u>	<u>(3,650)</u>	<u>(37,909)</u>	<u>98,307</u>
Nonoperating revenues (expenses):				
Interest and fees	-	(16,874)	-	(16,874)
Sales Tax Refund	1,923	6,257	-	8,180
Grant Revenues	-	20,261	-	20,261
Miscellaneous income	715	5,113	-	5,828
Total nonoperating revenues (expenses)	<u>2,638</u>	<u>14,757</u>	<u>-</u>	<u>17,395</u>
Income (Loss) Before Contributions and Transfers	<u>142,504</u>	<u>11,107</u>	<u>(37,909)</u>	<u>115,702</u>
Capital Contributions	-	-	-	-
Transfers (to) from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Income (Loss) After Contributions and Transfers	<u>142,504</u>	<u>11,107</u>	<u>(37,909)</u>	<u>115,702</u>
Change in Net Position	<u>142,504</u>	<u>11,107</u>	<u>(37,909)</u>	<u>115,702</u>
Total Net Position, Beginning	<u>1,690,349</u>	<u>6,735,825</u>	<u>8,191</u>	<u>8,434,365</u>
Total Net Position, Ending	<u>\$ 1,832,853</u>	<u>\$ 6,746,932</u>	<u>\$ (29,718)</u>	<u>\$ 8,550,067</u>

**Town of Lake Waccamaw, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ 697,311	\$ 606,780	\$ 223,611	\$ 1,527,702
Cash paid for goods and services	(289,003)	(218,475)	(273,181)	(780,659)
Cash paid to employees for services	(115,140)	(179,241)	-	(294,381)
Customer deposits received / (returned)	(466)	2,444	(179)	1,799
Net cash provided by (used in) operating activities	292,702	211,508	(49,749)	454,461
Cash flows from capital and related financing activities:				
Loan proceeds received	262,724	-	-	262,724
Acquisition and construction of capital assets	(431,470)	(69,917)	-	(501,387)
Principal paid on bond maturities and equipment contracts	-	(90,212)	-	(90,212)
Interest paid on bond maturities and equipment contracts	-	(17,350)	-	(17,350)
Capital contributions- State grant	-	20,261	-	20,261
Sales tax refund	1,923	6,257	-	8,180
Miscellaneous income	716	5,113	-	5,829
Net cash provided by (used in) capital and related financing activities	(166,107)	(145,848)	-	(311,955)
Cash flows from non-capital financing activities:				
Increase (Decrease) in due to other funds	-	-	44,415	44,415
Net cash provided by (used in) non-capital financing activities	-	-	44,415	44,415
Cash flows from investment activities:				
Interest on investments	-	-	-	-
Net increase (decrease) in cash and cash equivalents	126,595	65,660	(5,334)	186,921
Cash and cash equivalents, July 1	1,242,145	331,674	8,184	1,582,003
Cash and cash equivalents, June 30	<u>\$ 1,368,740</u>	<u>\$ 397,334</u>	<u>\$ 2,850</u>	<u>\$ 1,768,924</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	<u>\$ 139,866</u>	<u>\$ (3,650)</u>	<u>\$ (37,909)</u>	<u>\$ 98,307</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	33,499	264,430	-	297,929
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(22,385)	(68,217)	(8,661)	(99,263)
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in deferred outflows of resources for pensions	(1,749)	(3,109)	-	(4,858)
Increase (decrease) in accounts payable, accrued liabilities and advance	137,252	11,544	(3,000)	145,796
Increase (decrease) in accrued vacation pay	3,947	3,247	-	7,194
Increase (decrease) in net pension liability	2,738	4,819	-	7,557
Increase (decrease) in deferred inflows of resources for pensions	-	-	-	-
Increase (decrease) in customer deposits	(466)	2,444	(179)	1,799
Total adjustments	152,836	215,158	(11,840)	356,154
Net cash provided by (used in) operating activities	<u>\$ 292,702</u>	<u>\$ 211,508</u>	<u>\$ (49,749)</u>	<u>\$ 454,461</u>

**TOWN OF LAKE WACCAMAW, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**Town of Lake Waccamaw ABC Board**

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

**B. Basis of Presentation**

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

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

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

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

The Town reports the following major governmental fund:

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

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

The Town reports the following major enterprise funds:

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

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

Sanitation Fund - This fund is used to account for the Town's sanitation operations.

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

#### D. Budgetary Data

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

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

##### 1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning investment contracts are accountable for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The Town of Lake Waccamaw did not have any investments at June 30, 2021.

##### 2. Cash and Cash Equivalents

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

##### 3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. In addition, the amount maintained in a money market account as security for a loan on a fire truck is restricted until the loan is paid. Also the cash received for the Fire District taxes and the funds in the Fireman's Relief Fund account are restricted. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through G.S. 136-41.4.

#### Town of Lake Waccamaw-Restricted Cash

##### Governmental Activities

General Fund	
Streets	\$ 163,340
Public Safety	98,906
Total Governmental Activities	<u>\$ 262,246</u>

##### Business-type Activities

Water Fund	
Customer Deposits	\$ 10,062
Sewer Fund	
Customer Deposits	23,215
Sanitation Fund	
Customer Deposits	2,850
Total Business-type Activities	<u>\$ 36,127</u>
Total Restricted Cash	<u>\$ 298,373</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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020.

#### 5. Allowances for Doubtful Accounts

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

#### 6. Inventory and Prepaid Items

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

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

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

#### 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The Town defines capital assets as assets with an individual cost of \$500 or more. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight--line basis over the following estimated useful lives:

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

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

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

#### 8. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meets the criterion for this category- property taxes receivable and pension deferrals.

#### 9. Long-Term Obligations

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

#### 10. Compensated Absences

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

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

Both the Town and the ABC Board's sick leave policies provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 11. Net Position/Fund Balances

### Net Position

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

### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted for Fire department.

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

Assigned Fund Balance - portion of fund balance that the Town of Lake Waccamaw intends to use for specific purposes.

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



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

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

#### 12. Defined Benefit Cost-Sharing Plans

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

### NOTE II: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Significant Violations Of Finance-Related Legal and Contractual Provisions

##### 1. Noncompliance with North Carolina General Statutes

The Town added a Code Enforcement/Building Inspector during the fiscal year. The expenditures for this department are not accounted for separately, but rather are included in the Administration department. According to G.S. and 160A-414, fees collected under the inspections department should be used for the activities of the Inspections Department and no other purpose. The Town should create a separate department for Inspections/Code Enforcement, complete with its own budget, to separately track the revenues and expenses attributable to the inspections department by type.

The Town adopted a capital project ordinance for the Public Water Supply Improvements Project in March of 2019. This project is financed primarily thorough a loan from the NCDEQ. Expenditures for this project began during the 6/30/21 fiscal year, but no separate project fund is recorded on the books, and expenditures are being accounted for in the water fund. Revenues and expenditures associated with this project should be recorded in the correct manner.

Additionally, the Capital Project Ordinance for the Public Water Supply Improvements Project requires the Budget Officer to include a detailed analysis of the past and future costs and revenues on this capital project in every budget submission made to the board. The appropriated budget for the project were missing in both the 2021 and 2022 fiscal year budgets.

##### 2. Contractual Violations

During the fiscal year, expenditures for the Public Water Supply Improvements Project began. Requisitions for loan amounts were also requested to pay for these expenditures. Funds received from the NCDEQ are required to be expended within three days of being received from the state. Two payments made by the Town to contractors were not made timely.

The Town has two separate active projects that are receiving revenue from the NCDEQ. The first is the Public Water Supply Improvements Project (water fund) which is financed in part through an SRF loan. The second is an infrastructure assessment and inventory management project which is funded in part through an AIA grant (sewer fund). During the year, revenues and expenditures for both of these projects were recorded incorrectly. Grant revenues of \$13,025 were erroneously coded to grant revenue in the water fund. Additionally, sewer expenditures associated with the AIA Grant were paid from the water fund and were not tracked to the sewer project.

#### B. Deficit in Fund Balance of Individual Funds Not Appropriated in the Subsequent Year's Budget

As of June 30, 2021, the Sanitation Fund had a deficit fund balance of \$29,718. A reduction in operating expenditures in the coming year will allow the Town to fund the deficit in the next fiscal year.

C. Excess of Expenditures over Appropriation

For the fiscal year ended June 30, 2021, the expenditures made in the Town's Water Fund exceeded the authorized appropriations made by the governing board by \$28,112.

NOTE III: DETAIL NOTES ON ALL FUNDS

A. - Assets

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$3,305,727, and a bank balance of \$3,352,017. The carrying amount of deposits for the ABC Board was \$214,851 and the bank balance was \$229,895. The bank balance of the ABC Board was fully covered by federal depository insurance. Of the Town's bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$50 and the ABC Board's totaled \$800.

2. Accounts Receivable

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

	Governmental Activities	Business-type Activities
Charges for Services Receivable-Billed	\$ -	\$ 181,522
Charges for Services Receivable-Unbilled	-	34,821
County/Motor Vehicle	3,637	-
Franchise Tax Receivable	18,253	-
State Sales Tax Receivable	15,333	-
Miscellaneous	1,871	-
Local Option Sales Tax Receivable	115,461	-
Total	<u>\$ 154,555</u>	<u>\$ 216,343</u>

### 3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts.

<u>Fund</u>	<u>6/30/2021</u>
General Fund:	
Taxes Receivable	<u>\$ 7,600</u>
Enterprise Funds:	
Accounts Receivable	<u>\$ 2,519</u>

### 4. Capital Assets

#### **Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 1,094,378	\$ -	\$ -	\$ 1,094,378
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>1,094,378</u>	<u>-</u>	<u>-</u>	<u>1,094,378</u>
<b>Capital assets being depreciated</b>				
Buildings & Infrastructure	1,119,493	4,800	-	1,124,293
Equipment	892,418	11,380	-	903,798
Vehicles	1,190,107	60,494	-	1,250,601
Total capital assets being depreciated	<u>3,202,018</u>	<u>76,674</u>	<u>-</u>	<u>3,278,692</u>
<b>Less accumulated depreciation for:</b>				
Buildings & Infrastructure	637,588	14,699	-	652,287
Equipment	677,717	35,546	-	713,263
Vehicles	861,679	74,694	-	936,373
Total accumulated depreciation	<u>2,176,984</u>	<u>\$ 124,939</u>	<u>\$ -</u>	<u>2,301,923</u>
Total capital assets being depreciated, net	<u>1,025,034</u>			<u>976,769</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 2,119,412</u>			<u>\$ 2,071,147</u>

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

General Government	\$ 14,213
Public Safety	89,569
Transportation	6,112
Cultural & Recreational	15,045
Total Depreciation Expense	<u>\$ 124,939</u>

**Business-type activities:****Water Fund**

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 26,774	\$ -	\$ -	\$ 26,774
Construction in Progress	4,500	388,707	-	393,207
Total capital assets not being depreciated	31,274	388,707	-	419,981
<b>Capital assets being depreciated</b>				
Plant and distribution systems	3,085,051	-	-	3,085,051
Vehicles and Equipment	192,983	42,763	-	235,746
Total Capital assets being depreciated	3,278,034	42,763	-	3,320,797
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	2,686,501	28,868	-	2,715,369
Vehicles and Equipment	181,187	4,631	-	185,818
Total accumulated depreciation	2,867,688	\$ 33,499	\$ -	2,901,187
Total capital assets being depreciated, net	410,346			419,610
<b>Water fund capital assets, net</b>	<u>\$ 441,620</u>			<u>\$ 839,591</u>

**Sewer Fund**

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 125,891	\$ -	\$ -	\$ 125,891
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	125,891	-	-	125,891
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	11,137,697	-	-	11,137,697
Vehicles and Equipment	301,802	69,917	-	371,719
Total capital assets being depreciated	11,439,499	69,917	-	11,509,416
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	3,840,215	242,592	-	4,082,807
Vehicles and Equipment	156,589	21,838	-	178,427
Total accumulated depreciation	3,996,804	\$ 264,430	\$ -	4,261,234
Total capital assets being depreciated, net	7,442,695			7,248,182
<b>Sewer fund capital assets, net</b>	<u>7,568,586</u>			<u>7,374,073</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 8,010,206</u>			<u>\$ 8,213,664</u>

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

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

## B. Liabilities

### 1. Pension Plan Obligations

#### a. Local Governmental Employees' Retirement System

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Lake Waccamaw employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Lake Waccamaw's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Lake Waccamaw were \$62,399 for the year ended June 30, 2021.

*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, 2021, the Town reported a liability of \$190,464 for its proportionate share of the net pension liability. The net liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.005330%, which was a decrease of .0000510% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$72,685. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected & actual experience	\$ 24,052	\$ -
Changes of assumptions	14,174	-
Net difference between projected and actual earnings on pension plan investments	26,803	-
Changes in proportion & differences between Town contributions and proportionate share of contributions	10,453	-
Town contributions subsequent to the measurement date	62,399	-
Total	<u>\$ 137,881</u>	<u>\$ -</u>

\$62,399 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 23,170
2023	27,912
2024	16,468
2025	7,932
2026	-
Thereafter	<u>-</u>

*Actuarial Assumptions* . The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	Discount		
	1% Decrease (6.00%)	Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 386,430	\$ 190,464	\$ 27,602

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

b. Law Enforcement Officers Special Separation

1. *Plan Description*

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

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2019, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies :*

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

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

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

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.



#### 4. Contributions

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

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

At June 30, 2021, the Town reported a total pension liability of \$90,666. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$8,600.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,386	\$ 8,719
Changes of assumptions	32,092	1,683
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
	<u>\$ 34,478</u>	<u>\$ 10,402</u>

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

#### **Year ended June 30:**

2022	\$ 2,594
2023	2,528
2024	1,797
2025	907
2026	907
Thereafter	1,669

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 1.93 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 (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	<b>1% Decrease (0.93%)</b>	<b>Discount Rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Total pension liability	\$ 98,974	\$ 90,666	\$ 82,849

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

	<u>2021</u>
Beginning balance	\$ 59,380
Service cost	3,455
Interest on the total pension liability	1,936
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(7,111)
Changes of assumptions or other inputs	33,006
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 90,666</u>

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

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

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension Expense	\$ 72,685	\$ 8,600	\$ 81,285
Pension Liability	\$ 190,464	\$ 90,666	\$ 281,130
Proportionate share of the net pension liability	0.0053%	n/a	
Deferred of Outflows of Resources			
Difference between expected and actual experiences	\$ 24,052	\$ 2,386	\$ 26,438
Changes in assumptions	14,174	32,092	46,266
Net difference between projected and actual earnings on plan investment	26,803	-	26,803
Changes in proportion and differences between contributions and proportionate share of contributions	10,453	-	10,453
Benefit payments and administrative costs paid subsequent to measurement date	62,399	-	62,399
Deferred of Inflows of Resources			
Difference between expected and actual experiences	-	8,719	8,719
Changes in assumptions	-	1,683	1,683
Net difference between projected and actual earnings on	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$7,946, which contributed solely by the Town.

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 62,399
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	26,438
Change of assumptions	46,266
Net difference between projected and actual	26,803
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,453
Total	<u><u>\$ 172,359</u></u>

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

Taxes Receivable, less penalties (General Fund)	\$ 7,087
Differences between expected and actual experience	8,719
Change of assumptions and other inputs	1,683
Total	<u><u>\$ 17,489</u></u>

#### 4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professionals liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town does not carry flood insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

The Lake Waccamaw ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverages. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

#### 5. Claims, Judgments and Contingent Liabilities

As of June 30, 2021, the Town was not involved in any legal actions that, in the opinion of management and the Town's attorney, would have an adverse or material effect on the Town's financial position.

#### 6. Long-Term Obligations

##### a. Installment Purchase

On December 22, 2014, the Town entered into a direct borrowing loan from BB&T for the purchase of a fire truck. Annual payments are \$23,760 for seven years and include interest at 2.550%. The balance on the loan at June 30, 2021 was \$23,170. Failure to pay or late payments will result in additional interest at an equal rate to the prime rate.

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

##### Governmental Activities

Year Ending June 30,	Principal	Interest	Total
2022	\$ 23,170	\$ 591	\$ 23,761
2023	-	-	-
2024	-	-	-
Total	<u>\$ 23,170</u>	<u>\$ 591</u>	<u>\$ 23,761</u>

Description of loans serviced by the Water and Sewer Funds:

Water Supply Improvements Loan

The Town entered into an agreement with the NCDEQ on March 12, 2019 for the approval of a \$ 262,724 \$1,226,475 note. This note is payable over a 20 year period at 1.82%. As of June 30, 2021, the Town had drawn and received proceeds of \$262,724. Principal payments of \$61,324 are due annually.

Bella Coola Revolving Loan

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

North Carolina Clean Water Revolving Loan

The Town entered an agreement with the NCDEQ-Division of Water Improvement on April 23, 2016 763,841 for the approval of a \$1,018,454 note. This note is payable over a 20 year period at 2.00%. The Town had drawn and received loan proceeds of \$957,004 by June 30, 2016. Principal payments of \$50,923 are due annually.

North Carolina Water Pollution Control Revolving Fund

In December 2012, the Town accepted financial assistance for the Phase 4 Sewer System Improvements 297,810 Project. The total assistance was \$996,132. One half of this principal amount will be forgiven, and the interest rate on the loan is zero percent. The term of the loan is scheduled for 20 years.

Total \$ 1,338,848

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

Fiscal Year Ended	Revolving Loans	
	Principal	Interest
2022	\$ 151,537	39,383
2023	137,064	35,464
2024	137,064	33,330
2025	137,064	31,195
2026	93,169	29,060
2027-2031	378,701	40,738
2032-2036	304,249	15,277
Total	\$ 1,338,848	\$ 224,447

Changes in Long – Term Liabilities

	Balance			Balance	Current Portion
	June 30, 2020	Increases	Decreases	June 30, 2021	of Balance
Governmental Activities:					
Direct borrowing & direct placement					
installment purchases	\$ 45,763	\$ -	\$ 22,593	\$ 23,170	\$ 23,170
Net Pension Obligation (LEO)	59,380	31,286	-	90,666	-
Compensated Absences	32,025	-	4,118	27,907	6,977
Net Pension Liability(LGERS)	103,155	23,422	-	126,577	-
Governmental activity long-term liabilities	\$ 240,323	\$ 54,708	\$ 26,711	\$ 268,320	\$ 30,147

	Balance			Balance	Current Portion
	June 30, 2020	Increases	Decreases	June 30, 2021	of Balance
Business-type Activities:					
Water Fund					
Revolving Loans	\$ -	\$ 262,724	-	\$ 262,724	\$ 61,324
Compensated Absences	9,744	3,947	-	13,691	3,423
Net Pension Liability (LGERS)	21,431	2,738	-	24,169	-
Water Fund long-term liabilities	<u>\$ 31,175</u>	<u>\$ 269,409</u>	<u>\$ -</u>	<u>\$ 300,584</u>	<u>\$ 64,747</u>
Sewer Fund					
Revolving Loans	\$ 1,166,336	\$ -	\$ 90,212	\$ 1,076,124	\$ 90,213
Compensated Absences	12,771	3,247	-	16,018	4,005
Net Pension Liability(LGERS)	34,899	4,819	-	39,718	-
Sewer Fund long-term liabilities	<u>\$ 1,214,006</u>	<u>\$ 8,066</u>	<u>\$ 90,212</u>	<u>\$ 1,131,860</u>	<u>\$ 94,218</u>
Business-type activity long-term liabilities	<u>\$ 1,245,181</u>	<u>\$ 277,475</u>	<u>\$ 90,212</u>	<u>\$ 1,432,444</u>	<u>\$ 158,964</u>

At June 30, 2021, the Town of Lake Waccamaw had a legal debt margin of \$20,174,062. There were no authorized bonds that had not been issued as of June 30, 2021.

C. Interfund Balances and Activity

Due to the General Fund from the Sanitation Fund \$ 62,158

The balances due between General Fund and the Sanitation Fund result from postings to the internal balance accounts rather than the central depository account throughout the year.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 2,071,147	\$ 8,213,664
less: long-term debt	23,170	1,338,848
	<u>\$ 2,047,977</u>	<u>\$ 6,874,816</u>

E. Fund Balance

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

Total Fund Balance-General Fund	\$ 1,709,789
Less:	
Stabilization by Statute	216,713
Street-Powell Bill	163,340
Appropriated Fund Balances in 2022 Budget	66,322
Public Safety	98,906
Remaining Fund Balance	<u>\$ 1,164,508</u>

NOTE IV: JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with several other municipalities and counties, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$7,500 to the Council during the fiscal year ended June 30, 2021.

NOTE V: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE VI: SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through January 18, 2022, the date the financial statements were available to be issued. There were no items to report.

## REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

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

Schedule of Contributions to Local Government Employees' Retirement System

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

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



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

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Lake Waccamaw's proportion of the net pension liability (asset) (%)	0.00533%	0.00584%	0.00675%	0.00711%	0.00730%	0.00635%	-0.00923%
Lake Waccamaw's proportion of the net pension liability (asset) (\$)	\$190,464	\$159,486	\$160,132	\$108,621	\$154,930	\$ 28,498	\$ (54,434)
Lake Waccamaw's covered payroll	\$538,883	\$559,807	\$560,560	\$549,640	\$540,550	\$544,171	\$520,281
Lake Waccamaw's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.34%	28.49%	28.57%	19.40%	28.19%	5.24%	-10.46%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

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

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

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

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 62,399	\$ 49,414	\$ 42,680	\$ 43,367	\$ 41,174	\$ 36,867	\$ 39,285
Contributions in relation to the contractually required contribution	62,399	49,414	42,680	43,367	41,174	36,867	39,285
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lake Waccamaw's covered payroll	\$ 605,992	\$ 538,883	\$ 559,807	\$ 560,560	\$ 549,640	\$ 540,550	\$ 544,171
Contributions as a percentage of covered payroll	10.30%	9.17%	7.62%	7.49%	7.49%	6.82%	7.14%

**Town of Lake Waccamaw, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Four Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 59,380	\$ 48,969	\$ 53,333	\$ 46,784
Service Cost	3,455	3,188	3,853	3,290
Interest on the total pension liability	1,936	1,782	1,613	1,806
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(7,111)	3,312	(2,543)	(3,638)
Changes in assumptions or other inputs	33,006	2,129	(2,733)	5,091
Benefit Payments	-	-	(4,554)	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 90,666</u>	<u>\$ 59,380</u>	<u>\$ 48,969</u>	<u>\$ 53,333</u>

**Town of Lake Waccamaw, North Carolina**  
**Schedule of Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Four Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 90,666	\$ 59,380	\$ 48,969	\$ 53,333
Covered payroll	\$ 148,975	\$ 148,775	\$ 186,838	\$ 182,917
Total pension liability as a percentage of covered payroll	60.86%	39.91%	26.21%	26.70%

Note to the schedules:

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

## SUPPLEMENTARY STATEMENTS

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

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**Town of Lake Waccamaw, North Carolina**  
**General Fund**  
**Balance Sheet**  
**June 30, 2021**

	June 30, 2021
<b>Assets</b>	
Cash and cash equivalents	\$ 1,274,557
Restricted Cash	262,246
Receivables (net):	
Taxes	7,087
Accounts	150,918
Due from other funds	62,158
Due from the County	3,637
Total assets	<u>\$ 1,760,603</u>
<b>Liabilities and fund balances</b>	
Liabilities:	
Due to other funds	\$ -
Accounts payable and accrued liabilities	43,727
Total liabilities	<u>43,727</u>
Deferred Inflows of Resources	
Property taxes receivable	<u>7,087</u>
Fund balances:	
Restricted:	
Stabilization by State Statute	216,713
Streets	163,340
Public Safety	98,906
Assigned:	
Subsequent year's expenditures	66,322
Unassigned	1,164,508
Total fund balances	<u>1,709,789</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,760,603</u>

**Town of Lake Waccamaw, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
<b>Revenues</b>			
Ad Valorem taxes:			
Taxes	\$ 526,333	\$ 535,025	\$ 8,692
Penalties and interest	464	464	-
Total	<u>526,797</u>	<u>535,489</u>	<u>8,692</u>
Other taxes and licenses:			
Local option sales tax	406,774	423,011	16,237
Fire District tax	13,243	13,683	440
Privilege license	-	15	15
Total	<u>420,017</u>	<u>436,709</u>	<u>16,692</u>
Unrestricted intergovernmental:			
Beer and Wine Tax	19,651	19,651	-
Tax refunds	6,623	21,955	15,332
Utilities Franchise Tax	82,959	83,570	611
Total	<u>109,233</u>	<u>125,176</u>	<u>15,943</u>
Restricted intergovernmental revenues:			
FEMA	63,803	63,802	(1)
NCDOT Reimbursement	-	30,000	30,000
Other Grants	104,993	27,401	(77,592)
Solid Waste Disposal Tax	1,079	1,079	-
Powell Bill allocation	42,275	42,275	-
Total	<u>212,150</u>	<u>164,557</u>	<u>(47,593)</u>
Permits and fees:			
Zoning permits	9,479	9,629	150
Inspection Fees & Permits	29,025	29,305	280
Total	<u>38,504</u>	<u>38,934</u>	<u>430</u>
Other Revenue:			
Investment earnings	1,752	1,848	96
Total	<u>1,752</u>	<u>1,848</u>	<u>96</u>
Miscellaneous:			
Officers' fees	104	104	-
City tags	2	2	-
Tank Rental	39,704	39,704	-
Activity Sponsorships & Donations	14,854	4,265	(10,589)
Other	8,828	8,828	-
Total	<u>63,492</u>	<u>52,903</u>	<u>(10,589)</u>
Total Revenues	<u>\$ 1,371,945</u>	<u>\$ 1,355,616</u>	<u>\$ (16,329)</u>

**Town of Lake Waccamaw, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
<b>Expenditures</b>			
General Government:			
Governing body:			
Board fees & expense	\$ 8,612	\$ 8,612	\$ -
Total governing body	8,612	8,612	-
Administration:			
Salaries	142,206	140,817	1,389
Social security	11,214	10,441	773
Retirement	12,500	11,695	805
Travel & Education	9,560	9,800	(240)
Utilities	5,200	4,786	414
Telephone	4,486	5,093	(607)
Audit fees	16,500	16,500	-
Repairs and upkeep	8,000	8,528	(528)
Maint. & Repair - Bldg./Grounds	1,400	1,307	93
Supplies and printing	6,200	6,214	(14)
Insurance	7,000	6,100	900
Insurance - group	23,500	22,959	541
Postage	1,300	1,388	(88)
City tags	728	729	(1)
Legal Fees	8,260	5,660	2,600
Contract Services	30,818	30,818	-
Planning board contract	7,500	7,500	-
Election expense	-	1,750	(1,750)
Unemployment	616	616	-
Dues & Subscriptions	2,750	2,711	39
Sales tax	50	21	29
Advertising	1,200	1,271	(71)
Planning board members	100	-	100
Computers and software	35,366	39,098	(3,732)
Miscellaneous	58,508	54,140	4,368
Copier Lease	3,800	3,920	(120)
Capital Outlay	25,430	25,430	-
Total administration	424,192	419,292	4,900
Total general government	432,804	427,904	4,900



**Town of Lake Waccamaw, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Public safety:			
Police department:			
Salaries - officers	147,109	136,265	10,844
Social security	13,000	12,372	628
Retirement	19,000	17,335	1,665
Gas and Oil	7,000	5,357	1,643
Maintenance & Repairs	17,755	18,159	(404)
Utilities	3,200	2,958	242
Uniform expense	584	716	(132)
Telephone	5,350	6,080	(730)
Insurance	11,182	11,182	-
Insurance - group	33,000	32,572	428
Retirement - 401K	15,000	7,946	7,054
Computer Service	6,970	7,042	(72)
Operating supplies	2,500	2,304	196
Supplies and printing	148	148	-
Copier Lease	352	352	-
Miscellaneous	948	1,089	(141)
Capital Outlay	31,695	31,695	-
Total	314,793	293,572	21,221
Fire and rescue:			
Salaries	107,064	90,201	16,863
Retirement	7,007	6,990	17
Social Security	8,146	7,883	263
Insurance - group	14,500	14,184	316
Telephone	2,200	2,497	(297)
Repairs, maintenance, and supplies	20,000	17,509	2,491
Gas and Oil	4,500	4,286	214
Utilities	5,600	5,588	12
Retirement dues	1,400	1,400	-
Insurance	25,152	25,152	-
Maintenance building	650	816	(166)
Supplies and materials	3,500	3,373	127
Education & Training	161	161	-
Computer Software	40	112	(72)
Copier Lease	352	352	-
OSFM Grant Match	14,671	14,671	-
SCBA Bottles	-	1	(1)
Miscellaneous	3,251	3,112	139
Capital Outlay	3,056	3,133	(77)
Total	221,250	201,421	19,829
Total public safety	536,043	494,993	41,050

**Town of Lake Waccamaw, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Transportation:			
Street department			
Salaries	57,624	55,182	2,442
Social security	4,400	4,148	252
Retirement	5,600	5,506	94
Gas and oil	3,700	3,539	161
Telephone	975	1,011	(36)
Insurance	3,791	3,791	-
Maintenance and repair	7,100	6,939	161
Supplies and materials	2,000	1,750	250
Street lights	35,846	35,788	58
Group insurance	8,900	7,775	1,125
Uniforms	1,000	877	123
Safety training	220	737	(517)
Travel	209	209	-
Maintenance and Improvements - Streets	71,269	71,240	29
Total	202,634	198,492	4,142
Environmental protection:			
Fogging:			
Miscellaneous	643	643	-
Chemicals and fuels	3,200	3,170	30
Total fogging	3,843	3,813	30
Total environmental protection	3,843	3,813	30
Cultural & Recreational:			
Recreation Utilities	10,510	10,581	(71)
Recreation Supplies & Materials	2,500	2,291	209
PartF Grant Expense	5,792	3,792	2,000
Insurance	1,300	1,288	12
Total cultural and recreational	20,102	17,952	2,150
Debt Service:			
Principal retirement	20,003	22,593	(2,590)
Interest and fees	3,757	1,167	2,590
Total debt service	23,760	23,760	-
Total expenditures	1,219,186	1,166,914	52,272
Revenues over (under) expenditures	152,759	188,702	35,943

**Town of Lake Waccamaw, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Other financing sources (uses):			
Transfers from (to) other funds:	(726)	-	726
Total	(726)	-	726
Appropriated From (Transfer to) Fund Balance	(152,033)	-	152,033
Net change in fund balance	\$ -	188,702	\$ 188,702
Fund balance:			
Beginning of year, July 1		1,521,087	
End of year, June 30		\$ 1,709,789	

**Town of Lake Waccamaw, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget & Actual (Non-GAAP)**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Water Revenue	\$ 364,608	\$ 397,607	\$ 32,999
Water Tap & Construction	10,800	10,800	-
Penalties, Reconnect and Meter Testing	575	575	-
Total Operating Revenues	<u>375,983</u>	<u>408,982</u>	<u>32,999</u>
Nonoperating Revenues:			
Sales Tax Refund	1,923	1,923	-
Grant Revenue	6,750	-	(6,750)
Miscellaneous	698	715	17
Total Nonoperating Revenues	<u>9,371</u>	<u>2,638</u>	<u>(6,733)</u>
Total Revenues	<u>385,354</u>	<u>411,620</u>	<u>26,266</u>
Expenditures:			
Water System:			
Salaries	87,221	84,106	3,115
Social Security	6,250	-	6,250
Retirement	8,200	14,958	(6,758)
Telephone	1,010	1,249	(239)
Maint. & Repair	10,000	8,047	1,953
Water Tank Maintenance	9,887	20,664	(10,777)
Group Insurance	18,405	17,313	1,092
Utilities	12,500	11,901	599
Insurance	8,461	8,461	-
Gas and Oil	3,000	2,709	291
Materials and Supplies	17,883	14,711	3,172
Postage and Billing	2,200	2,190	10
Travel	56	56	-
Lab Fees and Permits	6,431	6,401	30
Computer Service	9,250	9,250	-
Computer and Printer	3,703	261	3,442
Safety Training	146	136	10
Chemicals	5,800	5,993	(193)
Uniforms	1,500	1,692	(192)
Loan Origination Fees	24,530	24,530	-
Total Water System	<u>236,433</u>	<u>234,628</u>	<u>1,805</u>

**Town of Lake Waccamaw, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget & Actual (Non-GAAP)**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Capital Outlay:			
Water Projects	313,993	431,470	(117,477)
Total Capital Outlay	313,993	431,470	(117,477)
Total Expenditures	550,426	666,098	(115,672)
Revenues over (under) expenditures	(165,072)	(254,478)	(89,406)
Other Financing Sources (Uses):			
Loan Proceeds	275,749	262,724	(13,025)
Appropriated From (Transfer to) Fund Balance	(110,677)	-	110,677
Total Other Sources (Uses)	165,072	262,724	97,652
Revenues and Other Sources over Expenditures and Other Financing Uses	\$ -	8,246	\$ 8,246
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Loan proceeds		(262,724)	
Capital outlay		431,470	
Increase in deferred outflows of resources - pensions		1,749	
Decrease in net pension liability		(2,738)	
Depreciation		(33,499)	
Total Reconciling items		134,258	
Change in net position		\$ 142,504	

**Town of Lake Waccamaw, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget & Actual (Non-GAAP)**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Sewer Revenue	\$ 688,676	\$ 662,817	\$ (25,859)
Sewer Tap & Construction	11,700	11,700	-
Penalties, Reconnect and Other	500	480	(20)
Total Operating Revenues	<u>700,876</u>	<u>674,997</u>	<u>(25,879)</u>
Nonoperating Revenues:			
Miscellaneous	5,094	5,113	19
Grant Revenue	30,000	20,261	(9,739)
Sales Tax Refund	6,257	6,257	-
Total Nonoperating Revenues	<u>41,351</u>	<u>31,631</u>	<u>(9,720)</u>
Total Revenues	<u>742,227</u>	<u>706,628</u>	<u>(35,599)</u>
Expenditures:			
Sewer System:			
Salaries	133,938	129,982	3,956
Social Security	9,700	-	9,700
Retirement	14,000	24,308	(10,308)
Telephone	3,000	2,911	89
Maint. & Repair	39,750	37,198	2,552
Group Insurance	23,600	24,038	(438)
Utilities	50,000	44,990	5,010
Insurance	10,205	10,202	3
Gas and Oil	3,900	3,967	(67)
Materials and Supplies	10,000	8,604	1,396
Postage and Billing	2,200	2,191	9
Computer Service	6,510	6,582	(72)
Computer & Printer	14,028	261	13,767
Travel	1,136	1,136	-
Lab Fees and Permits	19,334	17,772	1,562
Safety Training	146	136	10
Sludge Removal	23,395	23,394	1
Chemicals	20,000	18,490	1,510
Grant Match	-	4,160	(4,160)
AIA Grant Expenditure	1,280	24,785	(23,505)
Uniforms	2,251	2,400	(149)
Total Sewer System	<u>388,373</u>	<u>387,507</u>	<u>866</u>

**Town of Lake Waccamaw, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget & Actual (Non-GAAP)**  
**For the Year Ended June 30, 2021**

	2021		
Debt Service:			
Interest and fees	16,874	16,874	-
Principal retirement	90,453	90,212	241
Total debt service	<u>107,327</u>	<u>107,086</u>	<u>241</u>
Capital Outlay:			
Miscellaneous Sewer	101,297	94,917	6,380
Total Capital Outlay	<u>101,297</u>	<u>94,917</u>	<u>6,380</u>
Total Expenditures	<u>596,997</u>	<u>589,510</u>	<u>7,487</u>
Revenues over (under) expenditures	145,230	117,118	(28,112)
Other Financing Sources (Uses):			
Loans Received		-	-
Appropriated Fund Balance	(145,230)	-	145,230
Operating transfers in (out):			
Capital Project	-	-	-
General Fund	-	-	-
Total Other Sources (Uses)	<u>(145,230)</u>	<u>-</u>	<u>145,230</u>
Revenues and Other Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>117,118</u>	<u>\$ 117,118</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Principal retirement		90,212	
Capital outlay		69,917	
Increase in deferred outflows of resources - pensions		3,109	
Increase in net pension liability		(4,819)	
Decrease in deferred inflows of resources - pensions		-	
Transfer from Capital Project		-	
Depreciation		(264,430)	
Total Reconciling items		<u>(106,011)</u>	
Change in net position		<u>\$ 11,107</u>	

**Town of Lake Waccamaw, North Carolina**  
**Sanitation Fund**  
**Schedule of Revenues and Expenditures**  
**Budget & Actual (Non-GAAP)**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Sanitation Fees	\$ 216,673	\$ 232,272	\$ 15,599
Total Operating Revenues	216,673	232,272	15,599
Restricted Intergovernmental Revenues:			
FEMA	-	-	-
Total Restricted Intergovernmental Revenues	-	-	-
Nonoperating Revenues:			
Miscellaneous Revenues	-	-	-
Total Nonoperating Revenues	-	-	-
Total Revenues	216,673	232,272	15,599
Expenditures:			
Sanitation			
Sanitation Contract	209,227	206,227	3,000
Recycling Fees	58,140	63,954	(5,814)
Total Sanitation	267,367	270,181	(2,814)
Capital Outlay:			
Miscellaneous Sanitation	-	-	-
Total Capital Outlay	-	-	-
Total Expenditures	267,367	270,181	(2,814)
Revenues over (under) expenditures	(50,694)	(37,909)	12,785
Other Financing Sources (Uses):			
Appropriated Fund Balance	50,694	-	(50,694)
Total Other Sources (Uses)	50,694	-	(50,694)
Revenues and Other Sources over Expenditures and Other Financing Uses	\$ -	(37,909)	\$ (37,909)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Principal retirement	\$ -		
Capital outlay	-		
Depreciation	-		
Total Reconciling items	-		
Change in net position	\$ (37,909)		



## OTHER SCHEDULES

This section includes additional information on property taxes.

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

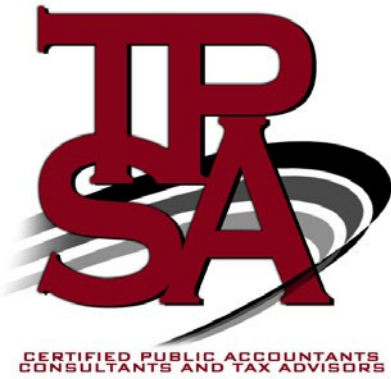
**Town of Lake Waccamaw, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 538,402	\$ 533,063	\$ 5,339
2019-2020	4,508	-	1,209	3,299
2018-2019	2,073	-	1,156	917
2017-2018	779		26	753
2016-2017	543	24	-	567
2015-2016	410	12	-	422
2014-2015	288	2	-	290
2013-2014	744	20	1	763
2012-2013	1,288	2	2	1,288
2011-2012	<u>1,045</u>	<u>3</u>	<u>-</u>	<u>1,048</u>
Totals	\$ <u>11,678</u>	\$ <u>538,465</u>	\$ <u>535,457</u>	\$ 14,686
Less: Allowance for Uncollectible Accounts: General Fund				<u>7,600</u>
Ad valorem taxes receivable - net				\$ <u>7,086</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ <u>535,489</u>
Reconciling items:				
Penalties and interest collected				(464)
Taxes written off, abatements & adjustments				432
Subtotal				\$ <u>(32)</u>
Total collections and credits				\$ <u>535,457</u>

**Town of Lake Waccamaw, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Year Ended June 30, 2021**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ <u>269,201,000</u>	0.20	\$ <u>538,402</u>	\$ <u>505,999</u>	\$ <u>32,403</u>
Total Valuation	\$ <u><u>269,201,000</u></u>				
Net levy			\$ 538,402	\$ 505,999	\$ 32,403
Uncollected taxes at June 30, 2021			<u>5,339</u>	<u>5,339</u>	<u>-</u>
Current year's taxes collected			\$ <u><u>533,063</u></u>	\$ <u><u>500,660</u></u>	\$ <u><u>32,403</u></u>
Current levy collection percentage			<u><u>99.01%</u></u>	<u><u>98.94%</u></u>	<u><u>100.00%</u></u>

## COMPLIANCE SECTION



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R. Bryon Scott, CPA

Gregory S. Adams, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Lake Waccamaw, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Lake Waccamaw's basic financial statements, and have issued our report thereon dated January 18, 2022. The financial statements of the Lake Waccamaw ABC Board were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [21-01 through 21-05].

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A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies [21-06 through 21-07].

#### Compliance and Other Matters

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

#### Town of Lake Waccamaw's Response to Findings

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

#### Purpose of this Report

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

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

**Whiteville, NC**  
**January 18, 2022**

**Town of Lake Waccamaw  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

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**Section I. Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?     X     yes            no

Significant Deficiency(s) identified?     X     yes            no

Noncompliance material to financial statements noted            yes     X     no

**Town of Lake Waccamaw  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

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**Section II. Financial Statement Findings**

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**MATERIAL WEAKNESS**

**FINDING: 21-01 Lack of Segregation of Duties**

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

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

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

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

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

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

**MATERIAL WEAKNESS**

**FINDING: 21-02 Failure to Use Designated Capital Project Fund**

**Criteria:** On March 12, 2019, the Town adopted a capital project ordinance for the Public Water Supply Improvements Project to adequately track expenditures and revenues associated with the ongoing capital project. Additionally, the Budget Officer should include a detailed analysis of the past and future revenues and costs in every budget submission made to the board.

**Condition:** For the fiscal year ended June 30, 2021, a separate fund was not established to track the project, even though an ordinance was adopted.

**Effect:** Expenditures and revenues for the multi-year project were recorded incorrectly as revenue and expenditure line items in the water fund.

**Cause:** There was significant turnover in finance over the past two years requiring the Town to hire additional help and the proper allocation of the revenues and expenditures was mistakenly classified.

**Recommendation:** The Board should closely monitor project revenues and add the capital project fund to the books.

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding. Project updates will be provided at every board meeting and a separate capital project fund will be established.



**Town of Lake Waccamaw  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

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**Section II. Financial Statement Findings (continued)**

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**MATERIAL WEAKNESS**

**FINDING: 21-03**      Excess of Expenditures Over Appropriation

**Criteria:**                      In accordance with NC General Statute 159.28a, no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

**Condition:**                      For the fiscal year ended June 30, 2021, the total expenditures for the Water Department exceeded the authorized appropriations made by the governing board by \$28,112.

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

**Cause:**                              Budget amendments were not approved prior to year-end. There was significant turnover in finance over the past two years, so the need for the amendment was overlooked.

**Recommendation:**              The Board should closely monitor expenditures to ensure that adequate amendments are approved to cover expenditures prior to the funds being spent.

**Views of responsible officials and planned corrective actions:**      The Town agrees with this finding. Budget to actual reports will be reviewed and budget amendments approved as needed in the future.

**MATERIAL WEAKNESS**

**FINDING: 21-04**      Contractual Violations

**Criteria:**                      In accordance with the NCDEQ Loan agreement, the Town must expend all of the requisitioned funds for the purpose of paying the costs of the project within three banking days following the receipt of the funds from the State.

**Condition:**                      For the fiscal year ended June 30, 2021, reimbursements received from the NCDEQ for reimbursement requests 1 and 2 were not paid in a timely manner.

**Effect:**                              State funds are held for a time frame exceeding the terms set forth in the Standard Conditions & Assurances for State Reserve Projects.

**Cause:**                              There was significant turnover in finance over the past two years requiring the Town to hire additional help and the payment of the invoices within the parameters was overlooked.

**Recommendation:**              The Board should closely monitor expenditures to ensure that payments are made in a timely manner.

**Views of responsible officials and planned corrective actions:**      The Town agrees with this finding. Project expenditure updates will be provided at every board meeting.

**Town of Lake Waccamaw  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

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**Section II. Financial Statement Findings (continued)**

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**MATERIAL WEAKNESS**

**FINDING: 21-05** Contractual Violations- Adequate Accounting for Project Revenues and Expenditures

**Criteria:** In accordance with the NCDEQ Loan agreement, the Town must establish and maintain a financial management system that adequately accounts for revenues and expenditures associated with the project.

**Condition:** For the fiscal year ended June 30, 2021, the Town misclassified certain revenues and expenditures associated with the Public Water Supply Improvements Project (Water Fund) and the Infrastructure Assessment and Inventory Management Project (Sewer Fund).

**Effect:** Revenues and expenditures for both projects were recorded in the operating funds, thereby distorting true accuracy in the operating fund.

**Cause:** There was significant turnover in finance over the past two years requiring the Town to hire additional help and the proper allocation of the revenues and expenditures was mistakenly classified.

**Recommendation:** The Board should closely monitor project revenues and expenditures to ensure that payments are made in a timely manner.

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding. Project updates will be provided at every board meeting.

**SIGNIFICANT DEFICIENCY**

**FINDING: 21-06** Failure to Adequately Track Inspections Revenue and Expenditures

**Criteria:** According to G.S. 160A-414, fees collected under the inspections department should be used specifically for the activities of the inspections department and not other purposes. A budget should be adopted annually for this department.

**Condition:** For the fiscal year ended June 30, 2021, Inspections and code enforcement activities were not broken out in to a separate department. Although revenues had their own line item, expenditures associated with inspections were lumped into administration expenses.

**Effect:** Without separating the expenditures into a separate department, it is impossible to know if revenues are being used only for the allowed inspections expenses.

**Cause:** The position was added later in the year, and the Town was unaware of the requirement to segregate inspections revenue and expenditures.

**Recommendation:** A separate department for inspections should be created immediately and a budget for this department should be assigned.

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

**Town of Lake Waccamaw  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

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**Section II. Financial Statement Findings (continued)**

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**SIGNIFICANT DEFICIENCY**

**FINDING: 21-07**      Failure to Reconcile Bank Statements

**Criteria:**              Bank statements are required by to be reconciled in a timely manner.

**Condition:**            For the fiscal year ended June 30, 2021, bank reconciliations were not provided for the Payroll Account, Powell Bill Money Market Account, or the Fireman's Relief Account.

**Effect:**                Because of this, errors in transfers between accounts were not discovered timely. Discrepancies in cash balances were approximately \$46,273. The errors were corrected prior to the issuance of the report, and the adjustments are reflected in the balances as of June 30, 2021.

**Cause:**                Due to high turnover and staff absences due to COVID, reconciliations were not performed timely.

**Recommendation:**   Policies and procedures should be implemented to ensure that reconciliations occur timely in the future.

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

# *Town of Lake Waccamaw*

ON THE SHORES OF NORTH CAROLINA'S LARGEST NATURAL LAKE

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Lake Waccamaw, North Carolina 28450  
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(910) 646-3860 Fax  
email: lwtownmanager@embarqmail.com



Member N.C. League of Municipalities

## **Corrective Action Plan For the Year Ended June 30, 2021**

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### **Section II. Financial Statement Findings**

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#### **21-01 Lack of Segregation of Duties**

Name of Contact Person: Damon Kempinski, Town Manager

Corrective action: The Town is a small entity with few employees. To correct the issue, the Board removed the title of Finance Officer from the Town Manager and assigned those duties to the Town Clerk. All receivables are collected by the Utility Clerk. After the funds have been deposited, the Finance Officer receives the slips and records the transactions as needed. All payables are paid by the Finance Officer. All checks require dual signatures. One signature must be of either the Mayor or Mayor Pro Tem with the second signature being either the Town Manager or Finance Officer. The Finance Officer only signs checks when the Town Manager is not available.

Proposed Completion Date: Immediately

#### **21-02 Failure to Designated Capital Project Fund**

Name of Contact Person: Damon Kempinski, Town Manager

Corrective action: Corrective action is in progress with the capital project being separated out into a separate fund.

Proposed Completion Date: Immediately

#### **21-03 Excess of Expenditure Over Appropriation**

Name of Contact Person: Damon Kempinski, Town Manager

Corrective action: Monthly Budget to Actual reports will be provided to the Board. In addition, the Town Manager will provide each department with their Budget to Actual reports monthly.

Proposed Completion Date: Immediately

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Member N.C. League of Municipalities

## **Corrective Action Plan For the Year Ended June 30, 2021**

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### **Section II. Financial Statement Findings**

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#### **21-04 Contractual Violations**

Name of Contact Person: Damon Kempinski, Town Manager

Corrective action: The notification emails tend to get lost with the abundance of emails received daily. The Finance Officer will check the daily deposits online regularly to avoid issues in the future.

Proposed Completion Date: Immediately

#### **21-05 Contractual Violations-Inadequate Accounting for Project Revenues and Expenditures**

Name of Contact Person: Damon Kempinski, Town Manager

Corrective action: The notification emails tend to get lost with the abundance of emails received daily. The Finance Officer will check the daily deposits online regularly to avoid issues in the future.

Proposed Completion Date: Immediately

#### **21-06 Failure to Adequately Track Inspections Revenue and Expenditures**

Name of Contact Person: Damon Kempinski, Town Manager

Corrective action: The Town will provide a budget amendment to establish a budget and break out the expenses into a separate department as required by the Statutes.

Proposed Completion Date: Immediately

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## **Corrective Action Plan For the Year Ended June 30, 2021**

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### **Section II. Financial Statement Findings**

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21-07 Failure to Reconcile Bank Statements

Name of Contact Person: Damon Kempinski, Finance Officer

Corrective action: All accounts are now reconciled monthly.

Proposed Completion Date: Immediately

**Town of Lake Waccamaw  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2021**

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20-01      Repeated as 21-01

20-02      Repeated as 21-02