

TOWN OF CALABASH NORTH CAROLINA

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

MARTIN ♦ STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

TOWN OF CALABASH, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Calabash, North Carolina, as of June 30, 2020, and the respective changes in financial position 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 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset/Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Calabash, North Carolina's, basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the

combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 on our consideration of the Town of Calabash, North Carolina's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Calabash's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Calabash's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 26, 2020

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Management's Discussion and Analysis

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

Financial Highlights

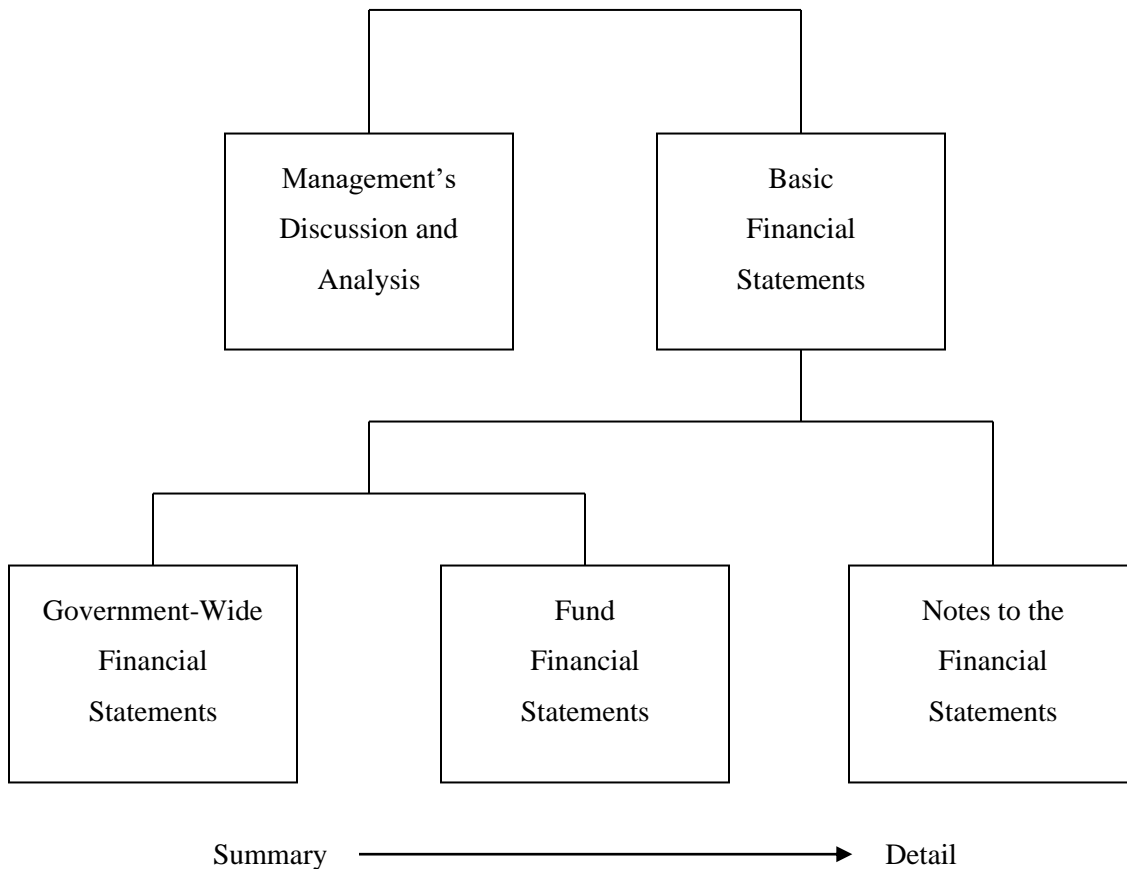
- The assets and deferred outflows of the Town of Calabash exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,265,109 (*net position*).
- As of the close of the current fiscal year, the Town of Calabash's governmental funds reported combined ending fund balances of \$2,068,170, an increase of \$199,946 in comparison with the prior year. Approximately 74% of this total amount, or \$1,533,178, is unassigned.
- At the end of the current fiscal year, available fund balance for the General Fund was \$1,626,323, or 122%, of total General Fund expenditures and transfers out for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through F) 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 two parts to the fund financial statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. Following the notes is the **Required Supplementary Information**. This section contains funding information about the Town's pension plan.

Supplemental Information is provided to show details about the Town's individual governmental 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 total liabilities. 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 and 2) component units. The governmental activities include most of the Town's basic services, such as administration, streets and highways, and inspections. Property taxes and federal and state grant funds finance most of these activities. The final category is the component unit. Although legally separate from the Town, the Calabash ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town. The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements 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 Calabash, 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 the Town of Calabash are governmental funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental 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 Calabash adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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 start after Exhibit F of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's pension plan.

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

Government-Wide Financial Analysis

Town of Calabash's Net Position

Figure 2

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Assets: | | |
| Current and other assets | \$ 2,355,617 | \$ 2,146,887 |
| Capital assets | <u>1,244,168</u> | <u>1,225,141</u> |
| Total assets | <u>3,599,785</u> | <u>3,372,028</u> |
| Deferred Outflows of Resources | <u>88,745</u> | <u>112,320</u> |
| Liabilities: | | |
| Long-term liabilities outstanding | 143,909 | 149,226 |
| Other liabilities | <u>271,833</u> | <u>276,947</u> |
| Total liabilities | <u>415,742</u> | <u>426,173</u> |
| Deferred Inflows of Resources | <u>7,679</u> | <u>7,626</u> |
| Net Position: | | |
| Net investment in capital assets | 1,244,168 | 1,225,141 |
| Restricted | 306,895 | 246,926 |
| Unrestricted | <u>1,714,046</u> | <u>1,578,482</u> |
| Total net position | <u>\$ 3,265,109</u> | <u>\$ 3,050,549</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 Calabash exceeded liabilities and deferred inflows by \$3,265,109 as of June 30, 2020. The Town's net position increased by \$214,560 for the fiscal year ended June 30, 2020. One of the largest portions of net position reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Calabash uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Calabash's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Calabash's net position of \$306,895 represents resources that are subject to external restrictions on how they may be used. The remaining balance (52%), or \$1,714,046, is unrestricted.

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

- The Town received FEMA Reimbursement for costs associated for preparations and response to Hurricane Dorian.
- The Town was able to budget conservatively. Revenues exceeded budgeted projections, and the Town spent less than what was budgeted in most departments.
- Continued consistent growth in sales tax and development fees.
- Growth in ABC revenues.
- The Town was careful with expenditures during the final quarter of the 19/20 budget year due to COVID concerns and possible loss of revenue.

Town of Calabash's Changes in Net Position

Figure 3

| | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|-------------------------|
| | <u>2020</u> | <u>2019</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 157,406 | \$ 148,198 |
| Operating grants and contributions | 117,803 | 153,569 |
| Capital grants and contributions | - | 151,960 |
| General revenues: | | |
| Property taxes | 274,684 | 256,271 |
| Local option sales taxes | 594,400 | 568,363 |
| Other taxes | 147,354 | 150,515 |
| ABC profit distribution | 205,275 | 135,198 |
| Other | 8,881 | 10,845 |
| Total revenues | <u>1,505,803</u> | <u>1,574,919</u> |
| Expenses: | | |
| General government | 467,119 | 454,409 |
| Public safety | 150,172 | 145,924 |
| Transportation | 464,615 | 444,259 |
| Environmental protection | 88,612 | 42,430 |
| Economic development | 28,376 | 6,471 |
| Culture and recreation | 92,350 | 99,209 |
| Total expenses | <u>1,291,243</u> | <u>1,192,702</u> |
| Change in net position | 214,560 | 382,217 |
| Net Position: | | |
| Beginning of year - July 1 | <u>3,050,549</u> | <u>2,668,332</u> |
| End of year - June 30 | <u>\$ 3,265,109</u> | <u>\$ 3,050,549</u> |

Governmental Activities. Governmental activities increased the Town's net position by \$214,560. Key elements of this increase are:

- FEMA Grant that reimbursed the Town for costs associated with preparations and actions during Hurricane Dorian.
- Continued growth in revenues such as ad valorem taxes, sales tax, ABC revenue, and development fees/permits.
- The Town did not have to utilize budgeted fund balance.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Calabash'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 Calabash's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Calabash. At the end of the current fiscal year, available fund balance of the General Fund was \$1,626,323, while total fund balance was \$1,933,218. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 122% of total General Fund expenditures and transfers out, while total fund balance represents 145% of that same amount.

At June 30, 2020, the governmental funds of the Town of Calabash reported a combined fund balance of \$2,068,170. Included in the change in fund balance are increases and decreases in fund balance in the General Fund, capital project funds, and special revenue funds.

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.

During the 2019/2020 budget year, the Town revised the budget five times. The budget amendments served to make general budget adjustments, account for expenses and reimbursements from Hurricane Dorian, account for expenses related to purchase of new generators (which will be reimbursed through a FEMA grant), and to balance the Powell Bill with actual revenues received.

Capital Asset and Debt Administration

Capital Assets. The Town of Calabash's capital assets for its governmental activities as of June 30, 2020 total \$1,244,168 (net of accumulated depreciation). These assets include buildings, land, and equipment.

The Town purchased equipment in the 2019/2020 budget year.

1. The Town purchased a dump truck for Town Services.
2. The Town purchased two new generators for Town Hall and moved the existing generator at Town Hall to Town Services.
3. The Town purchased a new zero turn lawnmower for Town Services.

Town of Calabash's Capital Assets

Figure 4

| | Governmental Activities | |
|--------------|--------------------------------|---------------------|
| | 2020 | 2019 |
| Land | \$ 675,827 | \$ 675,827 |
| Buildings | 279,664 | 270,616 |
| Improvements | 110,762 | 116,917 |
| Vehicles | 98,417 | 49,527 |
| Equipment | 79,498 | 112,254 |
| Total | <u>\$ 1,244,168</u> | <u>\$ 1,225,141</u> |

Additional information on the Town's capital assets can be found in Note 2 of the basic financial statements.

Long-Term Debt. As of June 30, 2020, the Town of Calabash had no installment debt outstanding.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Calabash is approximately \$24,865,829.

Readers may read more detailed information regarding the Town's outstanding long-term liabilities in the liabilities section of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- Even with the COVID pandemic, The Town of Calabash is continuing to experience significant growth. Population has increased slightly, and there are several areas with utilities in place ready for new construction. If the economy continues to improve, look for construction starts to continue and property taxes start to grow (ex. Kingfish Bay and Thistle). However, we are being cautious with budgeting during the beginning of the new budget year just in case revenues decline.
- The Board of Commissioners has not changed the tax rate for 2020/21.
- Tourism has stayed strong as evidenced with consistent increases each year in sales tax revenue.

Budget Highlights for the Fiscal Year Ended June 30, 2021

Governmental Activities. The Town is beginning the budget year with extreme caution based upon the possibility that the COVID Pandemic could affect tourism and sales tax revenue. We have scheduled budget workshops at the end of each quarter to determine how revenues are progressing and to see if we need to make further cuts, or we can add items back to the budget.

The 2020/2021 budget includes a slight increase for health insurance, merit increases up to 2.5% based upon job performance, we have held back with moving funds from the general fund to designated funds, we are not making large capital purchases, and we have scaled back large donations. We are only planning to use Powell Bill Funds for paving and have not budgeted any paving monies from the general fund. The Town is prepared to make adjustments along the way if necessary.

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 following:

Chuck Nance
Town Administrator
P.O. Box 4967
882 Persimmon Road
Calabash, NC 28467
Telephone: (910) 579-6747
Fax: (910) 579-5494
Email: towncalabash@atmc.net

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TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2020

| | Primary Government | Component Unit |
|--|----------------------------|-----------------------|
| | Governmental Activities | Calabash ABC Board |
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,785,949 | \$ 492,438 |
| Receivables (net): | | |
| Ad valorem taxes | 7,991 | - |
| Due from component unit | 162,061 | - |
| Due from other governments | 163,957 | - |
| Inventory | - | 237,277 |
| Equipment deposits | - | 24,967 |
| Restricted cash and cash equivalents | 235,659 | - |
| Total current assets | 2,355,617 | 754,682 |
| Non-current assets: | | |
| Capital assets: | | |
| Land, non-depreciable improvements, and construction in progress | 675,827 | 119,763 |
| Other capital assets, net of depreciation | 568,341 | 82,470 |
| Total capital assets | 1,244,168 | 202,233 |
| Total assets | 3,599,785 | 956,915 |
| Deferred Outflows of Resources: | | |
| Contributions to pension plan in current fiscal year | 38,096 | 6,951 |
| Pension deferrals | 50,649 | 15,105 |
| Total deferred outflows of resources | 88,745 | 22,140 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | 12,990 | 56,345 |
| Accrued liabilities | 11,684 | 65,513 |
| Liabilities payable from restricted assets: | | |
| Development deposits | 235,659 | - |
| Distributions payable | - | 201,053 |
| Current portion of long-term liabilities | 11,500 | - |
| Total current liabilities | 271,833 | 322,911 |
| Long-term liabilities: | | |
| Net pension liability | 139,277 | 29,766 |
| Due in more than one year | 4,632 | - |
| Total long-term liabilities | 143,909 | 29,766 |
| Total liabilities | 415,742 | 352,677 |
| Deferred Inflows of Resources: | | |
| Pension deferrals | 7,679 | - |
| Net Position: | | |
| Net investment in capital assets | 1,244,168 | 202,233 |
| Restricted for: | | |
| Stabilization by state statute | 306,895 | - |
| Working capital | - | 62,737 |
| Unrestricted | 1,714,046 | 361,408 |
| Total net position | \$ 3,265,109 | \$ 626,378 |

The accompanying notes are an integral part of the financial statements.

TOWN OF CALABASH, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| | | Program Revenues | | |
|-----------------------------------|---------------------|-------------------------|----------------------|----------------------|
| | | Charges for | Operating | Capital |
| | Expenses | Services | Grants and | Grants and |
| | | | Contributions | Contributions |
| Functions/Programs | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Governing body | \$ 467,119 | \$ 6,386 | \$ 25,592 | \$ - |
| Public safety | 150,172 | 146,593 | - | - |
| Transportation | 464,615 | 3,827 | 61,177 | - |
| Environmental protection | 88,612 | - | 31,034 | - |
| Economic and physical development | 28,376 | - | - | - |
| Culture and recreation | 92,350 | 600 | - | - |
| Total governmental activities | <u>1,291,243</u> | <u>157,406</u> | <u>117,803</u> | <u>-</u> |
| Total primary government | <u>\$ 1,291,243</u> | <u>\$ 157,406</u> | <u>\$ 117,803</u> | <u>\$ -</u> |
| Component Unit: | | | | |
| Calabash ABC Board | <u>\$ 1,700,866</u> | <u>\$ 1,632,118</u> | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of the financial statements.

TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

| | Net (Expense) Revenue and Changes in Net Position | | |
|-----------------------------------|--|---------------------|---------------------------|
| | Primary Government | | Component Unit |
| | Governmental Activities | Total | Calabash ABC Board |
| Functions/Programs | | | |
| Primary Government: | | | |
| Governmental Activities: | | | |
| Governing body | \$ (435,141) | \$ (435,141) | \$ - |
| Public safety | (3,579) | (3,579) | - |
| Transportation | (399,611) | (399,611) | - |
| Environmental protection | (57,578) | (57,578) | - |
| Economic and physical development | (28,376) | (28,376) | - |
| Culture and recreation | (91,750) | (91,750) | - |
| Total governmental activities | <u>(1,016,034)</u> | <u>(1,016,034)</u> | <u>-</u> |
| Total primary government | <u>(1,016,034)</u> | <u>(1,016,034)</u> | <u>-</u> |
| Component Unit: | | | |
| Calabash ABC Board | | | <u>(68,748)</u> |
| General Revenues: | | | |
| Property taxes | 274,684 | 274,684 | - |
| Local option sales tax | 594,400 | 594,400 | - |
| Utility franchise tax | 113,721 | 113,721 | - |
| Telecommunications tax | 16,446 | 16,446 | - |
| Video franchise fee | 6,103 | 6,103 | - |
| Beer and wine tax | 8,735 | 8,735 | - |
| Other taxes and licenses | 2,349 | 2,349 | - |
| ABC profit distribution | 205,275 | 205,275 | - |
| Unrestricted investment earnings | 8,881 | 8,881 | 1,555 |
| Total general revenues | <u>1,230,594</u> | <u>1,230,594</u> | <u>1,555</u> |
| Change in net position | 214,560 | 214,560 | (67,193) |
| Net Position: | | | |
| Beginning of year - July 1 | <u>3,050,549</u> | <u>3,050,549</u> | <u>693,571</u> |
| End of year - June 30 | <u>\$ 3,265,109</u> | <u>\$ 3,265,109</u> | <u>\$ 626,378</u> |

The accompanying notes are an integral part of the financial statements.

TOWN OF CALABASH, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | <u>Major</u> | <u>Nonmajor</u> | |
|---|---------------------|---------------------|---------------------|
| | <u>General</u> | <u>Other</u> | <u>Total</u> |
| | <u>Fund</u> | <u>Governmental</u> | <u>Governmental</u> |
| | | <u>Funds</u> | <u>Funds</u> |
| Assets: | | | |
| Cash and investments | \$ 1,650,102 | \$ 135,847 | \$ 1,785,949 |
| Receivables (net): | | | |
| Ad valorem taxes | 7,991 | - | 7,991 |
| Due from component unit | 162,061 | - | 162,061 |
| Due from other governments | 163,957 | - | 163,957 |
| Restricted cash and investments | 235,659 | - | 235,659 |
| Total assets | <u>\$ 2,219,770</u> | <u>\$ 135,847</u> | <u>\$ 2,355,617</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 12,095 | \$ 895 | \$ 12,990 |
| Accrued liabilities | 11,684 | - | 11,684 |
| Liabilities payable from restricted assets: | | | |
| Development deposits | 235,659 | - | 235,659 |
| Total liabilities | <u>259,438</u> | <u>895</u> | <u>260,333</u> |
| Deferred Inflows of Resources: | | | |
| Grant receivable | 19,123 | - | 19,123 |
| Property taxes receivable | 7,991 | - | 7,991 |
| Total deferred inflows of resources | <u>27,114</u> | <u>-</u> | <u>27,114</u> |
| Fund Balances: | | | |
| Restricted: | | | |
| Stabilization by state statute | 306,895 | - | 306,895 |
| Committed: | | | |
| Environmental protection | - | 33,073 | 33,073 |
| Capital improvements | 21,145 | - | 21,145 |
| Streets and sidewalks | 72,000 | - | 72,000 |
| Assigned: | | | |
| Environmental protection | - | 97,709 | 97,709 |
| Economic development | - | 4,170 | 4,170 |
| Unassigned | 1,533,178 | - | 1,533,178 |
| Total fund balances | <u>1,933,218</u> | <u>134,952</u> | <u>2,068,170</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 2,219,770</u> | <u>\$ 135,847</u> | 2,355,617 |
| Amounts reported for governmental activities in the Statements of Net Position (Exhibit A) are different because: | | | |
| Gross capital assets at historical costs less accumulated depreciation | | | 1,244,168 |
| Net pension liability | | | (139,277) |
| Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position. | | | 38,096 |
| Liabilities for earned but considered deferred inflows of resources in fund statements: | | | |
| Ad valorem taxes | | | 7,991 |
| Grant receivable | | | 19,123 |
| Pension related deferrals | | | 42,970 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | | | |
| Compensated absences | | | <u>(16,132)</u> |
| Net position of governmental activities | | | <u>\$ 3,265,109</u> |

The accompanying notes are an integral part of the financial statements.

TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Major</u> | <u>Nonmajor</u> | |
|---|---------------------|---------------------|---------------------|
| | <u>General</u> | <u>Other</u> | <u>Total</u> |
| | <u>Fund</u> | <u>Governmental</u> | <u>Governmental</u> |
| | <u>Funds</u> | <u>Funds</u> | <u>Funds</u> |
| Revenues: | | | |
| Ad valorem taxes | \$ 274,281 | \$ - | \$ 274,281 |
| Other taxes and licenses | 810 | - | 810 |
| Unrestricted intergovernmental revenues | 946,219 | - | 946,219 |
| Restricted intergovernmental revenues | 103,308 | - | 103,308 |
| Permits and fees | 146,593 | - | 146,593 |
| Investment earnings | 8,881 | - | 8,881 |
| Miscellaneous | 10,813 | - | 10,813 |
| Total revenues | <u>1,490,905</u> | <u>-</u> | <u>1,490,905</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 467,104 | - | 467,104 |
| Public safety | 147,503 | - | 147,503 |
| Transportation | 473,153 | - | 473,153 |
| Environmental protection | 10,251 | 78,377 | 88,628 |
| Economic and physical development | 28,376 | - | 28,376 |
| Culture and recreation | 86,195 | - | 86,195 |
| Total expenditures | <u>1,212,582</u> | <u>78,377</u> | <u>1,290,959</u> |
| Revenues over (under) expenditures | <u>278,323</u> | <u>(78,377)</u> | <u>199,946</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | - | 117,756 | 117,756 |
| Transfers out | (117,756) | - | (117,756) |
| Total other financing sources (uses) | <u>(117,756)</u> | <u>117,756</u> | <u>-</u> |
| Net change in fund balances | 160,567 | 39,379 | 199,946 |
| Fund Balances: | | | |
| Beginning of year - July 1 | <u>1,772,651</u> | <u>95,573</u> | <u>1,868,224</u> |
| End of year - June 30 | <u>\$ 1,933,218</u> | <u>\$ 134,952</u> | <u>\$ 2,068,170</u> |

The accompanying notes are an integral part of the financial statements.

TOWN OF CALABASH, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

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

| | |
|---|-------------------|
| Net changes in fund balances - total governmental funds (Exhibit D) | \$ 199,946 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. | |
| Capital outlay expenditures, which were capitalized | 87,705 |
| Depreciation expense | (68,678) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. | 14,495 |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. | 38,096 |
| Change in unavailable revenue for ad valorem tax revenues | 403 |
| Expenses related to pensions that do not require current financial resources are not reported as expenditures in the governmental funds statement. | (61,745) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Compensated absences | <u>4,338</u> |
| Total changes in net position of governmental activities | <u>\$ 214,560</u> |

The accompanying notes are an integral part of the financial statements.

TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over/(Under) |
|--|--------------------|------------------|---------------------|---|
| Revenues: | | | | |
| Ad valorem taxes | \$ 274,950 | \$ 274,950 | \$ 274,281 | \$ (669) |
| Other taxes and licenses | 650 | 650 | 810 | 160 |
| Unrestricted intergovernmental revenues | 819,075 | 819,075 | 946,219 | 127,144 |
| Restricted intergovernmental revenues | 61,064 | 77,794 | 103,308 | 25,514 |
| Permits and fees | 91,200 | 121,200 | 146,593 | 25,393 |
| Investment earnings | 7,500 | 7,500 | 8,881 | 1,381 |
| Miscellaneous | 10,300 | 31,623 | 10,813 | (20,810) |
| Total revenues | <u>1,264,739</u> | <u>1,332,792</u> | <u>1,490,905</u> | <u>158,113</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 469,850 | 496,124 | 467,104 | 29,020 |
| Public safety | 150,750 | 161,500 | 147,503 | 13,997 |
| Transportation | 519,216 | 530,996 | 473,153 | 57,843 |
| Environmental protection | 9,000 | 10,000 | 10,251 | (251) |
| Economic and physical development | 33,300 | 36,435 | 28,376 | 8,059 |
| Culture and recreation | 95,250 | 95,250 | 86,195 | 9,055 |
| Contingency | 38,814 | 28,814 | - | 28,814 |
| Total expenditures | <u>1,316,180</u> | <u>1,359,119</u> | <u>1,212,582</u> | <u>146,537</u> |
| Revenues over (under) expenditures | <u>(51,441)</u> | <u>(26,327)</u> | <u>278,323</u> | <u>304,650</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers to other funds | <u>(40,000)</u> | <u>(137,757)</u> | <u>(137,756)</u> | <u>(1)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>(128,941)</u> | <u>(164,084)</u> | <u>140,567</u> | <u>304,651</u> |
| Appropriated fund balance | <u>128,941</u> | <u>164,084</u> | <u>-</u> | <u>(164,084)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>140,567</u> | <u>\$ 140,567</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | <u>1,699,506</u> | |
| End of year - June 30 | | | 1,840,073 | |
| A legally budgeted Streets and Sidewalks Fund is consolidated into the General Fund for reporting purposes. | | | | |
| Fund balance | | | 52,000 | |
| Transfer in | | | 20,000 | |
| A legally budgeted Capital Improvement Fund is consolidated into the General Fund for reporting purposes. | | | | |
| Fund balance | | | <u>21,145</u> | |
| Fund balance - end of year (consolidated) | | | <u>\$ 1,933,218</u> | |

The accompanying notes are an integral part of the financial statements.

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TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Calabash (the “Town”) and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

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

Town of Calabash ABC Board

The members of the ABC Board’s governing board are appointed by the Town. In addition, the ABC Board is required by state statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at the Town of Calabash ABC Board, 10223 Beach Road, Calabash, North Carolina 28467.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements report the *governmental activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Interfund services provided and used are not eliminated in the process of consolidation. 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.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Fund Financial Statements. The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state funds, and various other taxes and licenses. The primary expenditures are for inspections, street maintenance and construction, and general administration. Additionally, the Town has a legally adopted Streets and Sidewalks Fund, and Capital Improvement Fund. Under GASB 54 guidance, the Streets and Sidewalks Fund and Capital Improvement Fund are consolidated in the General Fund. The budgetary comparisons for the Streets and Sidewalks Fund and Capital Improvement Fund have been included in the supplemental information.

The Town reports the following nonmajor governmental funds:

Saltaire Village Stormwater Capital Project Fund. This fund is used to account for funds held for stormwater improvements in Saltaire Village.

Dredging Capital Project Fund. This fund is used to account for funds held for dredging expenditures.

Environmental/Stormwater Capital Project Fund. This fund is used to account for funds held for environmental and stormwater projects.

Economic Development Capital Project Fund. This fund is used to account for funds held for economic development.

C. Measurement Focus and Basis of Accounting

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

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

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

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. Long-term debt issued and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Calabash because the tax is levied by Brunswick County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

E. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Improvement Fund, Dredging Capital Project Fund, Land Acquisition Capital Project Fund, and Streets and Sidewalks Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the River Road Capital Project Fund, and Saltaire Village Stormwater Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Budget Officer is authorized to transfer appropriations within a department; however, such changes should not result in increased recurring obligations, such as salaries, and may transfer amounts up to \$1,000 between departments within the same fund. A budget amendment must be made for all such transfers at the next regular Board meeting. No amounts may be transferred between funds except as approved by the governing board in the budget ordinance. All amendments to the original budget were necessary. During the year, amendments to the original budget were necessary. 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.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Cash and Cash Equivalents

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

Restricted Assets

\$235,659 of development deposits are restricted in the General Fund because they are held by the Town until development is complete. They are restricted for the purpose for which the deposit was collected.

Ad Valorem Taxes Receivable

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

Allowances for Doubtful Accounts

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

Inventory

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: equipment, \$5,000; buildings, \$20,000; and infrastructure, \$100,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, are not recorded. 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 CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

| <u>Asset</u> | <u>Estimated Useful Lives</u> |
|------------------------|-----------------------------------|
| Buildings | 40 years |
| Furniture and fixtures | 10 years |
| Store equipment | 5-7 years |
| Office equipment | 3-10 years |
| Land Improvements | 20 years |

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criteria, contributions to the pension plan in current year and pension deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meets this criteria – property taxes receivable, grant receivable and pension deferrals.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to three weeks (120 hours) earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first in, first out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Position/Fund Balances

Net Position

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

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.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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 of G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State Statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stated 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 non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's 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.

Committed for Capital Improvements – portion of fund balance committed by the Board for capital improvements.

Committed for Environmental Protection – portion of fund balance committed by the Board for stormwater improvements.

Committed for Streets and Sidewalks – portion of fund balance that has been committed by the Board for street and sidewalk improvements.

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the Town of Calabash intends to use for specific purposes.

Environmental Protection – portion of fund balance that is budgeted by the Board for dredging projects.

Economic Development – portion of fund balance that is budgeted by the Board for economic development.

Unassigned Fund Balance. Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Fund Balance Available for Appropriation

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

| | |
|-----------------------------------|----------------------------|
| Total fund balance - General Fund | \$ 1,933,218 |
| Less: | |
| Restricted: | |
| Stabilization by state statute | <u>306,895</u> |
| Available fund balance | <u><u>\$ 1,626,323</u></u> |

G. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Calabash's employer contributions are recognized when due and the Town of Calabash 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.

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$2,021,358 and a bank balance of \$2,025,107. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of the deposits for the ABC Board was \$490,638 and the bank balance was \$564,200. Of the bank balance, \$475,271 was covered by federal depository insurance. At June 30, 2020, the Town's petty cash fund totaled \$250 and the ABC Board was \$1,800.

Receivables – Allowances for Doubtful Accounts

The allowance for doubtful accounts at June 30, 2020 was as follows:

Fund:

General Fund:

| | |
|-------------------------------|------------------|
| Ad valorem taxes receivable | \$ 12,000 |
| Total governmental activities | <u>\$ 12,000</u> |

Due from other governments at June 30, 2020 was as follows:

| | |
|---------------------------------------|-------------------|
| Sales tax | \$ 96,843 |
| Franchise tax | 29,434 |
| Video tax | 1,579 |
| Telecommunications tax | 4,262 |
| Grant receivable | 19,123 |
| Miscellaneous intergovernmental taxes | <u>12,716</u> |
| Total | <u>\$ 163,957</u> |

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2020 was as follows:

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2020</u> |
|--|-------------------------|------------------|--------------------|-------------------------|
| By Asset Type: | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 675,827 | \$ - | \$ - | \$ 675,827 |
| Total non-depreciable capital assets | <u>675,827</u> | <u>-</u> | <u>-</u> | <u>675,827</u> |
| Depreciable Capital Assets: | | | | |
| Buildings | 381,352 | 16,809 | - | 398,161 |
| Improvements | 153,835 | - | - | 153,835 |
| Equipment | 305,753 | 8,261 | 8,300 | 305,714 |
| Vehicles | 146,946 | 62,635 | - | 209,581 |
| Total depreciable capital assets | <u>987,886</u> | <u>87,705</u> | <u>8,300</u> | <u>1,067,291</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 110,736 | 7,761 | - | 118,497 |
| Improvements | 36,918 | 6,155 | - | 43,073 |
| Equipment | 193,499 | 41,017 | 8,300 | 226,216 |
| Vehicles | 97,419 | 13,745 | - | 111,164 |
| Total accumulated depreciation | <u>438,572</u> | <u>\$ 68,678</u> | <u>\$ 8,300</u> | <u>498,950</u> |
| Total depreciable capital assets, net | <u>549,314</u> | | | <u>568,341</u> |
| Governmental activity capital assets, net | <u>\$ 1,225,141</u> | | | <u>\$ 1,244,168</u> |

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

| | |
|---------------------------------|------------------|
| Governmental Activities: | |
| General government | \$ 7,760 |
| Transportation | 54,763 |
| Culture and recreation | <u>6,155</u> |
| Total depreciation expense | <u>\$ 68,678</u> |

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Discretely Presented Component Unit

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

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2020</u> |
|--|---------------------|------------------|--------------------|----------------------|
| By Asset Type: | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 119,763 | \$ - | \$ - | \$ 119,763 |
| Depreciable Capital Assets: | | | | |
| Land improvements | 5,645 | - | - | 5,645 |
| Buildings | 248,775 | - | - | 248,775 |
| Furniture and fixtures | 16,479 | - | - | 16,479 |
| Equipment | 80,097 | - | - | 80,097 |
| Total depreciable capital assets | <u>470,759</u> | <u>-</u> | <u>-</u> | <u>470,759</u> |
| Less Accumulated Depreciation: | | | | |
| Land | - | - | - | - |
| Land improvements | 1,526 | 210 | - | 1,736 |
| Buildings | 175,785 | 7,914 | - | 183,699 |
| Furniture and fixtures | 16,479 | - | - | 16,479 |
| Equipment | 62,089 | 4,523 | - | 66,612 |
| Total accumulated depreciation | <u>255,879</u> | <u>\$ 12,647</u> | <u>\$ -</u> | <u>268,526</u> |
| ABC capital assets, net | <u>\$ 214,880</u> | | | <u>\$ 202,233</u> |

B. Liabilities

Pension Plan and Post-Employment Obligations

Local Government Employees' Retirement System

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

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Calabash 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 Calabash's contractually required contribution rate for the year ended June 30, 2020 was 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Calabash were \$38,096 for the year ended June 30, 2020.

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

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the Town reported a liability of \$139,277 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00510%, which was a decrease of 0.00077% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$61,745. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 23,848 | \$ - |
| Changes of assumptions | 22,700 | - |
| Net difference between projected and actual earnings on pension plan investments | 3,397 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 704 | 7,679 |
| Town contributions subsequent to the measurement date | 38,096 | - |
| Total | <u>\$ 88,745</u> | <u>\$ 7,679</u> |

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$38,096 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending | |
|--------------------|------------------|
| June 30 | Amount |
| 2021 | \$ 22,835 |
| 2022 | 5,731 |
| 2023 | 11,184 |
| 2024 | 3,220 |
| 2025 | - |
| Thereafter | - |
| Total | <u>\$ 42,970</u> |

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

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increase | 3.5 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

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

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

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

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

| <u>Asset Class</u> | Long-Term | |
|----------------------|--------------------------|-------------------------------------|
| | Target Allocation | Expected Real Rate of Return |
| Fixed income | 29.0% | 1.4% |
| Global equity | 42.0% | 5.3% |
| Real estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation protection | <u>6.0%</u> | 4.0% |
| Total | <u>100.0%</u> | |

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

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

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, 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%) or one percentage point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | <u>\$ 318,552</u> | <u>\$ 139,277</u> | <u>\$ (9,737)</u> |

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

Deferred Outflows and Inflows of Resources

The Town has two deferred outflow of resources: \$38,096 of contributions to pension plan in the current fiscal year and \$50,649 of pension deferrals.

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

| | |
|---------------------------------|----------|
| Taxes receivable (General Fund) | \$ 7,991 |
| Grant receivable | 19,123 |
| Pension deferrals | 7,679 |

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 coverage of \$2 million per occurrence; auto, public officials and employment practices, workers' compensation, and employee benefits liability coverage of \$1 million per occurrence; property coverage up to the total insurance value of the property; and health insurance for Town employees. 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. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar 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.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 and Tax Collector are individually bonded for \$50,000 each.

There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the NCLM-Interlocal Risk Financing Fund of North Carolina. Because the Town is in an area of the state that has been mapped and designated as an "X" (an area outside the one-percent annual chance floodplain) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$5,000,00 per structure through the NCLM-Interlocal Risk Financing Fund of North Carolina.

Long-Term Obligations

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2020</u> | <u>Current Portion</u> |
|---------------------------------|---------------------|------------------|--------------------|----------------------|----------------------------|
| Governmental Activities: | | | | | |
| Net pension liability LGERS | \$ 139,256 | \$ 21 | \$ - | \$ 139,277 | \$ - |
| Compensated absences | <u>20,470</u> | <u>7,232</u> | <u>11,570</u> | <u>16,132</u> | <u>11,500</u> |
| Governmental activity | | | | | |
| long-term liabilities | <u>\$ 159,726</u> | <u>\$ 7,253</u> | <u>\$ 11,570</u> | <u>\$ 155,409</u> | <u>\$ 11,500</u> |

Compensated absences typically have been liquidated in the General Fund. Compensated absences are accounted for on an FIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2020, the Town had a legal debt margin of approximately \$24,865,829.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Interfund Balances and Activity

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

| | |
|--|-----------|
| From the General Fund to the Streets and Sidewalks Fund to provide funds for sidewalks | \$ 20,000 |
| From the General Fund to the Environmental /Stormwater Capital Project Fund to provide funds for stormwater | \$ 93,586 |
| From the General Fund to the Dredging Capital Project Fund to provide funds for dredging | \$ 20,000 |
| From the General Fund to the Economic Development Capital Project Fund to provide funds for economic development | \$ 4,170 |

3. Summary Disclosures of Significant Contingencies

Federal and State-Assisted Programs

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

4. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact Town revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

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TOWN OF CALABASH, NORTH CAROLINA

PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST SEVEN FISCAL YEARS *

| Local Government Employees' Retirement System | | | | | | | |
|---|------------|------------|------------|------------|------------|-------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Town's proportion of the net pension liability (asset) (%) | 0.00510% | 0.00587% | 0.00701% | 0.00684% | 0.00708% | 0.00580% | 0.00005% |
| Town's proportion of the net pension liability (asset) (\$) | \$ 139,277 | \$ 139,256 | \$ 107,093 | \$ 145,168 | \$ 31,775 | \$ (34,205) | \$ 60,269 |
| Town's covered payroll | \$ 412,656 | \$ 376,084 | \$ 449,135 | \$ 439,366 | \$ 393,026 | \$ 353,680 | \$ 255,505 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 33.75% | 37.03% | 23.84% | 33.04% | 8.08% | (9.67%) | 23.59% |
| Plan fiduciary net position as a percentage of the total pension liability ** | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

TOWN OF CALABASH, NORTH CAROLINA**CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS**

| | Local Government Employees' Retirement System | | | | | | |
|--|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 38,096 | \$ 31,981 | \$ 28,206 | \$ 32,562 | \$ 29,306 | \$ 27,787 | \$ 25,116 |
| Contributions in relation to the contractually required contribution | <u>38,096</u> | <u>31,981</u> | <u>28,206</u> | <u>32,562</u> | <u>29,306</u> | <u>27,787</u> | <u>25,116</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 425,661 | \$ 412,656 | \$ 376,084 | \$ 449,135 | \$ 439,366 | \$ 393,026 | \$ 353,680 |
| Contributions as a percentage of covered payroll | 8.95% | 7.75% | 7.50% | 7.25% | 6.67% | 7.07% | 7.10% |

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

TOWN OF CALABASH, NORTH CAROLINA

**GENERAL FUND - CONSOLIDATED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>General Fund</u> | <u>Streets and Sidewalks Fund</u> | <u>Capital Improvement Fund</u> | <u>Eliminations</u> | <u>Total General Fund</u> |
|---|-------------------------|---|---|---------------------|-----------------------------------|
| Revenues: | | | | | |
| Ad valorem taxes | \$ 274,281 | \$ - | \$ - | \$ - | \$ 274,281 |
| Other taxes and licenses | 810 | - | - | - | 810 |
| Unrestricted intergovernmental revenues | 946,219 | - | - | - | 946,219 |
| Restricted intergovernmental revenues | 103,308 | - | - | - | 103,308 |
| Permits and fees | 146,593 | - | - | - | 146,593 |
| Investment earnings | 8,881 | - | - | - | 8,881 |
| Miscellaneous | 10,813 | - | - | - | 10,813 |
| Total revenues | <u>1,490,905</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,490,905</u> |
| Expenditures: | | | | | |
| General government: | | | | | |
| Governing body | 21,725 | - | - | - | 21,725 |
| Administrative | 411,986 | - | - | - | 411,986 |
| Elections | 1,752 | - | - | - | 1,752 |
| Public buildings | 31,641 | - | - | - | 31,641 |
| Total general government | <u>467,104</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>467,104</u> |
| Public safety: | | | | | |
| Public safety | 42,259 | - | - | - | 42,259 |
| Inspections | 105,244 | - | - | - | 105,244 |
| Total public safety | <u>147,503</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>147,503</u> |
| Transportation: | | | | | |
| Town services | 411,976 | - | - | - | 411,976 |
| Powell Bill | 61,177 | - | - | - | 61,177 |
| Total transportation | <u>473,153</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>473,153</u> |
| Environmental protection: | | | | | |
| Sanitation | 10,251 | - | - | - | 10,251 |
| Total environmental protection | <u>10,251</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,251</u> |
| Economic and physical development: | | | | | |
| Planning and zoning | 28,376 | - | - | - | 28,376 |
| Total economic and physical development | <u>28,376</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,376</u> |
| Culture and recreation: | | | | | |
| Town beautification | 69,784 | - | - | - | 69,784 |
| Community services | 10,768 | - | - | - | 10,768 |
| Community park | 5,643 | - | - | - | 5,643 |
| Total culture and recreation | <u>86,195</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>86,195</u> |
| Total expenditures | <u>1,212,582</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,212,582</u> |

TOWN OF CALABASH, NORTH CAROLINA

**GENERAL FUND - CONSOLIDATED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>General Fund</u> | <u>Streets and Sidewalks Fund</u> | <u>Capital Improvement Fund</u> | <u>Eliminations</u> | <u>Total General Fund</u> |
|---|-------------------------|---|---|---------------------|-----------------------------------|
| Revenues over (under) expenditures | <u>278,323</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>278,323</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers out: | | | | | |
| Streets and Sidewalks Fund | (20,000) | - | - | 20,000 | - |
| Economic Development Capital Project Fund | (4,170) | - | - | - | (4,170) |
| Environmental/Stormwater Capital Project Fund | (93,586) | - | - | - | (93,586) |
| Dredging Capital Project Fund | (20,000) | - | - | - | (20,000) |
| General Fund | <u>-</u> | <u>20,000</u> | <u>-</u> | <u>(20,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(137,756)</u> | <u>20,000</u> | <u>-</u> | <u>-</u> | <u>(117,756)</u> |
| Net change in fund balances | <u>\$ 140,567</u> | <u>\$ 20,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>160,567</u> |
| Fund Balances: | | | | | |
| Beginning of year - July 1 | | | | | <u>1,772,651</u> |
| End of year - June 30 | | | | | <u>\$ 1,933,218</u> |

TOWN OF CALABASH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019**

| | 2020 | | | 2019 |
|---|------------|------------|------------------------|------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Revenues: | | | | |
| Ad Valorem Taxes: | | | | |
| Taxes | \$ 271,950 | \$ 270,925 | | \$ 254,821 |
| Penalties and interest | 3,000 | 3,356 | | 3,349 |
| Total ad valorem taxes | 274,950 | 274,281 | \$ (669) | 258,170 |
| Other Taxes: | | | | |
| Privilege licenses | 650 | 810 | | 855 |
| Total other taxes | 650 | 810 | 160 | 855 |
| Unrestricted Intergovernmental Revenues: | | | | |
| Local option sales tax | 575,000 | 594,400 | | 568,363 |
| Utility franchise tax | 115,000 | 113,721 | | 114,176 |
| Telecommunications tax | 18,250 | 16,446 | | 18,637 |
| Video franchise fee | 6,400 | 6,103 | | 6,469 |
| Beer and wine tax | 8,100 | 8,735 | | 8,616 |
| Solid waste disposal tax | 1,325 | 1,539 | | 1,762 |
| ABC profit distribution | 95,000 | 205,275 | | 135,198 |
| Total unrestricted intergovernmental revenues | 819,075 | 946,219 | 127,144 | 853,221 |
| Restricted Intergovernmental Revenues: | | | | |
| Powell Bill allocation | 61,064 | 61,177 | | 61,064 |
| FEMA Grant | 16,730 | 16,539 | | 92,505 |
| Brunswick County | - | 25,592 | | 147,332 |
| Total restricted intergovernmental revenues | 77,794 | 103,308 | 25,514 | 300,901 |
| Permits and Fees: | | | | |
| Inspection fees | 29,700 | 47,000 | | 40,191 |
| Building permits | 91,500 | 99,593 | | 75,415 |
| Total permits and fees | 121,200 | 146,593 | 25,393 | 115,606 |
| Investment Earnings: | | | | |
| General | 7,500 | 8,881 | | 10,845 |
| Total investment earnings | 7,500 | 8,881 | 1,381 | 10,845 |
| Miscellaneous: | | | | |
| Other | 31,623 | 10,813 | (20,810) | 32,594 |
| Total revenues | 1,332,792 | 1,490,905 | 158,113 | 1,572,192 |

TOWN OF CALABASH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019**

| | 2020 | | | 2019 |
|--|---------------|---------------|--------------------------------|---------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Expenditures: | | | | |
| General Government: | | | | |
| Governing Body: | | | | |
| Board fees | 15,900 | 16,847 | | 12,272 |
| Other operating expenditures | 10,300 | 4,878 | | 5,231 |
| Total governing body | 26,200 | 21,725 | 4,475 | 17,503 |
| Administrative: | | | | |
| Salaries, wages, and employee benefits | 308,315 | 296,208 | | 282,441 |
| Professional services | 52,018 | 59,054 | | 72,580 |
| Capital outlay | 3,000 | - | | - |
| Other operating expenditures | 66,536 | 56,724 | | 58,655 |
| Total administrative | 429,869 | 411,986 | 17,883 | 413,676 |
| Elections | | | | |
| Other operating expenditures | 2,500 | 1,752 | 748 | - |
| Public Buildings: | | | | |
| Other operating expenditures | 15,750 | 13,111 | | 9,319 |
| Capital outlay | 21,805 | 18,530 | | 1,403 |
| Total public buildings | 37,555 | 31,641 | 5,914 | 10,722 |
| Total general government | 496,124 | 467,104 | 29,020 | 441,901 |
| Public Safety: | | | | |
| Fire and Rescue: | | | | |
| Other operating expenditures | 32,600 | 30,607 | | 30,600 |
| EMS contract | 14,000 | 11,652 | | 16 |
| Total fire and rescue | 46,600 | 42,259 | 4,341 | 30,616 |
| Inspections: | | | | |
| Salaries, wages, and employee benefits | 96,800 | 88,073 | | 79,307 |
| Capital outlay | 3,000 | 2,028 | | 23,626 |
| Other operating expenditures | 15,100 | 15,143 | | 10,969 |
| Total inspections | 114,900 | 105,244 | 9,656 | 113,902 |
| Total public safety | 161,500 | 147,503 | 13,997 | 144,518 |

TOWN OF CALABASH, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019

| | 2020 | | 2019 |
|---|---------------|---------------|--------------------------------|
| | Budget | Actual | Variance Over/Under |
| | | | Actual |
| Transportation: | | | |
| Town Services: | | | |
| Salaries, wages, and employee benefits | 297,550 | 250,669 | 233,261 |
| Other operating expenditures | 104,980 | 90,411 | 125,676 |
| Capital outlay | 67,402 | 70,896 | 29,728 |
| Total Town services | 469,932 | 411,976 | 388,665 |
| Powell Bill: | | | |
| Contracted services | 51,564 | 51,677 | 51,496 |
| Capital outlay | 9,500 | 9,500 | 9,568 |
| Total Powell Bill | 61,064 | 61,177 | 61,064 |
| Total transportation | 530,996 | 473,153 | 449,729 |
| Environmental Protection: | | | |
| Sanitation: | | | |
| Contracted services | 10,000 | 10,251 | 25,009 |
| Total sanitation | 10,000 | 10,251 | 25,009 |
| Drainage and Watershed: | | | |
| Professional services | - | - | 586 |
| Drainage ditches | - | - | 12,330 |
| Capital outlay | - | - | 1,747 |
| Total drainage and watershed | - | - | 14,663 |
| Total environmental protection | 10,000 | 10,251 | 39,672 |
| Economic and Physical Development: | | | |
| Planning and Zoning: | | | |
| Salaries and benefits | 4,250 | 2,336 | 1,669 |
| Other operating expenditures | 24,685 | 25,234 | 2,500 |
| Total planning and zoning | 28,935 | 27,570 | 4,169 |
| Local Economic Development: | | | |
| Other operating expenditures | 7,500 | 806 | 2,302 |
| Total local economic development | 7,500 | 806 | 2,302 |
| Total economic and physical development | 36,435 | 28,376 | 6,471 |

TOWN OF CALABASH, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019

| | 2020 | | | 2019 |
|--|-----------|--------------|------------------------|--------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Culture and Recreation: | | | | |
| Town Beautification: | | | | |
| Contracted services | 2,500 | - | | - |
| Other operating expenditures - street lighting | 71,500 | 69,784 | | 74,904 |
| Total town beautification | 74,000 | 69,784 | 4,216 | 74,904 |
| Community Services: | | | | |
| Other operating expenditures | 13,500 | 10,768 | 2,732 | 13,820 |
| Community Park: | | | | |
| Other operating expenditures | 7,250 | 5,643 | | 4,332 |
| Capital outlay | 500 | - | | - |
| Total community park | 7,750 | 5,643 | 2,107 | 4,332 |
| Total culture and recreation | 95,250 | 86,195 | 9,055 | 93,056 |
| Contingency | 28,814 | - | 28,814 | - |
| Total expenditures | 1,359,119 | 1,212,582 | 139,843 | 1,175,347 |
| Revenues over (under) expenditures | (26,327) | 278,323 | 304,650 | 396,845 |
| Other Financing Sources (Uses): | | | | |
| Transfers out: | | | | |
| Environmental/Stormwater Capital Project Fund | (93,587) | (93,586) | | (3,500) |
| Dredging Capital Project Fund | (20,000) | (20,000) | | - |
| Economic Development Capital Project Fund | (4,170) | (4,170) | | - |
| Streets and Sidewalks Fund | (20,000) | (20,000) | | - |
| Total other financing sources (uses) | (137,757) | (137,756) | 1 | (3,500) |
| Revenues and other financing sources over (under) expenditures and other financing uses | (164,084) | 140,567 | 304,651 | 393,345 |
| Appropriated fund balance | 164,084 | - | (164,084) | - |
| Net change in fund balance | \$ - | 140,567 | \$ 140,567 | 393,345 |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | 1,699,506 | | 1,306,161 |
| End of year - June 30 | | \$ 1,840,073 | | \$ 1,699,506 |

TOWN OF CALABASH, NORTH CAROLINA

STREETS AND SIDEWALKS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variance Over/Under |
|--|-------------------------|---------------|--------------------------------|
| Expenditures: | | | |
| Contracted services | \$ 20,000 | \$ - | \$ 20,000 |
| Revenues over (under) expenditures | (20,000) | - | (20,000) |
| Other Financing Sources (Uses): | | | |
| Transfers in: | | | |
| Transfer from General Fund | 20,000 | 20,000 | - |
| Net change in fund balance | \$ - | 20,000 | \$ 20,000 |
| Fund Balance: | | | |
| Beginning of year - July 1 | | 52,000 | |
| End of year - June 30 | | \$ 72,000 | |

TOWN OF CALABASH, NORTH CAROLINA

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variance Over/Under |
|----------------------------|-------------------------|------------------|--------------------------------|
| Net change in fund balance | \$ <u>-</u> | \$ - | \$ <u>-</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>21,145</u> | |
| End of year - June 30 | | <u>\$ 21,145</u> | |

TOWN OF CALABASH, NORTH CAROLINA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

| | Economic Development Capital Project Fund | Dredging Capital Project Fund | Saltaire Village Stormwater Capital Project Fund | Environmental Stormwater Capital Project Fund | Total Nonmajor Governmental Funds |
|---------------------------------------|--|--|---|--|--|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 4,170 | \$ 82,500 | \$ 33,073 | \$ 16,104 | \$ 135,847 |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 895 | \$ 895 |
| Fund Balances: | | | | | |
| Committed: | | | | | |
| Environmental protection | - | - | 33,073 | - | 33,073 |
| Assigned: | | | | | |
| Economic development | 4,170 | - | - | - | 4,170 |
| Environmental protection | - | 82,500 | - | 15,209 | 97,709 |
| Total fund balances | 4,170 | 82,500 | 33,073 | 15,209 | 134,952 |
| Total liabilities and fund balances | \$ 4,170 | \$ 82,500 | \$ 33,073 | \$ 16,104 | \$ 135,847 |

TOWN OF CALABASH, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Economic Development Capital Project Fund | Dredging Capital Project Fund | Saltaire Village Stormwater Capital Project Fund | Environmental Stormwater Capital Project Fund | Total Nonmajor Governmental Funds |
|--|--|--|---|--|--|
| Expenditures: | | | | | |
| Environmental protection | \$ - | \$ - | \$ - | \$ 78,377 | \$ 78,377 |
| Revenues over (under) expenditures | - | - | - | (78,377) | (78,377) |
| Other Financing Sources (Uses): | | | | | |
| Transfers from other funds | 4,170 | 20,000 | - | 93,586 | 117,756 |
| Net change in fund balances | 4,170 | 20,000 | - | 15,209 | 39,379 |
| Fund Balances: | | | | | |
| Beginning of year - July 1 | - | 62,500 | 33,073 | - | 95,573 |
| End of year - June 30 | <u>\$ 4,170</u> | <u>\$ 82,500</u> | <u>\$ 33,073</u> | <u>\$ 15,209</u> | <u>\$ 134,952</u> |

TOWN OF CALABASH, NORTH CAROLINA

**ECONOMIC DEVELOPMENT CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|-------------------------|-----------------|--------------------------------|
| Expenditures: | | | |
| Economic development | \$ 4,170 | \$ - | \$ 4,170 |
| Revenues over (under) expenditures | (4,170) | - | (4,170) |
| Other Financing Sources (Uses): | | | |
| Transfer from General Fund | 4,170 | 4,170 | - |
| Net change in fund balance | <u>\$ -</u> | 4,170 | <u>\$ 4,170</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | - | |
| End of year - June 30 | | <u>\$ 4,170</u> | |

TOWN OF CALABASH, NORTH CAROLINA

DREDGING CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|-------------------------|------------------|--------------------------------|
| Expenditures: | | | |
| Contracted services | \$ 20,000 | \$ - | \$ 20,000 |
| Revenues over (under) expenditures | (20,000) | - | (20,000) |
| Other Financing Sources (Uses): | | | |
| Transfer from General Fund | 20,000 | 20,000 | - |
| Net change in fund balance | <u>\$ -</u> | 20,000 | <u>\$ 20,000</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>62,500</u> | |
| End of year - June 30 | | <u>\$ 82,500</u> | |

TOWN OF CALABASH, NORTH CAROLINA
SALTAIRE VILLAGE STORMWATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Project Authorization</u> | <u>Prior Year Totals</u> | <u>Current Activity</u> | <u>Project To Date Totals</u> |
|---|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|
| Expenditures: | | | | |
| Town beautification: | | | | |
| Contracted services | \$ 83,063 | \$ 49,990 | \$ - | \$ 49,990 |
| Revenues over (under) expenditures | (83,063) | (49,990) | - | (49,990) |
| Other Financing Sources (Uses): | | | | |
| Transfer From River Road Capital Project Fund | 18,063 | 18,063 | - | 18,063 |
| Transfer from General Fund | 65,000 | 65,000 | - | 65,000 |
| Total other financing sources (uses) | 83,063 | 83,063 | - | 83,063 |
| Net change in fund balance | \$ - | \$ 33,073 | - | \$ 33,073 |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | 33,073 | |
| End of year - June 30 | | | \$ 33,073 | |

TOWN OF CALABASH, NORTH CAROLINA

ENVIRONMENTAL/STORMWATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|-------------------------|-------------------------|--------------------------------|
| Expenditures: | | | |
| Environmental protection: | | | |
| Professional services | \$ 43,250 | \$ 72,619 | \$ (29,369) |
| Drainage/stormwater | 30,000 | 5,758 | 24,242 |
| Capital outlay | <u>2,500</u> | <u>-</u> | <u>2,500</u> |
| Total expenditures | <u>75,750</u> | <u>78,377</u> | <u>(2,627)</u> |
| Revenues over (under) expenditures | (75,750) | (78,377) | 2,627 |
| Other Financing Sources (Uses): | | | |
| Transfer from General Fund | <u>75,750</u> | <u>93,586</u> | <u>(17,836)</u> |
| Net change in fund balance | <u>\$ -</u> | 15,209 | <u>\$ 15,209</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>-</u> | |
| End of year - June 30 | | <u><u>\$ 15,209</u></u> | |

TOWN OF CALABASH, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020**

| Fiscal Year | Uncollected Balance July 1, 2019 | Additions | Collections and Credits | Uncollected Balance June 30, 2020 |
|---|---|-------------------|------------------------------------|--|
| 2019 - 2020 | \$ - | \$ 271,970 | \$ 264,379 | \$ 7,591 |
| 2018 - 2019 | 8,364 | - | 3,209 | 5,155 |
| 2017 - 2018 | 4,335 | - | 457 | 3,878 |
| 2016 - 2017 | 1,211 | - | 824 | 387 |
| 2015 - 2016 | 1,043 | - | 601 | 442 |
| 2014 - 2015 | 499 | - | 141 | 358 |
| 2013 - 2014 | 878 | - | 576 | 302 |
| 2012 - 2013 | 1,269 | - | 412 | 857 |
| 2011 - 2012 | 994 | - | 442 | 552 |
| 2010 - 2011 | 591 | - | 122 | 469 |
| 2009 - 2010 | 125 | - | 125 | - |
| 2008 - 2009 | 279 | - | 279 | - |
| Total | <u>\$ 19,588</u> | <u>\$ 271,970</u> | <u>\$ 271,567</u> | 19,991 |
| Less: Allowance for uncollectible accounts | | | | <u>(12,000)</u> |
| Ad valorem taxes receivable, net | | | | <u><u>\$ 7,991</u></u> |
| Reconciliation of Collections and Credits with Revenues: | | | | |
| Ad valorem taxes: | | | | |
| General Fund | | | | \$ 274,281 |
| Reconciling items: | | | | |
| Penalties and interest collected | | | | (3,356) |
| Miscellaneous adjustments | | | | <u>642</u> |
| Total collections and credits | | | | <u><u>\$ 271,567</u></u> |

TOWN OF CALABASH, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Property Valuation</u> | <u>Rate</u> | <u>Total Levy</u> | <u>Property Excluding Registered Motor Vehicles</u> | <u>Registered Motor Vehicles</u> |
|---|-------------------------------|-------------|-----------------------|---|--|
| Original Levy: | | | | | |
| Property taxed at current year's rate | \$ 309,613,714 | \$ 0.0875 | \$ 270,912 | \$ 253,932 | \$ 16,980 |
| Discoveries: | | | | | |
| Current year taxes | 1,209,143 | 0.0875 | 1,058 | 1,058 | - |
| Total property valuation | <u>\$ 310,822,857</u> | | | | |
| Net Levy | | | 271,970 | 254,990 | 16,980 |
| Uncollected taxes at June 30, 2020 | | | 7,591 | 7,591 | - |
| Current Year's Taxes Collected | | | <u>\$ 264,379</u> | <u>\$ 247,399</u> | <u>\$ 16,980</u> |
| Current Levy Collection Percentage | | | <u>97.21%</u> | <u>97.02%</u> | <u>100.00%</u> |

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Calabash, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report, thereon, dated October 26, 2020. Our report includes a reference to other auditors who audited the financial statements of the Calabash ABC Board, as described in our report on the Town of Calabash, North Carolina's financial statements. The financial statements of the Calabash ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Calabash ABC Board.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Response to Finding

The Town of Calabash's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town of Calabash's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 26, 2020

TOWN OF CALABASH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? X Yes _____ None reported

Non-compliance material to financial statements noted?

_____ Yes X No

TOWN OF CALABASH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

2. Findings Related to the Audit of the Basic Financial Statements:

Finding 2020-001:

Significant Deficiency

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: Due to the limited number of personnel in the Town office, there are inherent limitations to segregation of duties among Town personnel. Presently, a single individual prepares checks, reconciles bank accounts, performs all payroll duties, and maintains the general ledger. Town employees in the Finance Department and the Town Administrator have full access to make adjustments in the general ledger system. The Town Administrator and a Town Commissioner provide some review and oversight

Effect: Adjustments could be made without oversight.

Cause: There are a limited number of personnel for certain functions.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit 2019-002.

Recommendation: Access to the books and records of the Town should be separated from access to the assets of the Town as much as possible. Alternative controls should be used to compensate for any lack of segregation of duties.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.



TOWN OF CALABASH, NORTH CAROLINA

882 Persimmon Road * Calabash, NC 28467

Administration: (910) 579-6747 * Building Inspector: (910) 579-0500 * Fax (910) 579-5495

Web Address: www.townofcalabash.net * Email: towncalabash@atmc.net

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2020

Significant Deficiency

Finding 2020-001:

Name of Contact Person: Chuck Nance

Corrective Action: The Town has segregated duties as much as possible with our limited staff capabilities. We will continue to seek alternative controls to address this finding.

Proposed Completion Date: Immediately

TOWN OF CALABASH, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

Significant Deficiency

Finding 2019-001:

Status: Corrected.

Significant Deficiency

Finding 2019-002:

Status: Repeated as Finding 2020-001. Duties are being separated as much as possible and alternative controls have been implemented to the extent possible to compensate for lack of separation.