



## **Town of Lucama**

**Lucama, North Carolina**

**Financial Statements**

**For the Fiscal Year Ended**

**June 30, 2021**

### **MAYOR**

**Jeff Johnson**

### **BOARD OF COMMISSIONERS**

**Michael Best**

**Peggy Lamm**

**Judy Mason**

**David Johnson**

**Patricia Uzzell**

### **TOWN ADMINISTRATOR**

**Teresa Whitehead**



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

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

**Town of Lucama**  
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## **Financial Section**

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## Independent Auditors' Report

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

### Report on the Financial Statements

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

### *Auditors' Responsibility*

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

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

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

## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lucama, as of June 30, 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 the Management's Discussion and Analysis on pages 3 through 9 and the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 44 through 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, on our consideration of the Town of Lucama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lucama's internal control over financial reporting and compliance.

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

Goldsboro, North Carolina  
March 22, 2024

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

## Management's Discussion and Analysis

As management of Town of Lucama, we offer readers of Town of Lucama's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 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 exceeded its liabilities and deferred inflows at the close of the fiscal year by \$11,127,924 (net position).
- The government's total net position increased by \$197,968 during the fiscal year.
- At the close of the fiscal year, the Town's governmental funds reported ending fund balance of \$1,516,782 with a net decrease of \$112,388. Approximately 25.4% of this total amount, or \$384,866, is restricted.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$981,566, or 166.0% of total General Fund expenditures for the fiscal year.
- At the close of the fiscal year, the Town's business-type activities reported combined ending net position of \$8,649,110 with a net increase of \$375,300.
- The Town's total long-term debt decreased \$33,337 (3.6%) during the current fiscal year. This is due to loan repayments.

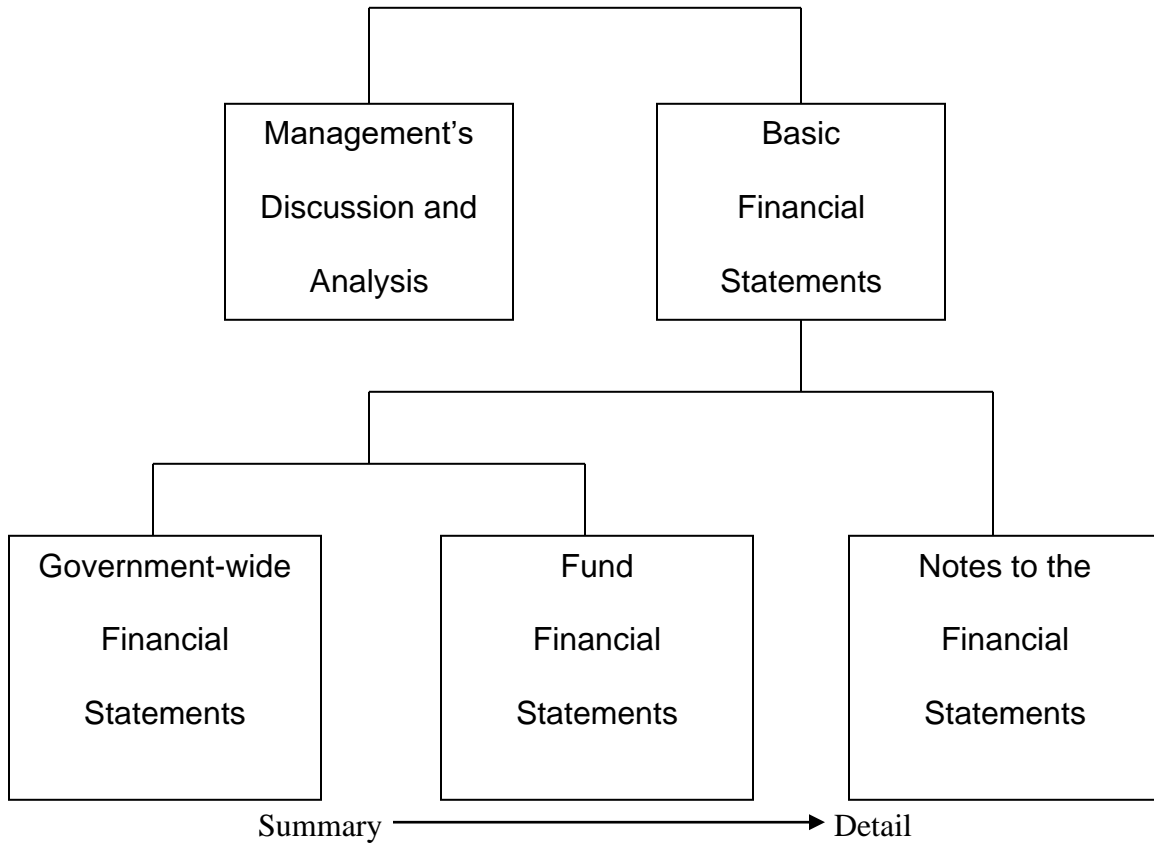
### Overview of the Financial Statements

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



## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

	Activities		Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,563,638	\$ 1,692,504	\$ 7,972,330	\$ 7,560,345	\$ 9,535,968	\$ 9,252,849
Capital assets	958,410	1,014,152	1,884,656	1,961,956	2,843,066	2,976,108
Total assets	<u>2,522,048</u>	<u>2,706,656</u>	<u>9,856,986</u>	<u>9,522,301</u>	<u>12,379,034</u>	<u>12,228,957</u>
Total deferred outflows of resources	30,888	9,406	116,195	37,626	147,083	47,032
Current liabilities	34,015	29,886	299,768	338,000	333,783	367,886
Long-term liabilities	37,896	8,684	1,016,089	936,098	1,053,985	944,782
Total liabilities	<u>71,911</u>	<u>38,570</u>	<u>1,315,857</u>	<u>1,274,098</u>	<u>1,387,768</u>	<u>1,312,668</u>
Total deferred inflows of resources	2,211	3,061	8,214	12,019	10,425	15,080
Net position:						
Net investment in capital assets	958,410	1,014,152	983,296	1,027,259	1,941,706	2,041,411
Restricted	384,866	326,471	-	-	384,866	326,471
Unrestricted	<u>1,135,538</u>	<u>1,333,808</u>	<u>7,665,814</u>	<u>7,246,551</u>	<u>8,801,352</u>	<u>8,580,359</u>
Total net position	<u>\$ 2,478,814</u>	<u>\$ 2,674,431</u>	<u>\$ 8,649,110</u>	<u>\$ 8,273,810</u>	<u>\$ 11,127,924</u>	<u>\$ 10,948,241</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Lucama exceeded liabilities and deferred inflows by \$11,127,924. The Town's net position increased by \$197,968 for the fiscal year. However, a portion \$1,941,706 (17.4%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Lucama uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lucama's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Lucama's net position, \$384,866 (3.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,801,352 (79.1%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.6%.
- Grant funds utilized to assist with projects and equipment.

**Town of Lucama's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 87,161	\$ 87,424	\$ 2,753,987	\$ 2,547,139	\$ 2,841,148	\$ 2,634,563
Operating grants/contributions	39,489	32,116	-	-	39,489	32,116
Capital grants/contributions	-	-	68,211	58,853	68,211	58,853
General revenues:						
Property taxes	193,986	194,613	-	-	193,986	194,613
Unrestricted intergovernmental	158,066	151,447	-	-	158,066	151,447
Investment earnings	130	2,737	1,228	20,936	1,358	23,673
Other	261	21,339	6,390	5,252	6,651	26,591
Total revenue	<u>479,093</u>	<u>489,676</u>	<u>2,829,816</u>	<u>2,632,180</u>	<u>3,308,909</u>	<u>3,121,856</u>
Expenses:						
General government	234,520	236,675	-	-	234,520	236,675
Public safety	186,363	182,633	-	-	186,363	182,633
Transportation	205,072	200,251	-	-	205,072	200,251
Cultural and recreation	30,470	22,809	-	-	30,470	22,809
Electric	-	-	1,697,268	1,685,835	1,697,268	1,685,835
Water and Sewer	-	-	757,248	627,056	757,248	627,056
Total expenses	<u>656,425</u>	<u>642,368</u>	<u>2,454,516</u>	<u>2,312,891</u>	<u>3,110,941</u>	<u>2,955,259</u>
Increase (decrease) in net position	(177,332)	(152,692)	375,300	319,289	197,968	166,597
Net position, July 1	2,674,431	2,827,123	8,273,810	7,954,521	10,948,241	10,781,644
Restatement	(18,285)	-	-	-	(18,285)	-
Net position, restated	<u>2,656,146</u>	<u>2,827,123</u>	<u>8,273,810</u>	<u>7,954,521</u>	<u>10,929,956</u>	<u>10,781,644</u>
Net position, June 30	\$ <u>2,478,814</u>	\$ <u>2,674,431</u>	\$ <u>8,649,110</u>	\$ <u>8,273,810</u>	\$ <u>11,127,924</u>	\$ <u>10,948,241</u>

**Governmental activities.** Governmental activities decreased the Town's net position by \$177,332.

**Business-type activities.** Business-type activities increased the Town's net position by \$375,300.

### Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Lucama. At the end of fiscal year, fund balance available in the General Fund was \$981,566, while total fund balance reached \$1,516,782. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 166.0% of total General Fund expenditures, while total fund balances represent 256.5% of that same amount for the year.

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

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

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

**Proprietary Fund:** Town of Lucama's proprietary funds provide the same type of information found in the basic financial statements but in more detail. Unrestricted net position of the Electric Fund and Water and Sewer Fund at the end of the fiscal year was \$7,427,939, and \$237,875, respectively. The total change in net position for the Electric Fund and Water and Sewer Fund as of June 30, 2021 was \$634,168 and \$(258,868), respectively.

### Capital Asset Administration

**Capital assets:** Town of Lucama's investment in capital assets for its governmental and business-type activities, totals \$2,843,066 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, lines, plants, park facilities and vehicles.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 128,550	\$ 128,550	\$ 269,765	\$ 269,765	\$ 398,315	\$ 398,315
Construction in progress	-	-	429,535	389,472	429,535	389,472
Buildings	778,821	804,861	50,134	52,688	828,955	857,549
Other Improvements	11,937	13,684	-	-	11,937	13,684
Equipment	31,604	52,868	4,896	6,541	36,500	59,409
Vehicles	-	-	26,236	-	26,236	-
Infrastructure & system	7,498	14,189	1,104,090	1,243,490	1,111,588	1,257,679
<b>Total</b>	<b>\$ 958,410</b>	<b>\$ 1,014,152</b>	<b>\$ 1,884,656</b>	<b>\$ 1,961,956</b>	<b>\$ 2,843,066</b>	<b>\$ 2,976,108</b>

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

**Long-term Liabilities:** As of June 30, 2021 and 2020, the Town of Lucama had total long-term liabilities outstanding of \$901,360 and \$934,697, respectively. This debt is backed by the full faith and credit of the Town.

**Town of Lucama's Outstanding Debt  
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Note payable	\$ -	\$ -	\$ 283,360	\$ 301,697	\$ 283,360	\$ 301,697
General obligation bonds	-	-	618,000	633,000	618,000	633,000
Total	\$ -	\$ -	\$ 901,360	\$ 934,697	\$ 901,360	\$ 934,697

**Town of Lucama's Outstanding Debt.** The Town of Lucama's total debt decreased \$33,337 (3.6%) during the past fiscal year, primarily due to the repayment of note payables and general obligation bonds.

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2022

**Governmental Activities:** Property taxes and other revenues are expected to be consistent with the prior year, except the ad valorem tax rate will increase to \$0.50 per \$100. The budget is expected to increase \$41,042.

**Business-type Activities:** The budgeted operating revenues and expenditures in the Enterprise Funds for fiscal year 2022 are increased from the fiscal year ended June 30, 2021. The Electric Fund is expected to increase by \$203,300 while the Water and Sewer Fund is expected to increase by \$13,150.

**Requests for Information**

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

## **Basic Financial Statements**

**Town of Lucama  
Statement of Net Position  
June 30, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 980,305	\$ 5,861,785	\$ 6,842,090
Investments	181,648	1,568,090	1,749,738
Taxes receivable (net)	16,818	-	16,818
Accounts receivable (net)	12,915	393,080	405,995
Due from other governments	60,003	1,199	61,202
Due to/from other funds	16,430	(16,430)	-
Restricted cash and cash equivalents	295,519	164,606	460,125
Total current assets	<u>1,563,638</u>	<u>7,972,330</u>	<u>9,535,968</u>
Noncurrent assets:			
Capital assets:			
Land and non-depreciable improvements, and construction in progress	128,550	699,300	827,850
Other capital assets, net of depreciation	829,860	1,185,356	2,015,216
Total capital assets	<u>958,410</u>	<u>1,884,656</u>	<u>2,843,066</u>
Total assets	<u>2,522,048</u>	<u>9,856,986</u>	<u>12,379,034</u>
Deferred Outflows of Resources			
Pension deferrals	30,888	116,195	147,083
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	30,010	140,853	170,863
Customer deposits	-	120,028	120,028
Accrued interest	-	2,122	2,122
Compensated absenses - current	4,005	8,932	12,937
Current portion of long-term liabilities	-	27,833	27,833
Total current liabilities	<u>34,015</u>	<u>299,768</u>	<u>333,783</u>
Long-term liabilities:			
Net pension liability	37,896	142,562	180,458
Due in more than one year	-	873,527	873,527
Total liabilities	<u>71,911</u>	<u>1,315,857</u>	<u>1,387,768</u>
Deferred Inflows of Resources			
Prepaid taxes	27	-	27
Pension deferrals	2,184	8,214	10,398
Total deferred inflows of resources	<u>2,211</u>	<u>8,214</u>	<u>10,425</u>
<b>NET POSITION</b>			
Net investment in capital assets	958,410	983,296	1,941,706
Restricted for:			
Stabilization by State Statute	89,347	-	89,347
Streets	295,519	-	295,519
Unrestricted	1,135,538	7,665,814	8,801,352
Total net position	<u>\$ 2,478,814</u>	<u>\$ 8,649,110</u>	<u>\$ 11,127,924</u>

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



**Town of Lucama  
Statement of Activities  
For the Year Ended June 30, 2021**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 234,520	\$ 2,900	\$ 10,000	\$ -
Public safety	186,363	-	-	-
Transportation	205,072	83,759	29,489	-
Cultural and recreation	30,470	502	-	-
Total governmental activities (See Note 1)	656,425	87,161	39,489	-
Business-type activities:				
Electric	1,697,268	2,323,871	-	-
Water and Sewer	757,248	430,116	-	68,211
Total business-type activities	2,454,516	2,753,987	-	68,211
<b>Total primary government</b>	<b>\$ 3,110,941</b>	<b>\$ 2,841,148</b>	<b>\$ 39,489</b>	<b>\$ 68,211</b>

General revenues:

Taxes:

Property taxes, levied for general purpose

Grant and contributions not restricted to  
specific programs

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning

Restatement (see note VI)

Net position, beginning, as restated

Net position, ending

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

Exhibit 2

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (221,620)	\$ -	\$ (221,620)
(186,363)	-	(186,363)
(91,824)	-	(91,824)
(29,968)	-	(29,968)
(529,775)	-	(529,775)
-	626,603	626,603
-	(258,921)	(258,921)
-	367,682	367,682
(529,775)	367,682	(162,093)
193,986	-	193,986
158,066	-	158,066
130	1,228	1,358
261	6,390	6,651
352,443	7,618	360,061
(177,332)	375,300	197,968
2,674,431	8,273,810	10,948,241
(18,285)	-	(18,285)
2,656,146	8,273,810	10,929,956
\$ 2,478,814	\$ 8,649,110	\$ 11,127,924

**Town of Lucama  
Balance Sheet  
Governmental Funds  
June 30, 2021**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 980,305
Restricted cash and cash equivalents	295,519
Investments	181,648
Receivables, net:	
Taxes	16,818
Accounts	12,915
Due from other governments	60,003
Due from other funds	16,430
Total assets	1,563,638
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	30,010
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid taxes	27
Property taxes receivable	16,819
Total deferred inflows of resources	16,846
 <b>FUND BALANCES</b>	
Restricted	
Stabilization by State Statute	89,347
Streets	295,519
Assigned	
Subsequent Year's Expenditures	150,350
Unassigned	981,566
Total fund balances	1,516,782
Total liabilities, deferred inflows of resources and fund balances	\$ 1,563,638

(cont)

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

**Town of Lucama**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2021**

Amounts reported for governmental activities in the Statement of Net

Total Fund Balance, Governmental Funds	\$ 1,516,782
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Gross capital assets at historical cost	2,168,969
Accumulated depreciation	(1,210,559)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Compensated absences	(4,005)
Net pension liability	(37,896)
Deferred outflows of resources related to pensions are not reported in the funds	30,888
Amounts for unavailable revenues considered deferred inflows of resources in fund statements	16,819
Deferred inflows of resources related to pensions are not reported in the funds	(2,184)
Net position of governmental activities	<u>\$ 2,478,814</u>

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

**Town of Lucama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>REVENUES</b>	
Ad valorem taxes	\$ 193,821
Unrestricted intergovernmental	158,066
Restricted intergovernmental	39,489
Premits and fees	200
Sales and services	86,961
Investment earnings	130
Miscellaneous	261
Total revenues	478,928
<b>EXPENDITURES</b>	
Current:	
General government	203,447
Public safety	178,145
Transportation	184,818
Culture and recreation	24,906
Total expenditures	591,316
Excess (deficiency) of revenues over expenditures	(112,388)
Net change in fund balance	(112,388)
Fund balances, beginning	1,647,455
Prior period adjustment (Note VI)	(18,285)
Fund balances, beginning as restated	1,629,170
Fund balances, ending	\$ 1,516,782

(cont)

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

**Town of Lucama**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$ (112,388)
<p>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.</p>	
Depreciation expense	(55,742)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the</p>	
Change in unavailable revenue for tax revenues	165
<p>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.</p>	
Compensated absences	(2,458)
Pension expense - NCLGERS	<u>(6,909)</u>
Total changes in net position of governmental activities	<u><u>\$ (177,332)</u></u>

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

**Town of Lucama**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual - General Fund**  
**For the Year Ended June 30, 2021**

<b>General Fund</b>				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	(Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 203,200	\$ 203,200	\$ 193,821	\$ (9,379)
Unrestricted intergovernmental	151,400	151,400	158,066	6,666
Restricted intergovernmental	750	750	39,489	38,739
Permits and fees	1,000	1,000	200	(800)
Sales and services	97,600	97,600	86,961	(10,639)
Investment earnings	800	800	130	(670)
Miscellaneous	650	650	261	(389)
Total revenues	455,400	455,400	478,928	23,528
<b>Expenditures:</b>				
Current:				
General government	96,582	96,582	203,447	(106,865)
Public safety	188,320	188,320	178,145	10,175
Transportation	159,268	159,268	184,818	(25,550)
Cultural and recreation	11,230	11,230	24,906	(13,676)
Total expenditures	455,400	455,400	591,316	(135,916)
Net change in fund balance	\$ -	\$ -	(112,388)	\$ (112,388)
Fund balances, beginning as previously reported			1,647,455	
Prior period adjustment (See Note VI)			(18,285)	
Fund balances, beginning as restated			1,629,170	
Fund balances, ending			\$ 1,516,782	

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

**Town of Lucama**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2021**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,714,698	\$ 147,087	\$ 5,861,785
Investments	1,553,239	14,851	1,568,090
Accounts receivable (net) - billed	187,484	48,461	235,945
Accounts receivable (net) - unbilled	132,880	24,255	157,135
Due from other governments	476	723	1,199
Restricted cash and cash equivalents	100,824	63,782	164,606
Total current assets	7,689,601	299,159	7,988,760
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated	54,132	645,168	699,300
Other capital assets, net of depreciation	130,579	1,054,777	1,185,356
Capital assets	184,711	1,699,945	1,884,656
Total noncurrent assets	184,711	1,699,945	1,884,656
Total assets	7,874,312	1,999,104	9,873,416
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	91,191	25,004	116,195
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other liabilities	126,947	13,906	140,853
Customer deposits	100,824	19,204	120,028
Accrued interest	-	2,122	2,122
Due to other funds	-	16,430	16,430
Compensated absences - current	6,751	2,181	8,932
General obligation bonds - current	-	16,000	16,000
Notes payable - current	-	11,833	11,833
Total current liabilities	234,522	81,676	316,198
Noncurrent liabilities:			
Net pension liability	111,884	30,678	142,562
General obligation bonds - noncurrent	-	602,000	602,000
Notes payable - noncurrent	-	271,527	271,527
Total noncurrent liabilities	111,884	904,205	1,016,089
Total liabilities	346,406	985,881	1,332,287
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	6,447	1,767	8,214
<b>NET POSITION</b>			
Net investment in capital assets	184,711	798,585	983,296
Unrestricted	7,427,939	237,875	7,665,814
Total net position	\$ 7,612,650	\$ 1,036,460	\$ 8,649,110

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



**Town of Lucama**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2021**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,319,391	\$ 430,116	\$ 2,749,507
Other operating revenues	4,480	-	4,480
Total operating revenues	<u>2,323,871</u>	<u>430,116</u>	<u>2,753,987</u>
<b>OPERATING EXPENSES</b>			
Electric operations	560,932	-	560,932
Electric power purchases	1,093,830	-	1,093,830
Waste collection and treatment	-	297,940	297,940
Water treatment and distribution	-	329,086	329,086
Depreciation	42,506	102,967	145,473
Total operating expenses	<u>1,697,268</u>	<u>729,993</u>	<u>2,427,261</u>
Operating income (loss)	626,603	(299,877)	326,726
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Miscellaneous	6,340	50	6,390
Investment earnings	1,225	3	1,228
Interest and other charges	-	(27,255)	(27,255)
Total Nonoperating revenues (expenses)	<u>7,565</u>	<u>(27,202)</u>	<u>(19,637)</u>
Income (loss) Before contributions and transfers	634,168	(327,079)	307,089
Restricted Intergovernmental	-	68,211	68,211
Change in net position	<u>634,168</u>	<u>(258,868)</u>	<u>375,300</u>
Total net position - beginning	<u>6,978,482</u>	<u>1,295,328</u>	<u>8,273,810</u>
Total net position - ending	<u><u>\$ 7,612,650</u></u>	<u><u>\$ 1,036,460</u></u>	<u><u>\$ 8,649,110</u></u>

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

**Town of Lucama**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2021**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>Cash flows from (used for) operating activities:</b>			
Cash received from customers	\$ 2,337,578	\$ 417,084	\$ 2,754,662
Cash paid for goods and services	(1,327,537)	(541,760)	(1,869,297)
Cash paid to or on behalf of employees for services	(309,487)	(92,436)	(401,923)
Customer deposits received, net	(1,630)	(311)	(1,941)
Net cash provided (used ) by operating activities	<u>698,924</u>	<u>(217,423)</u>	<u>481,501</u>
<b>Cash flows from noncapital financing activities:</b>			
Nonoperating revenues received	6,340	68,261	74,601
Net cash provided by noncapital financing activities	<u>6,340</u>	<u>68,261</u>	<u>74,601</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	-	(68,173)	(68,173)
Principal paid on long-term debt	-	(33,337)	(33,337)
Interest paid on long-term debt	-	(27,307)	(27,307)
Net cash (used) for capital and related financing activities	<u>-</u>	<u>(128,817)</u>	<u>(128,817)</u>
<b>Cash flows from investing activities:</b>			
Purchase of investments	(296)	(2,213)	(2,509)
Interest earned	1,225	3	1,228
Net cash provided by (used for) investing activities	<u>929</u>	<u>(2,210)</u>	<u>(1,281)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	706,193	(280,189)	426,004
<b>Cash and cash equivalents, beginning</b>	<u>5,109,329</u>	<u>491,058</u>	<u>5,600,387</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 5,815,522</u>	<u>\$ 210,869</u>	<u>\$ 6,026,391</u>

(cont)

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

**Town of Lucama  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2021**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>Reconciliation of operating loss to net cash used for operation activities:</b>			
Operating income (loss)	\$ 626,603	\$ (299,877)	\$ 326,726
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	42,506	102,967	145,473
(Increase) decrease in operating assets			
Accounts receivable (net)	13,707	(13,032)	675
Due from other governments	(206)	(371)	(577)
Deferred outflows of resources for pensions	(60,620)	(17,949)	(78,569)
Increase (decrease) in operating liabilities			
Accounts payable and other liabilities	(3,067)	(30,271)	(33,338)
Customer deposits	(1,630)	(311)	(1,941)
Due to other funds	-	16,430	16,430
Compensated absences	1,290	1,313	2,603
Deferred inflows of resources for pensions	(3,318)	(487)	(3,805)
Net pension liability	83,659	24,165	107,824
<b>Net cash used for operating activities</b>	<b>\$ 698,924</b>	<b>\$ (217,423)</b>	<b>\$ 481,501</b>

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

## **Notes to the Financial Statements**

# Town of Lucama

## Notes to the Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

#### B. Basis of Presentation

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

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

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

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

## Town of Lucama Notes to the Financial Statements

The Town of Lucama reports one major governmental fund:

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

The Town reports the following major enterprise funds:

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

**Water and Sewer Fund** – This fund is used to account for the Town’s water and sewer operations. Two capital project funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water Capital Project Fund and the 2018 Water System Improvement Capital Project Fund have been included in the supplemental information.

### C. Measurement Focus and Basis of Accounting

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

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

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

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

## **Town of Lucama**

### **Notes to the Financial Statements**

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

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

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

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

#### **D. Budgetary Data**

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

## Town of Lucama Notes to the Financial Statements

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

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

#### 1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town of Lucama to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-Registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

#### 2. Cash and Cash Equivalents

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

#### 3. Restricted Assets

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



**Town of Lucama**  
**Notes to the Financial Statements**

<u>Town of Lucama Restricted Cash</u>	<u>June 30, 2021</u>
Governmental Activities	
Transportation	\$ 295,519
Business-type Activities	
Electric fund	
Customer deposits	100,824
Water and Sewer Fund	
Capital projects	44,578
Customer deposits	19,204
Total business-type activities	<u>164,606</u>
Total restricted cash	<u>\$ 460,125</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town of Lucama levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

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

## Town of Lucama

### Notes to the Financial Statements

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

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

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

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

#### 9. Long-Term Obligations

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

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

## Town of Lucama Notes to the Financial Statements

### 10. Compensated Absences

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

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

### 11. Net Position/Fund Balances

#### Net Position

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

#### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

## **Town of Lucama**

### **Notes to the Financial Statements**

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

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

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

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

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

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

The Town of Lucama has not formally adopted a minimum fund balance policy for the General Fund as of June 30, 2021.

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

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

**Town of Lucama**  
**Notes to the Financial Statements**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

Noncompliance with North Carolina General Statutes

For the fiscal year ended in June 30, 2021, the Town had the following statutory violations:

- a. The Town adopted the 2020-2021 budget late on July 3, 2020.
- b. The Town did not properly authorize the new fund or adopt a budget for the Water Capital Project Fund during the fiscal year ending June 30, 2021.
- c. The Town did not ensure the completion of a timely audit for the year ending June 30, 2021.

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2021, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$106,865, transportation activities by \$25,550, cultural and recreation activities by \$13,676, and water and sewer activities by \$271,096. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**III. DETAIL NOTES ON ALL FUNDS**

A. Assets

1. Deposits

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

## Town of Lucama Notes to the Financial Statements

enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$7,301,965 and a bank balance of \$7,321,100. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$250.

### 2. Investments

At June 30, 2021, the Town of Lucama had \$1,749,738 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

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

### 3. Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts	Taxes	Due from Other Governments	Total
<i>Governmental Activities:</i>				
General	\$ 13,623	\$ 16,818	\$ 60,003	\$ 90,444
Allowance for Doubtful Accounts	(708)	-	-	(708)
Total Governmental Activities	<u>\$ 12,915</u>	<u>\$ 16,818</u>	<u>\$ 60,003</u>	<u>\$ 89,736</u>
<i>Business-type Activities:</i>				
Electric Fund	\$ 340,038	\$ -	\$ 476	\$ 340,514
Water and Sewer Fund	76,225	-	723	76,948
Total receivables	416,263	-	1,199	417,462
Allowance for doubtful accounts	(23,183)	-	-	(23,183)
Total Business-type Activities	<u>\$ 393,080</u>	<u>\$ -</u>	<u>\$ 1,199</u>	<u>\$ 394,279</u>

The due from other governments that is owed to the Town consisted of the following at June 30, 2021:

<i>Governmental Activities:</i>	
Local Option Sales Tax	\$ 16,519
County and State Sales Tax	43,484
Total Governmental Activities	<u>\$ 60,003</u>
<i>Business-type Activities:</i>	
County and State Sales Tax	<u>\$ 1,199</u>

**Town of Lucama**  
**Notes to the Financial Statements**

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 128,550	\$ -	\$ -	\$ 128,550
Capital assets being depreciated:				
Buildings	1,291,440	-	-	1,291,440
Other Improvements	43,510	-	-	43,510
Equipment	379,628	-	-	379,628
Vehicles and motorized equipment	107,472	-	-	107,472
Infrastructure	218,369	-	-	218,369
Total capital assets being depreciated	<u>2,040,419</u>	<u>-</u>	<u>-</u>	<u>2,040,419</u>
Less Accumulated depreciation:				
Buildings	486,579	26,040	-	512,619
Other Improvements	29,826	1,747	-	31,573
Equipment	326,760	21,264	-	348,024
Vehicles and motorized equipment	107,472	-	-	107,472
Infrastructure	204,180	6,691	-	210,871
Total accumulated depreciation	<u>1,154,817</u>	<u>\$ 55,742</u>	<u>\$ -</u>	<u>1,210,559</u>
Total capital assets being depreciated, net	<u>885,602</u>			<u>829,860</u>
Total capital assets, net	<u>\$ 1,014,152</u>			<u>\$ 958,410</u>

Depreciation expense was charged to functions/programs as follows:

General government	21,706
Public safety	8,218
Transportation	20,254
Cultural and recreational	5,564
Total depreciation expense	<u>\$ 55,742</u>

**Town of Lucama**  
**Notes to the Financial Statements**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Electric Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 54,132	\$ -	\$ -	\$ 54,132
Capital assets being depreciated:				
Buildings	102,129	-	-	102,129
Electric system	910,564	-	-	910,564
Equipment	41,508	-	-	41,508
Vehicles	248,878	-	-	248,878
System improvements	356,081	-	-	356,081
Total capital assets being depreciated	<u>1,659,160</u>	<u>-</u>	<u>-</u>	<u>1,659,160</u>
Less Accumulated depreciation:				
Buildings	49,441	2,554	-	51,995
Electric system	844,938	32,411	-	877,349
Equipment	41,495	13	-	41,508
Vehicles	248,878	-	-	248,878
System improvements	301,323	7,528	-	308,851
Total accumulated depreciation	<u>1,486,075</u>	<u>\$ 42,506</u>	<u>\$ -</u>	<u>1,528,581</u>
Total capital assets being depreciated, net	<u>173,085</u>			<u>130,579</u>
Electric Fund capital assets, net	<u>\$ 227,217</u>			<u>\$ 184,711</u>
<b>Water and Sewer Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 215,633	\$ -	\$ -	\$ 215,633
Construction in progress	389,472	40,063	-	429,535
Total capital assets not being depreciated	<u>605,105</u>	<u>40,063</u>	<u>-</u>	<u>645,168</u>
Capital assets being depreciated:				
Water plant and wells	265,678	-	-	265,678
Water distribution system	791,582	-	-	791,582
Equipment	25,473	-	-	25,473
Vehicles	44,578	28,110	-	72,688
Sewer system	3,630,730	-	-	3,630,730
Total capital assets being depreciated	<u>4,758,041</u>	<u>28,110</u>	<u>-</u>	<u>4,786,151</u>
Less Accumulated depreciation:				
Water plant and wells	263,216	985	-	264,201
Water distribution system	604,875	15,498	-	620,373
Equipment	18,945	1,632	-	20,577
Vehicles	44,578	1,874	-	46,452
Sewer system	2,696,793	82,978	-	2,779,771
Total accumulated depreciation	<u>3,628,407</u>	<u>\$ 102,967</u>	<u>\$ -</u>	<u>3,731,374</u>
Total capital assets being depreciated, net	<u>1,129,634</u>			<u>1,054,777</u>
Water and Sewer Fund capital assets, net	<u>\$ 1,734,739</u>			<u>\$ 1,699,945</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,961,956</u>			<u>\$ 1,884,656</u>



## Town of Lucama Notes to the Financial Statements

### B. Liabilities

#### 1. Pension Plan Obligations

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

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

## **Town of Lucama**

### **Notes to the Financial Statements**

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Lucama employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Lucama's contractually required contribution rate for the year ended June 30, 2021, was 10.22% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Lucama were \$40,397 for the year ended June 30, 2021.

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

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

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

At June 30, 2021, the Town of Lucama reported a liability of \$180,458 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset 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 of Lucama's proportion was 0.00505% which was an increase of 0.00346% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$72,558. At June 30, 2021, the Town of Lucama reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Town of Lucama Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,789	\$ -
Changes in assumption	13,430	-
Net difference between projected and actual earnings on pension plan investments	25,394	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	45,271	10,398
Town contributions subsequent to measurement date	40,199	-
Total	<u>\$ 147,083</u>	<u>\$ 10,398</u>

\$40,199 reported as deferred outflows of resources related to pensions resulting from the Town of Lucama contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2022	\$ 28,079
2023	34,381
2024	26,509
2025	7,517
	<u>\$ 96,486</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	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 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.

## Town of Lucama Notes to the Financial Statements

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:

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

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

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

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

**Town of Lucama**  
**Notes to the Financial Statements**

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of net pension liability (asset)	\$ 366,130	\$ 180,458	\$ 26,152

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

**b. Supplemental Retirement Income Plan for Employees**

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

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

The Town made contributions of \$8,066 for the reporting year. No amounts were forfeited during the reporting year.

**2. Other Employment Benefit**

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

**Town of Lucama**  
**Notes to the Financial Statements**

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 40,397
Differences between expected and actual experience	22,591
Changes in assumptions	13,430
Net difference between projected and actual	25,394
Total	<u>\$ 147,083</u>

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

Source	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 16,818
Prepaid taxes (General Fund)	27	27
Changes in proportion and differences between employer contributions and proportionate share of	10,398	-
Total	<u>\$ 10,425</u>	<u>\$ 16,845</u>

4. Risk Management

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

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

The Town does not have any buildings or land located in the flood plain; therefore, the Town has not purchased and did not carry flood insurance for the year ended June 30, 2021.

**Town of Lucama**  
**Notes to the Financial Statements**

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

5. Claims, Judgements and Contingent Liabilities

A lawsuit by five former employees was filed for discrimination. The lawsuit was settled in July, 2022. The insurance company paid \$80,000 and the Town paid \$20,000. No liability for this settlement has been recorded. At June 30, 2021, there were no other lawsuits against the Town of Lucama that materially impact its financial statements.

6. Long-term Obligations

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$2,989,920.

a. Notes Payable

Serviced by the Water and Sewer Fund - On January 6, 2020, the Town entered into an agreement with the North Carolina Department of Environmental Quality for a \$366,742, 0% interest loan. The amount requested and remaining principal balance was \$283,360 as of June 30, 2021.

Future maturities of the bonds are as follows:

Year Ending	NC Dept. of Environmental Quality		
	June 30,	Principal	Interest
2022	\$ 11,833	\$ -	\$ 11,833
2023	15,085	-	15,085
2024	15,085	-	15,085
2025	15,085	-	15,085
2026	15,085	-	15,085
2027 - 2031	75,424	-	75,424
2032 - 2036	75,424	-	75,424
2037 - 2040	60,339	-	60,339
Total	\$283,360	\$ -	\$283,360

b. General Obligation Indebtedness

Serviced by the Water and Sewer Fund - On October 23, 2006, the Town issued Series 2006A bonds in the amount of \$631,000 and Series 2006B bonds in the amount of \$169,000. The proceeds from the bonds were used to finance improvements to the Town's sanitary sewer system. The bonds bear interest at

**Town of Lucama**  
**Notes to the Financial Statements**

4.375% and 4.125%, respectively, and mature in 2046. The remaining principal balance was \$487,000 and \$131,000, respectively, as of June 30, 2021. Future maturities of the bonds are as follows:

Year Ending June 30,	USDA Series 2006A			USDA Series 2006B		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 13,000	\$ 21,306	\$ 34,306	\$ 3,000	\$ 5,404	\$ 8,404
2023	13,000	20,738	33,738	3,000	5,280	8,280
2024	13,000	20,169	33,169	4,000	5,156	9,156
2025	14,000	19,600	33,600	4,000	4,991	8,991
2026	14,000	18,988	32,988	4,000	4,826	8,826
2027 - 2031	79,000	85,181	164,181	21,000	21,656	42,656
2032 - 2036	95,000	66,544	161,544	25,000	16,912	41,912
2037 - 2041	112,000	44,319	156,319	30,000	11,344	41,344
2041 - 2046	134,000	17,938	151,938	37,000	4,703	41,703
<b>Total</b>	<b>\$ 487,000</b>	<b>\$ 314,783</b>	<b>\$ 801,783</b>	<b>\$ 131,000</b>	<b>\$ 80,272</b>	<b>\$ 211,272</b>

**c. Changes in Long-Term Liabilities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion of Balance</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 1,547	\$ 2,458	\$ -	\$ 4,005	\$ 4,005
Net pension liability (LGERS)	8,684	29,212	-	37,896	-
Total Governmental Activities	<u>\$ 10,231</u>	<u>\$ 31,670</u>	<u>\$ -</u>	<u>\$ 41,901</u>	<u>\$ 4,005</u>
<b>Business-type Activities:</b>					
<b>Electric Fund</b>					
Compensated absences	\$ 5,461	\$ 1,290	\$ -	\$ 6,751	\$ 6,751
Net pension liability (LGERS)	28,225	83,659	-	111,884	-
Total Electric Fund	<u>\$ 33,686</u>	<u>\$ 84,949</u>	<u>\$ -</u>	<u>\$ 118,635</u>	<u>\$ 6,751</u>
<b>Water and Sewer Fund</b>					
Compensated absences	\$ 868	\$ 1,313	\$ -	\$ 2,181	\$ 2,181
Net pension liability (LGERS)	6,513	24,165	-	30,678	-
Note payable	301,697	-	18,337	283,360	11,833
General obligation bonds	633,000	-	15,000	618,000	16,000
Total Water and Sewer Fund	<u>\$ 942,078</u>	<u>\$ 25,478</u>	<u>\$ 33,337</u>	<u>\$ 934,219</u>	<u>\$ 30,014</u>
Business activity long-term liabilities	<u>\$ 975,764</u>	<u>\$ 110,427</u>	<u>\$ 33,337</u>	<u>\$ 1,052,854</u>	<u>\$ 36,765</u>

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2021, consist of the following:

Due from Water and Sewer Fund to General Fund \$16,430



**Town of Lucama**  
**Notes to the Financial Statements**

D. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital Assets	\$ 958,410	\$ 1,884,656
Less: Long-term debt	-	901,360
Net investment in capital assets	\$ 958,410	\$ 983,296

D. Fund Balance

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

<b>Fund Balance</b>	
Total fund balance - General Fund	\$ 1,516,782
Less:	
Stabilization by State Statute	89,347
Streets - Powell Bill	295,519
Subsequent Year Expenditures	150,350
Remaining Fund Balance	\$ 981,566

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

**IV. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**V. Subsequent Events**

Subsequent events have been evaluated through March 22, 2024 which is the date the financial statements were available to be issued.

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

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

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

## **Town of Lucama**

### **Notes to the Financial Statements**

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

In March 2022, NCDEQ awarded the Town a Drinking Water State Revolving Fund (DWSRF) loan of \$1,405,000 for construction of an elevated storage tank and replacement of waterlines on Spring Street and Campbell Street. This project is in the design phase and final plans/specifications will be submitted over the next month. As with the sewer project, this project will not be allowed to move forward without audit reports being completed and obtaining Local Government Commission approval. Based on the awarded funds, \$500,000 of funds will be grant funds (forgiven loan). The remaining \$905,000 will be in the form of a 20-year loan, with 0% interest. This will result in an annual debt service payment of \$45,250.

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

#### **VI. Restatements**

Fund Level and Government Wide – During the fiscal year ended June 30, 2021, the Town determined the fund balance and net assets of the General Fund needed restatement caused by a financial software change during the year as follows:

Unidentified discrepancy \$ (18,285)

## **Required Supplementary Information**

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

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

\*Schedule of Contributions -  
Local Government Employees' Retirement System

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

	<u>2021</u>	<u>2020</u>
Town's proportion of the net pension liability (asset) %	0.00505%	0.00159%
Town's proportionate share of the net pension liability (asset) \$	180,458	\$ 43,422
Town's covered employee payroll \$	351,518	\$ 182,188
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.33%	23.83%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%

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

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

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00322%	0.00434%	0.00460%	0.00467%	0.00441%	0.00500%
\$ 76,389	\$ 66,302	\$ 97,628	\$ 90,959	\$ (26,008)	\$ 60,269
\$ 231,894	\$ 267,091	\$ 271,625	\$ 285,122	\$ 260,231	\$ 288,929
32.94%	24.82%	35.94%	7.35%	-9.99%	20.86%
91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 40,199	\$ 31,461	\$ 14,247
Contributions in relation to the contractually required contribution	<u>40,199</u>	<u>31,461</u>	<u>14,247</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 396,049	\$ 351,518	\$ 182,188
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.82%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 17,243	\$ 19,924	\$ 21,302	\$ 20,614	\$ 19,073
<u>17,243</u>	<u>19,924</u>	<u>21,302</u>	<u>20,614</u>	<u>19,073</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 231,894	\$ 267,091	\$ 271,625	\$ 285,122	\$ 260,231
7.44%	7.46%	7.84%	7.23%	7.33%

## **Fund Financial Statements**

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



**Town of Lucama  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 199,700	\$ 192,214	\$ (7,486)
Penalties and interest	3,500	1,607	(1,893)
Total	<u>203,200</u>	<u>193,821</u>	<u>(9,379)</u>
Unrestricted intergovernmental:			
Local option sales taxes	69,000	84,785	15,785
Utilities franchise tax	69,000	68,415	(585)
Sales tax refund	6,500	-	(6,500)
Gas tax refund	1,900	-	(1,900)
Beer and wine tax	5,000	4,866	(134)
Total	<u>151,400</u>	<u>158,066</u>	<u>6,666</u>
Restricted intergovernmental:			
State Powell Bill allocation	-	28,833	28,833
Solid waste disposal tax	750	656	(94)
COVID 19 Grant	-	10,000	10,000
Total	<u>750</u>	<u>39,489</u>	<u>38,739</u>
Permits and fees			
Zoning permits and fees	<u>1,000</u>	<u>200</u>	<u>(800)</u>
Sales and services:			
Solid waste disposal	78,600	83,517	4,917
Late charges	3,000	242	(2,758)
Rental income	16,000	3,202	(12,798)
Total	<u>97,600</u>	<u>86,961</u>	<u>(10,639)</u>
Investment earnings	<u>800</u>	<u>130</u>	<u>(670)</u>
Other Revenues:			
Miscellaneous	<u>650</u>	<u>261</u>	<u>(389)</u>
Total	<u>650</u>	<u>261</u>	<u>(389)</u>
Total revenues	<u>\$ 455,400</u>	<u>\$ 478,928</u>	<u>\$ 23,528</u>

**Town of Lucama  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Salaries and benefits	\$ 13,000	\$ 12,757	\$ 243
Administration:			
Salaries and benefits		98,664	
Tax collection fees		7,186	
Operating expenses		36,923	
Insurance		1,777	
Contracted services		45,170	
Repairs and maintenance		970	
Total	<u>83,582</u>	<u>190,690</u>	<u>(107,108)</u>
Total general government	<u>96,582</u>	<u>203,447</u>	<u>(106,865)</u>
Public safety:			
Sheriff contract - Wilson County	147,650	137,475	10,175
Crossroad Volunteer Fire Department	40,670	40,670	-
Total public safety	<u>188,320</u>	<u>178,145</u>	<u>10,175</u>
Transportation:			
Streets and highways:			
Salaries and benefits		56,369	
Operating expenditures		32,380	
Repairs and maintenance		20,393	
Contracted services		66,480	
Insurance		9,196	
Total transportation	<u>159,268</u>	<u>184,818</u>	<u>(25,550)</u>
Culture and recreation:			
Parks and recreation:			
Operating expenses	\$ -	\$ 14,147	\$ (14,147)

**Town of Lucama  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Community Building:			
Operating expenses		\$ 5,047	
Repairs and maintenance		2,110	
Total	\$ 7,230	7,157	\$ 73
Library:			
Operating expenses	4,000	3,602	398
Total culture and recreation	11,230	24,906	(13,676)
Total expenditures	455,400	591,316	(135,916)
Net change in fund balance	\$ -	(112,388)	\$ (112,388)
Fund balances, beginning		1,647,455	
Prior period adjustment (See Note VI)		<u>(18,285)</u>	
Fund balances, beginning as restated		1,629,170	
Fund balances, ending		<u>\$ 1,516,782</u>	

## **Enterprise Funds**

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

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

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

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

**Town of Lucama**  
**Electric Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for electricity	\$ 2,300,000	\$ 2,138,607	\$ (161,393)
REPS charges	-	26,561	26,561
Sales tax revenue	145,000	141,904	(3,096)
Late Fees	-	12,319	12,319
Connection fees new service	4,000	1,525	(2,475)
Reconnect fees	7,500	2,955	(4,545)
Total operating revenues	<u>2,456,500</u>	<u>2,323,871</u>	<u>(132,629)</u>
Nonoperating revenues:			
Miscellaneous	100	6,340	6,240
Interest	6,700	1,225	(5,475)
Total nonoperating revenues	<u>6,800</u>	<u>7,565</u>	<u>765</u>
Total revenues	<u>2,463,300</u>	<u>2,331,436</u>	<u>(131,864)</u>
<b>Expenditures:</b>			
Electrical operations:			
Salaries benefits		289,766	
Repairs and maintenance		10,353	
Sales tax expense		141,691	
Insurance		5,801	
Other operating expenses		72,541	
Contractual services		19,769	
Total Administration	<u>640,500</u>	<u>539,921</u>	<u>100,579</u>
Electrical power purchases	<u>1,822,800</u>	<u>1,093,830</u>	<u>728,970</u>
Total expenditures	<u>\$ 2,463,300</u>	<u>\$ 1,633,751</u>	<u>\$ 829,549</u>

**Town of Lucama  
Electric Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Revenues over expenditures	\$ -	697,685	\$ 697,685

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

Reconciling items:	
Increase in compensated absences	(1,290)
Increase in deferred outflows of resources - pensions	60,620
Increase in deferred inflows of resources - pensions	3,318
Increase in net pension liability	(83,659)
Depreciation	(42,506)
Total	(63,517)
Change in net position	\$ 634,168

**Town of Lucama  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Charges for water	\$ 175,000	\$ 202,564	\$ 27,564
Charges for sewer	180,000	185,626	5,626
Capacity charges	35,000	34,318	(682)
Tap fees	-	1,800	1,800
Late fees	57,000	5,808	(51,192)
Total operating revenues	<u>447,000</u>	<u>430,116</u>	<u>(16,884)</u>
Nonoperating revenues:			
Miscellaneous	2,000	50	(1,950)
Interest	100	3	(97)
Total nonoperating revenues	<u>2,100</u>	<u>53</u>	<u>(2,047)</u>
Total revenues	<u>449,100</u>	<u>430,169</u>	<u>(18,931)</u>
<b>Expenditures:</b>			
Water treatment and distribution:			
Salaries and benefits		98,165	
Repairs and maintenance		113,501	
Insurance		1,908	
Other operating expenses		82,990	
Contractual services		5,792	
Total Administration	<u>207,570</u>	<u>302,356</u>	<u>(94,786)</u>
Waste collection and treatment			
Sewer treatment fees		329,086	
Total	<u>196,346</u>	<u>329,086</u>	<u>(132,740)</u>
Debt Service:			
Principal retirement		33,337	
Interest and fees		27,307	
Total	<u>45,184</u>	<u>60,644</u>	<u>(15,460)</u>
Capital outlay:			
Equipment		28,110	(28,110)
Total	<u>-</u>	<u>28,110</u>	<u>(28,110)</u>
Total expenditures	<u>\$ 449,100</u>	<u>\$ 720,196</u>	<u>\$ (271,096)</u>

**Town of Lucama  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues (under) expenditures	<u>\$ -</u>	(290,027)	<u>\$ (290,027)</u>

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

Reconciling items:	
Decrease in accrued interest	52
Decrease in compensated absences	(1,313)
Increase in deferred outflows of resources - pensions	(17,949)
Increase in deferred inflows of resources - pensions	(487)
Increase in net pension liability	24,165
Capital outlays	28,110
Depreciation	(102,967)
Principal retirement	33,337
Capital project fund contributions	<u>68,211</u>
Total	<u>31,159</u>
Change in net position	<u>\$ (258,868)</u>



**Town of Lucama  
Water Capital Project Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted Intergovernmental:					
Dept. of Environmental Quality	\$ 121,882	\$ 58,853	\$ 61,740	\$ 120,593	\$ (1,289)
<b>Expenditures</b>					
Legal	4,000	-	-	-	4,000
Grant administration	-	24,990	6,500	31,490	(31,490)
Construction	292,241	258,992	27,318	286,310	5,931
Engineering	170,415	50,400	5,465	55,865	114,550
Closing Costs	9,006	9,006	-	9,006	-
Other reimbursable expenses	-	732	780	1,512	(1,512)
Contingency	13,666	-	-	-	13,666
Total expenditures	<u>489,328</u>	<u>344,120</u>	<u>40,063</u>	<u>384,183</u>	<u>105,145</u>
Revenues over (under) expenditures	<u>(367,446)</u>	<u>(285,267)</u>	<u>21,677</u>	<u>(263,590)</u>	<u>(106,434)</u>
<b>Other Financing Sources</b>					
Proceeds from long-term debt	<u>367,446</u>	<u>301,697</u>	<u>-</u>	<u>301,697</u>	<u>(65,749)</u>
Total other financing sources	<u>367,446</u>	<u>301,697</u>	<u>-</u>	<u>301,697</u>	<u>(65,749)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 16,430</u>	21,677	<u>\$ 38,107</u>	<u>\$(172,183)</u>
Fund balance, beginning			16,430		
Fund balance, ending			<u>\$ 38,107</u>		

**Town of Lucama**  
**2018 Water System Improvement Capital Project**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues</b>			
Restricted Intergovernmental:			
Dept. of Environmental Quality	<u>\$ -</u>	<u>\$ 6,471</u>	<u>\$ 6,471</u>
<b>Expenditures</b>			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>-</u>	<u>6,471</u>	<u>6,471</u>
Net change in fund balance	<u><u>\$ -</u></u>	6,471	<u><u>\$ 6,471</u></u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u><u>\$ 6,471</u></u>	

## **Other Schedules**

This section contains additional information required on property taxes.

\*Schedule of Ad Valorem Taxes Receivable

\*Analysis of Current Tax Levy - Town-wide Levy

**Town of Lucama**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 194,833 (a)	\$ 190,162 (b)	\$ 4,671 (c)
2019-2020	5,296	-	3,221	2,075
2018-2019	2,167	-	131	2,036
2017-2018	2,966	-	33	2,933
2016-2017	1,754	-	77	1,677
2015-2016	790	-	40	750
2014-2015	833	-	83	750
2013-2014	876	-	41	835
2012-2013	651	-	63	588
2011-2012	506	-	3	503
2010-2011	814	-	814	-
	<u>\$ 16,653</u>	<u>\$ 194,833</u>	<u>\$ 194,668 (d)</u>	<u>16,818</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 16,818</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 193,821
Reconciling items:				
Discounts and releases				(1,367)
Adjustments				897
Interest collected				<u>1,317</u>
Subtotal				<u>847</u>
Total collections and credits				<u>\$ 194,668 (d)</u>

**Town of Lucama  
Analysis of Current Tax Levy  
Town - Wide Levy  
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 rate	\$ 37,374,000	0.50	\$ 186,870	\$ 151,963	\$ 34,907
Discoveries	-		7,963	7,963	-
Total property valuation	<u>\$ 37,374,000</u>				
Net levy			194,833 (a)	159,926	34,907
Unpaid (by taxpayer) taxes at June 30, 2021			<u>(4,671) (c)</u>	<u>(4,671)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 190,162 (b)</u>	<u>\$ 155,255</u>	<u>\$ 34,907</u>
Current levy collection percentage			<u>97.60%</u>	<u>97.08%</u>	<u>100.00%</u>

## **Compliance Section**

**NUNN, BRASHEAR & UZZELL, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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ALBERT S. WHITFIELD, CPA  
MARJORIE C. FICKLING, CPA  
J.R. SABATELLI, 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 Board of Commissioners  
Lucama, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lucama, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Lucama's basic financial statements, and have issued our report thereon dated March 22, 2024.

**Internal Control Over Financial Reporting**

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

Our consideration of 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 questioned costs, we did identify 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 entity'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 questioned costs as items 2021-001, 2021-003 and 2021-004 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Lucama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 Lucama, North Carolina's Response to Findings**

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

## **Purpose of this Report**

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

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

Goldsboro, North Carolina

March 22, 2024



**Town of Lucama**  
**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2021

**I. Summary of Auditors' Results**

**Financial Statement**

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

Internal control over financial reporting:

Material weakness identified?   X   Yes        No

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

Noncompliance material to financial statements noted        Yes   X   No

**Federal Awards**

None

**State Awards**

None

**Town of Lucama**  
**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2021

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**II. Financial Statement Findings**

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**Finding 2021-001 (repeat) Statutory Violations**

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

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

- The adoption of the Town's 2021-2022 budget was late and after the start of the fiscal year. The Town failed to make budget amendments for the 2020-2021 fiscal year. Additionally, the Town's expenditures exceeded the budgets provided for the fiscal year.
- The Town did not ensure the completion of a timely audit for the fiscal year ended June 30, 2021.

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

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

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

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

**Finding 2021-002 (repeat) Segregation of Duties**

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

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

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

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

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

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

**Finding 2021-003 (repeat) Trial Balance Non-existent**

Criteria: The Town did not maintain an appropriate trial balance.

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

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

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

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

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

## **Finding 2021-004 Prior Period Adjustment**

**Criteria:** The beginning fund balance and net position of the General Fund/Governmental Activities did not reconcile to the audited financial statements for the fiscal year ending June 30, 2020.

**Condition:** The Town was unable to provide a schedule that reconciled fund balance and net position of the General Fund/Governmental Activities with the prior year June 30, 2020 audit.

**Effect:** The Town provided a trial balance that had unreconciled fund balance and net position.

**Cause:** Two conditions existed that caused the fund balance and net position to not reconcile to the June 30, 2020 audited financial statements:

- While the Town operates on the modified accrual basis of accounting during the fiscal year as required by N.C. General Statute Section 159-26 Accounting System, (c) Basis of Accounting, the third-party CPA is recording transactions to the General Fund that do not meet this basis of accounting.

- A new financial software was implemented and, due to time constraints, management and the third-party CPA decided to pass further investigation into the adjustments needed to properly transition the trial balance between software programs. A journal entry was needed to update the balances between programs. An unknown amount of \$51,369 was recorded in miscellaneous expense. Upon preparation of the financial statements, other errors were discovered by the independent preparer of the financial statements, which reduced the amount to an adjustment of \$18,285. This amount is above planning materiality of \$12,000.

**Recommendation:** The Town needs to implement procedures to ensure fund balances and net assets reconcile to the previous year audited financial statements. The governmental fund balances should reconcile to the Balance Sheet - Governmental Funds (Exhibit 3) and the business-type statements should reconcile to the Statement of Net Position - Proprietary Funds (Exhibit 6).

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding and will ensure the June 30, 2022 trial balance has reconciled fund balance and net position.

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**III. Federal Awards Findings and Questioned Costs**

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None Reported

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**IV. State Awards Findings and Questioned Costs**

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None Reported

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

**Finding 2020-001 Statutory Violations**

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

**Finding 2020-002 Segregation of Duties**

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

**Finding 2020-003 Missing Documentation**

Corrective Action: This finding has been corrected.

**Finding 2020-004 Trial Balance Non-existent**

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



# TOWN OF LUCAMA

**Mayor:** Matthew Creech  
**Mayor Pro Tempore:** Jeff Johnson  
**Town Administrator:** Ralph Clark  
**Town Clerk:** Dena Owens  
**Utility Billing Clerk:** Ashleigh Hooks

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**Commissioners:** Michael Best  
David Johnson  
Jeff Johnson  
Kim Flowers Joyner  
Jody Talton Teague

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

### Finding 2021 – 001 Statutory Violations

Name of contact person: Ralph Clark, Interim Town Administrator

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

Audit reports will be completed within statutory requirement dates.

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

### Finding 2021 – 002 Segregation of Duties

Name of contact person: Ralph Clark, Interim Town Administrator

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

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

### **Finding 2021 – 003 Trial Balance Non-existent**

Name of contact person: Ralph Clark, Interim Town Administrator

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

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

### **Finding 2021 – 004 Prior Period Adjustment**

Name of contact person: Ralph Clark, Interim Town Administrator

Correction action: Procedures will be implemented to ensure fund balances and net assets reconcile to the previous year audited financial statements, assuring that the governmental fund balances reconcile to the Balance Sheet – Governmental Funds and the business-type statements reconcile to the Statement of Net Position – Proprietary Funds.

Proposed completion: Conversation with the third-party CPA will take place by March 31, 2024, to allow for correct reconciliation for the 21/22 fiscal year's audit, meeting the modified accrual basis of accounting.