

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Report of Audit

For the Fiscal Year Ended June 30, 2020



	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	6
Management's Discussion and Analysis .....	9
 <b><i>Basic Financial Statements</i></b> 	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	18
Statement of Activities.....	20
 <i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds .....	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	26
Notes to the Financial Statements .....	27
 <b><i>Required Supplementary Financial Data</i></b> 	
Proportionate Share of Net Pension Liability (Asset) - LGERS .....	52
Town's Contributions - LGERS.....	53
Schedule of Changes in the Total OPEB Liability and Related Ratios .....	54
 <b><i>Major Governmental Funds – General Fund</i></b> 	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	56
 <b><i>Other Schedules</i></b> 	
Schedule of Ad Valorem Taxes Receivable – General Fund .....	60
Analysis of Current Tax Levy .....	61

**COMPLIANCE SECTION**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	64
Schedule of Findings and Responses .....	66
Corrective Action Plan.....	68
Summary Schedule of Prior Audit Findings .....	69

## ***FINANCIAL SECTION***

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## **Independent Auditor's Report**

To the Honorable Mayor  
And Members of the Board of Commissioners  
Carolina Shores, North Carolina

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carolina Shores, 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 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carolina Shores, North Carolina as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2021 on our consideration of Town of Carolina Shores' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Carolina Shores' internal control over financial reporting and compliance.

*W Greene, PLLC*

Whiteville, North Carolina  
January 5, 2021



## Management's Discussion and Analysis

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

### Financial Highlights

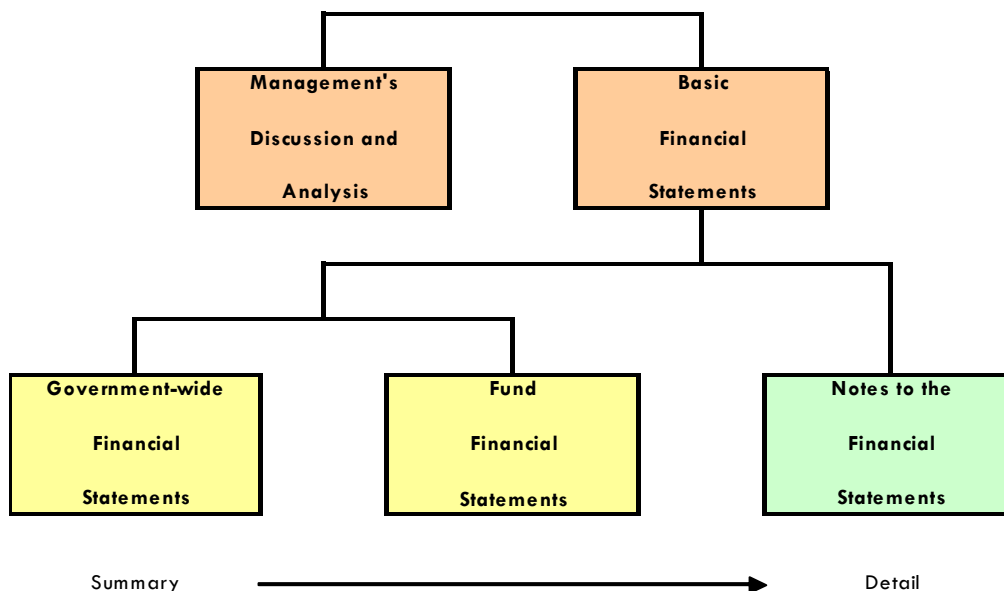
- The assets and deferred outflows of resources of the Town of Carolina Shores exceeded its liabilities and deferred inflows at the close of the fiscal year by \$6,218,278 (net position).
- The government's total net position decreased by \$322,172, primarily due to a decrease in revenues in the governmental activities.
- As of the close of the current fiscal year, the Town of Carolina Shores' governmental funds reported combined ending fund balances of \$2,254,428 with a net increase of \$268,032 in fund balance. Approximately 10.41 percent of this total amount, or \$234,739, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,769,689, or 75.03 percent of total general fund expenditures for the fiscal year.
- The Town of Carolina Shores' total debt increased by \$329,591 during the current fiscal year. The Town's debt consists of accrued vacation, postemployment benefits and the Local Government Employees Retirement accrual. The largest increase, in the amount of \$305,379, was in the post-employment benefit liability.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Carolina Shores' 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 Carolina Shores.

Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (pages 18 through 21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 22 through 26) 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 the 2) the budgetary comparison statements.

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

### Government-wide Financial Statements

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

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

The government-wide statements consist of one category - governmental activities. The governmental activities include most of the Town's basic services such as administration, streets and highways, and public safety. Property taxes and State and federal grant funds finance most of these activities.

The government-wide financial statements are on pages 18 through 21 of this report.

### Fund Financial Statements

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

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

## Management's Discussion and Analysis (Continued)

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The Town of Carolina Shores 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 are on pages 27 through 50 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Carolina Shores' progress in funding its obligation to provide postemployment benefits to its employees. Required supplementary information can be found beginning on page 52 of this report.

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

Government-Wide Financial Analysis

Town of Carolina Shores' Net Position

Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 2,260,850	\$ 1,998,253
Capital assets	4,506,503	4,782,703
Deferred outflows of resources	226,546	209,067
Total assets and deferred outflows of resources	6,993,899	6,990,023
Long-term liabilities outstanding	760,233	430,642
Other liabilities	-	-
Deferred inflows of resources	15,388	18,931
Total liabilities and deferred inflows of resources	775,621	449,573
Net position:		
Net investment in capital assets	4,506,503	4,782,703
Restricted	234,739	219,927
Unrestricted	1,477,036	1,537,820
Total net position	\$ 6,218,278	\$ 6,540,450

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 Carolina Shores exceeded liabilities and deferred inflows by \$6,218,278 as of June 30, 2020. The Town’s net position decreased by \$322,172 for the fiscal year ended June 30, 2020. However, the largest portion (72.47%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Carolina Shores uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Carolina Shores’ net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Carolina Shores’ net position, \$234,739, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,477,036 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.36%

The Town of Carolina Shores' Changes in Net Position

Figure 3

	Governmental	
	Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 325,810	\$ 577,852
Operating grants and contributions	293,429	630,851
Capital grants and contributions	-	-
General Revenues		
Property taxes	58,115	474,846
Other taxes	1,329,530	1,225,949
Other	91,260	68,282
Total revenues	<u>2,621,144</u>	<u>2,977,780</u>
Expenses:		
General Government	770,964	683,231
Public Safety	454,361	1,880,814
Transportation	1,450,425	1,511,941
Economic and Physical Development	88,227	929,983
Environmental Protection	177,560	239,119
Cultural and Recreation	1,779	28,159
Total expenses	<u>2,943,316</u>	<u>5,273,247</u>
Increase(Decrease) in net position before transfers	(322,172)	(2,295,467)
Transfers	-	-
Change in net position	(322,172)	(2,295,467)
Beginning Net Position	6,540,450	8,835,917
Net Position, beginning, restated	<u>6,540,450</u>	<u>8,835,917</u>
Net position, June 30	<u>\$ 6,218,278</u>	<u>\$ 6,540,450</u>

**Governmental activities.** Governmental activities decreased the Town’s net position by \$322,172, thereby accounting for 100% of the total decrease in the net position of the Town of Carolina Shores. Key element of this decrease are as follows:

- Net decrease in revenues operating grants and charges for services.

### Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town of Carolina Shores' 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 Carolina Shores' financing requirements.

The general fund is the chief operating fund of the Town of Carolina Shores. At the end of the current fiscal year, Town of Carolina Shores' fund balance available in the General fund was \$2,019,689 while total fund balance reached \$2,254,428. The Town currently has an available fund balance of 85.63% of general fund expenditures, while the total balance represents 95.59% of the same amount.

At June 30, 2020, the governmental funds of Town of Carolina Shores reported a combined fund balance of \$2,254,428 with a net increase in fund balance of \$268,032.

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

Revenues were more than the budgeted amounts primarily because of an increase in intergovernmental revenues and taxes that the Town originally had expected to receive. Overall total expenditures were held below budgeted amounts.

### Capital Asset and Debt Administration

**Capital assets.** The Town of Carolina Shores' investment in capital assets for its governmental activities as of June 30, 2020, totals \$4,506,503 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Machinery and equipment acquisition of \$9,199
- Construction in progress of \$294,828

## Management's Discussion and Analysis (Continued)

### The Town of Carolina Shores' Capital Assets (net of depreciation)

Figure 4

	Governmental	
	Activities	
	2020	2019
Land	\$ 611,975	\$ 611,975
Buildings	865,306	893,074
Machinery and Equipment	535,401	597,377
Furniture and Fixtures	8,800	12,221
Infrastructure	1,916,353	2,345,731
Construction in Progress	429,925	135,097
Vehicles	138,743	187,228
Total	<u>\$ 4,506,503</u>	<u>\$ 4,782,703</u>

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

**Long-term Debt.** As of June 30, 2020, the Town of Carolina Shores had total debt outstanding of \$760,233. Of this, \$-0- is debt backed by the full faith and credit of the Town of Carolina Shores.

### The Town of Carolina Shores' Outstanding Debt

Figure 5

	Governmental	
	Activities	
	2020	2019
Compensated absences	\$ 24,012	\$ 32,888
Pension related debt (LGERS)	255,614	222,526
Total OPEB Liability	<u>480,607</u>	<u>175,228</u>
Total	<u>\$ 760,233</u>	<u>\$ 430,642</u>

### Town of Carolina Shores Outstanding Debt

The Town of Carolina Shores' total debt increased by \$329,591 during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Carolina Shores is \$44,951,661. The Town of Carolina Shores does not have any authorized but un-issued debt at June 30, 2020.

Additional information regarding the Town of Carolina Shores' long-term debt can be found beginning on page 49 in the Notes to the Financial Statements.

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

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

- Low tax rate
- Increased level of building activity

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities:** The Town continues its programs for needed infrastructure improvements. The tax rate will remain the same for the upcoming year.

**Requests for Information**

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

**Julie Munday**  
**Finance Officer**  
**Town of Carolina Shores**  
**200 Persimmon Road**  
**Carolina Shores, North Carolina 28467**  
**(910) 575-4877**  
[www.townofcarolinashores.com](http://www.townofcarolinashores.com)  
[csth@atmc.net](mailto:csth@atmc.net)



## ***Basic Financial Statements***

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**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

## Statement of Net Position

June 30, 2020

	<u>Primary Government Governmental Activities</u>	<u>Total</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,019,689	\$ 2,019,689
Receivables (net):		
Ad Valorem Taxes	5,831	5,831
Interest	591	591
Accounts	-	-
Due from Other Governments	234,739	234,739
	<u>-</u>	<u>-</u>
Total Current Assets	<u>2,260,850</u>	<u>2,260,850</u>
Noncurrent Assets:		
Capital Assets		
Land, Nondepreciable Improvements, and Construction in Progress	1,041,900	1,041,900
Other Capital Assets, Net of Depreciation	3,464,603	3,464,603
	<u>4,506,503</u>	<u>4,506,503</u>
Total Noncurrent Assets	<u>4,506,503</u>	<u>4,506,503</u>
<b>Total Assets</b>	<u><u>6,767,353</u></u>	<u><u>6,767,353</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Deferrals	180,346	180,346
OPEB Deferrals	46,200	46,200
	<u>226,546</u>	<u>226,546</u>
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 226,546</u></u>	<u><u>\$ 226,546</u></u>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

## Statement of Net Position (Continued)

June 30, 2020

	<u>Primary Governmental</u>	
	<u>Governmental</u>	<u>Total</u>
	<u>Activities</u>	
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ -	\$ -
Current Portion of Long-Term Liabilities	-	-
<b>Total Current Liabilities</b>	<u>-</u>	<u>-</u>
Long-Term Liabilities:		
Net Pension Liability	255,614	255,614
Total OPEB Liability	480,607	480,607
Due in More Than One year	24,012	24,012
<b>Total Liabilities</b>	<u>760,233</u>	<u>760,233</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Deferrals	-	-
OPEB Deferrals	15,388	15,388
<b>Total Deferred Inflows of Resources</b>	<u>15,388</u>	<u>15,388</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	4,506,503	4,506,503
Restricted for:		
Transportation	-	-
Stabilization by State Statute	234,739	234,739
Unrestricted	1,477,036	1,477,036
<b>Total Net Position</b>	<u>\$ 6,218,278</u>	<u>\$ 6,218,278</u>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 770,964	\$ -	\$ -	\$ -
Public Safety	454,361	325,810	177,148	-
Transportation	1,450,425	-	113,396	-
Economic and Physical Development	88,227	-	-	-
Environmental Protection	177,560	-	2,885	-
Cultural and Recreation	1,779	-	-	-
<b>Total Governmental Activities</b>	<b>2,943,316</b>	<b>325,810</b>	<b>293,429</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 2,943,316</b>	<b>\$ 325,810</b>	<b>\$ 293,429</b>	<b>\$ -</b>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Statement of Activities (Continued)

For the Year Ended June 30, 2020

	<b>Net (Expense) Revenue and Changes in Net Position</b>	
	<b>Primary Government</b>	
<b>Functions/Programs</b>	<b>Governmental Activities</b>	<b>Totals</b>
<b>Primary Government:</b>		
<b>Governmental Activities:</b>		
General Government	\$ (770,964)	\$ (770,964)
Public Safety	48,597	48,597
Transportation	(1,337,029)	(1,337,029)
Economic and Physical Development	(88,227)	(88,227)
Environmental Protection	(174,675)	(174,675)
Cultural and Recreation	(1,779)	(1,779)
<b>Total Governmental Activities</b>	<b>(2,324,077)</b>	<b>(2,324,077)</b>
<b>Total Primary Government</b>	<b>(2,324,077)</b>	<b>(2,324,077)</b>
<b>General Revenues:</b>		
Property Taxes, Levied for General Purpose	581,115	581,115
Other Taxes and Licenses	1,329,530	1,329,530
Investment Earnings	39,646	39,646
Miscellaneous	51,614	51,614
<b>Transfers</b>	<b>-</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>	<b>2,001,905</b>	<b>2,001,905</b>
<b>Change in Net Position</b>	<b>(322,172)</b>	<b>(322,172)</b>
<b>Net Position - Beginning</b>	<b>6,540,450</b>	<b>6,540,450</b>
<b>Net Position - End of Year</b>	<b>\$ 6,218,278</b>	<b>\$ 6,218,278</b>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**Balance Sheet  
Governmental Funds  
June 30, 2020

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,019,689	\$ 2,019,689
Restricted Cash	-	-
Receivables (net):		
Ad Valorem Taxes	5,831	5,831
Sanitation	-	-
Due from Other Governments	234,739	234,739
<b>Total Assets</b>	<u>2,260,259</u>	<u>2,260,259</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Receivable	5,831	5,831
<b>Total Deferred Inflows of Resources</b>	<u>5,831</u>	<u>5,831</u>
<b>FUND BALANCES</b>		
Restricted		
Stabilization by State Statute	234,739	234,739
Streets	-	-
Assigned		
Subsequent Year's Expenditures:	250,000	250,000
Unassigned	1,769,689	1,769,689
<b>Total Fund Balances</b>	<u>2,254,428</u>	<u>2,254,428</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 2,260,259</u>	<u>\$ 2,260,259</u>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Balance Sheet (Continued)

Governmental Funds

June 30, 2020

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		<b>Total Governmental Funds</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance		\$ 2,254,428
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	\$ 8,820,117	
Accumulated depreciation	<u>(4,313,614)</u>	4,506,503
Deferred outflows of resources related to pensions are not reported in the funds	<u>180,346</u>	180,346
Deferred outflows of resources related to OPEB are not reported in the funds	<u>46,200</u>	46,200
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes	<u>591</u>	591
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes	<u>5,831</u>	5,831
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment purchases and General Obligation Bond	-	
Compensated absences	(24,012)	
Total pension liability	-	
Net pension liability	(255,614)	
Total OPEB liability	<u>(480,607)</u>	(760,233)
Pension and OPEB related deferrals		<u>(15,388)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 6,218,278</u></u>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2020

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>		
Ad Valorem Taxes	\$ 586,550	\$ 586,550
Other Taxes and Licenses	3,300	3,300
Unrestricted Intergovernmental	1,326,230	1,326,230
Restricted Intergovernmental	293,429	293,429
Permits and Fees	325,810	325,810
Sales and Services	-	-
Investment Earnings	39,646	39,646
Miscellaneous	51,614	51,614
<b>Total Revenues</b>	<u>2,626,579</u>	<u>2,626,579</u>
<b>Expenditures</b>		
Current		
General Government	619,059	619,059
Public Safety	380,641	380,641
Transportation	908,792	908,792
Economic and Physical Development	30,445	30,445
Environmental Protection	113,804	113,804
Cultural and Recreation	1,779	1,779
Capital Outlay		
Public Safety	-	-
Cultural and Recreation	-	-
Streets	9,199	9,199
Economic and Physical Development	294,828	294,828
<b>Total Expenditures</b>	<u>2,358,547</u>	<u>2,358,547</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>268,032</u>	<u>268,032</u>
<b>Other Financing Sources (Uses)</b>		
Installment Purchase Obligations Issued	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	268,032	268,032
<b>Fund Balance - Beginning of Year</b>	<u>1,986,396</u>	<u>1,986,396</u>
<b>Fund Balance - End of Year</b>	<u>\$ 2,254,428</u>	<u>\$ 2,254,428</u>



**TOWN OF CAROLINA SHORES, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$	268,032
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	304,027	
Depreciation expense	(580,227)	
Unrecovered cost of assets sold	-	(276,200)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	66,596	66,596

OPEB Benefit payments paid and administrative costs made in the current fiscal year are not included on the Statement of Activities	-	-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for tax revenues	(3,878)	
Interest earned on ad valorem taxes	(1,557)	(5,435)

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

Debt issuance	-	
Debt retirement	-	-

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

Pension Expense	(127,253)	
OPEB Plan Expense	(256,788)	
Compensated absences	8,876	(375,165)

Total changes in net position of governmental activities	\$	<u>(322,172)</u>
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**TOWN OF CAROLINA SHORES, NORTH CAROLINA**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2020

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Ad Valorem Taxes	\$ 517,000	\$ 517,000	\$ 586,550	\$ 69,550
Other Taxes and Licenses	-	2,500	3,300	800
Unrestricted Intergovernmental	1,108,500	1,189,200	1,326,230	137,030
Restricted Intergovernmental	115,000	117,000	293,429	176,429
Permits and Fees	421,500	464,000	325,810	(138,190)
Investment Earnings	-	45,000	39,646	(5,354)
Miscellaneous	127,000	20,000	51,614	31,614
<b>Total Revenues</b>	<b>2,289,000</b>	<b>2,354,700</b>	<b>2,626,579</b>	<b>271,879</b>
<b>Expenditures</b>				
General Government	560,700	643,365	619,059	24,306
Public Safety	365,100	399,412	380,641	18,771
Transportation	926,250	994,550	917,991	76,559
Economic and Physical Development	312,950	351,296	325,273	26,023
Environmental Protection	119,000	139,000	113,804	25,196
Cultural and Recreation	5,000	5,000	1,779	3,221
Contingency	100,000	33,400	-	33,400
<b>Total Expenditures</b>	<b>2,389,000</b>	<b>2,566,023</b>	<b>2,358,547</b>	<b>207,476</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(100,000)</b>	<b>(211,323)</b>	<b>268,032</b>	<b>479,355</b>
<b>Other Financing Sources (Uses)</b>				
Installment Purchase Obligations Issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(100,000)</b>	<b>(211,323)</b>	<b>268,032</b>	<b>479,355</b>
<b>Appropriated Fund Balance</b>	<b>100,000</b>	<b>211,323</b>	<b>-</b>	<b>(211,323)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>268,032</b>	<b>\$ 268,032</b>
<b>Fund Balance - Beginning of Year</b>			<b>1,986,396</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 2,254,428</b>	

## TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

#### B. Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements 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. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on the major governmental 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 grants, and various other taxes and licenses. The primary expenditures are for public safety, general government, street maintenance and construction, and sanitation services.

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. 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 Town's budget officer is authorized by the budget ordinance to transfer amounts within line items within a department without limitations and the Board is not required to be notified. Transfers up to \$1,000 between departments in the same fund can be made provided the Board is notified at the next regular meeting. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Ad Valorem Taxes Receivable**

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

**4. 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 still outstanding from prior years.

**5. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$0; buildings, improvements, and infrastructure, \$20,000; furniture, equipment and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	15-30
Buildings	50
Improvements	10-25
Vehicles	10
Furniture and Equipment	5-10
Computer Equipment	3

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, OPEB and pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, property taxes receivable and pension and OPEB deferrals.

**7. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

**8. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. All of the vacation hours accumulated at December 31 of each year above the limit of 30 is added to sick leave. For the Town's government-wide statements, 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 Town's sick leave policy provides for an unlimited accumulation of the number of days 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**9. Net Position/Fund Balances**

Net Position

Net position in 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, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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



**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**9. Net Assets/Fund Balances (Continued)**

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

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation and any changes to the appropriation must be made by a majority vote by a quorum of the Town of Carolina Shores' governing body.

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

The Town of Carolina Shores has not adopted a formal fund balance policy. It has decided to follow the general guidance in Governmental Accounting Standards #54 regarding the spending order of unrestricted fund balance. 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.

**10. 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 Carolina Shores' employer contributions are recognized when due and the Town of Carolina Shores has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERs. Investments are reported at fair value.

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,090,220 and a bank balance of \$1,195,753. Of the bank balance, \$456,716 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2020, the Town of Carolina Shores had \$929,469 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**2. Receivables - Allowances for Doubtful Accounts**

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

Fund	06/30/2020
General Fund:	
Taxes receivable	\$ 600
Total General Fund	\$ 600

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**3. Capital Assets**

**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 611,975	\$ -	\$ -	\$ 611,975
Construction in Progress	135,097	294,828	-	429,925
Total capital assets not being depreciated	<u>747,072</u>	<u>294,828</u>	<u>-</u>	<u>1,041,900</u>
<b>Capital assets being depreciated:</b>				
Buildings	1,289,342	-	-	1,289,342
Equipment	857,224	9,199	-	866,423
Furniture & Fixtures	52,258	-	-	52,258
Vehicles	337,185	-	-	337,185
Infrastructure	5,233,009	-	-	5,233,009
Total capital assets being depreciated	<u>7,769,018</u>	<u>9,199</u>	<u>-</u>	<u>7,778,217</u>
<b>Less accumulated depreciation for:</b>				
Buildings	396,268	27,768	-	424,036
Equipment	259,847	71,175	-	331,022
Furniture & Fixtures	40,037	3,421	-	43,458
Vehicles	149,957	48,485	-	198,442
Infrastructure	2,887,278	429,378	-	3,316,656
Total accumulated depreciation	<u>3,733,387</u>	<u>580,227</u>	<u>-</u>	<u>4,313,614</u>
Total capital assets being depreciated, net	<u>4,035,631</u>			<u>3,464,603</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 4,782,703</u>			<u>\$ 4,506,503</u>

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

General Government	\$ 30,666
Public Safety	11,362
Transportation	416,661
Economic & Physical Development	57,782
Environmental Protection	63,756
Total Depreciation Expense	<u>\$ 580,227</u>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities**

**1. Pension Plan Obligations**

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

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

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

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Carolina Shores employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Carolina Shores' contractually required contribution rate for the year ended June 30, 2020, was 0.00% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Carolina Shores were \$66,596 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.

***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 \$255,614 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 0.00936%, which was a decrease of 0.00002% from its proportion measured as of June 30, 2018.

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

For the year ended June 30, 2020, the Town recognized pension expense of \$127,254. 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	\$ 43,768	\$ -
Changes of assumptions	41,661	-
Net difference between projected and actual earnings on pension plan investments	6,234	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	22,087	-
Town contributions subsequent to the measurement date	66,596	-
Total	<u>\$ 180,346</u>	<u>\$ -</u>

\$66,596 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2021	\$ 54,759
2022	20,660
2023	30,003
2024	8,328
2025	-
Thereafter	-
	<u>\$ 113,750</u>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

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

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

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

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

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

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

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



**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

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

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 584,637	\$ 255,614	\$ (17,870)

**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.

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance**

During the year ended June 30, 2020, the Town did not employ any police officers and therefore does not have any employees who are participants in the Local Law Enforcement Special Separation Allowance retirement plan.

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

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

	<u>LGERS</u>	<u>Total</u>
Pension Expense	\$ 127,254	\$ 127,254
Pension Liability	255,614	255,614
Proportionate share of the net pension liability	0.00936%	
<b>Deferred Outflows of Resources</b>		
Differences between expected and actual experience	43,768	43,768
Changes of assumptions	41,661	41,661
Net difference between projected and actual earnings on plan investments	6,234	6,234
Changes in proportion and differences between contributions and proportionate share of contributions	22,087	22,087
Benefit payments and administrative costs paid subsequent to the measurement date	66,596	66,596
<b>Deferred Inflows of Resources</b>		
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. As of June 30, 2020, the Town employed no law enforcement officers.

The Town has elected for all employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan beginning July 1, 2008. Total contributions for the year ended June 30, 2020 were \$104,919, which consisted of \$52,459 from the Town and \$52,460 from the employees. No amounts were forfeited.

**d. Other Post-Employment Benefits**

**Healthcare Benefits**

*Plan Description and Benefits Provided.* Under the terms of a Town resolution, the Town has agreed to let employees who retire under the North Carolina Local Government Employees' Retirement System continue coverage in the Town's group health plan. Employees who retire directly from the Town with at least fifteen (15) consecutive years of service with the Town will have half of their monthly health insurance premium paid by the Town. Employees who retire with less than fifteen (15) years of service with the Town can continue coverage under the Town's group health plan but must pay the full cost of coverage. Medical and prescription drug coverage has been changed from a pre-Medicare only benefit to a lifetime benefit. Dependent health coverage is not available. The Town's healthcare plan is through a private insurer. The Town's Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**d. Other Post-Employment Benefits (Continued)**

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

	General Employees:	Law Enforcement Officers:
Retirees receiving benefits	0	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	16	0
Total	<u>16</u>	<u>0</u>

**Total OPEB Liability**

The Town's total OPEB liability of \$480,607 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 - 7.75 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	7.00 percent for Pre-Medicare Medical & Prescription Drugs 5.00 percent for Medicare Medical & Prescription Drugs

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

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**d. Other Post-Employment Benefits (Continued)**

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2019</b>	\$ 175,228
<b>Changes for the year</b>	
Service Cost	16,130
Interest	6,816
Changes of benefit terms	231,217
Differences between expected and actual experience	49,369
Changes of assumptions or other inputs	1,847
Benefit payments	-
<b>Net Changes</b>	<u>305,379</u>
<b>Balance at June 30, 2020</b>	<u>\$ 480,607</u>

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

	<b>1% Decrease (2.50%)</b>	<b>Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Total OPEB Liability	\$ 596,391	\$ 480,607	\$ 391,099

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

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 373,474	\$ 480,607	\$ 626,171

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**d. Other Post-Employment Benefits (Continued)**

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$256,788. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,534	\$ 1,454
Changes of assumptions	1,666	13,934
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 46,200</u>	<u>\$ 15,388</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2021	\$ 2,625
2022	2,625
2023	2,625
2024	2,625
2025	2,625
Thereafter	17,687
	<u>\$ 30,812</u>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**2. Other Employment Benefits**

The Town has elected to provide death benefits to its employees through a plan sponsored by the North Carolina League of Municipalities. Death benefits are payable at two times the employee's annual salary rounded to the nearest thousand with the maximum payout being \$200,000. At age 65 and thereafter, benefits are reduced.

**3. Deferred Outflows and Inflows of Resources**

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

Contributions to pension plan in current fiscal year	\$	66,596
Differences between expected and actual experience		88,302
Changes of assumptions		43,327
Net difference between projected and actual		6,234
Changes in proportion and differences between employer contributions and proportionate share of contributions		22,087
Total	\$	<u>226,546</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 5,831
Changes in assumptions	13,934	-
Difference between expected and actual experience	1,454	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	\$ 15,388	\$ 5,831

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability of \$2 million per occurrence and auto liability of \$1 million per occurrence, property coverage up to total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$5 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town carries flood insurance through the North Carolina League of Municipalities Administered Property/Liability Pool (IRFFNC) in the amount of \$5,000,000 for a single occurrence. The Town is located in an area that has been mapped and designated an "X" area (an area not prone to flooding) by the Federal Emergency Management Agency.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are required to be insured by means of a performance bond through a commercial bond agency. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond in the amount of \$110,000.

**5. Claims, Judgements and Contingent Liabilities**

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

**6. Contracts**

The Town has entered a contract with the County of Brunswick for the billing and collection of ad valorem taxes. The County maintains all records and forwards all checks for vehicle taxes and penalties collected and .75% for Town property taxes and penalties collected. For the year ended June 30, 2020, the fee totaled \$3,894.



**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**7. Long-Term Obligations**

At June 30, 2020, the Town had no authorized or unissued bonds and had a legal debt margin of \$44,951,661.

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

	Beginning Balance 7/1/2019	Increases	Decrease	Ending Balance 6/30/2020	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ -	\$ -	\$ -	\$ -	-
Net pension liability (LGERS)	222,526	33,088	-	255,614	-
Total OPEB liability	175,228	305,379	-	480,607	-
Compensated absences	32,888	-	8,876	24,012	-
Governmental activity long-term liabilities	\$ 430,642	\$ 338,467	\$ 8,876	\$ 760,233	\$ -

**C. Net Investment in Capital Assets**

	Governmental
Capital Assets	\$ 4,506,503
less: long-term debt	-
Add: unexpended debt proceeds	-
Net Investment in Capital Assets	\$ 4,506,503

**D. Fund Balance**

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

<i>Total fund balance – General Fund</i>	\$	2,254,428
Less:		
Stabilization by State Statute		234,739
Streets		-
Appropriated Fund Balance in 2020-2021 budget		250,000
Remaining Fund Balance		1,769,689

The Town does not use encumbrances and therefore, does not have any outstanding encumbrances at June 30, 2020.

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

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**III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assisted Programs**

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

**IV. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 5, 2021, which is the date the financial statements were available to be issued.

***Required Supplementary***

***Financial Data***

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**TOWN OF CAROLINA SHORES, 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
Carolina Shores' proportion of the net pension liability (asset) (%)	0.00936%	0.00938%	0.00730%	0.00663%	0.00438%	0.00250%	0.00230%
Carolina Shores' proportion of the net pension liability (asset) (\$)	\$ 255,614	\$ 222,526	\$ 111,524	\$ 140,711	\$ 19,657	\$ (13,270)	\$ 27,724
Carolina Shores' covered-employee payroll	\$ 722,225	\$ 630,155	\$ 475,939	\$ 394,828	\$ 339,374	\$ 310,994	\$ 357,309
Carolina Shores' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.39%	35.31%	23.43%	35.64%	5.79%	(4.27%)	7.76%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Town of Carolina Shores' Contributions

Required Supplementary Information

Last Seven Fiscal Years

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**Local Government Employees' Retirement System**

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 66,596	\$ 55,973	\$ 47,262	\$ 34,404	\$ 26,325	\$ 21,060	\$ 19,042
Contributions in relation to the contractually required contribution	66,596	55,973	47,262	34,404	26,325	21,060	19,042
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Carolina Shores' covered employee payroll	\$ 744,089	\$ 722,225	\$ 630,155	\$ 475,939	\$ 394,828	\$ 339,374	\$ 310,994
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	7.23%	6.67%	6.21%	6.12%

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**  
 Schedule of Changes in the Total OPEB Liability and Related Ratios  
 June 30, 2020

<u>Total OPEB Liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 16,130	\$ 16,577	\$ 17,742
Interest	6,816	5,749	4,581
Changes of benefit terms	231,217	-	-
Differences between expected and actual experience	49,369	(1,040)	(965)
Changes of assumptions	1,847	(7,548)	(12,058)
Benefit payments	-	-	-
<b>Net changes in Total OPEB Liability</b>	<b>305,379</b>	<b>13,738</b>	<b>9,300</b>
<b>Total OPEB Liability - Beginning</b>	<b>175,228</b>	<b>161,490</b>	<b>152,190</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 480,607</b>	<b>\$ 175,228</b>	<b>\$ 161,490</b>
<b>Covered Payroll</b>	<b>\$ 688,040</b>	<b>\$ 433,762</b>	<b>\$ 433,762</b>
<b>Total OPEB Liability as a percentage of covered payroll</b>	<b>69.85%</b>	<b>40.40%</b>	<b>37.23%</b>

**Notes to Schedule**

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

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

***Major Governmental Funds***

***General Fund***

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**TOWN OF CAROLINA SHORES, NORTH CAROLINA**  
 General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		\$ 575,009	
Penalties and Interest		11,541	
<b>Total Ad Valorem Taxes</b>	<b>\$ 517,000</b>	<b>586,550</b>	<b>\$ 69,550</b>
<b>Other Taxes and Licenses</b>			
Privilege Licenses		3,300	
<b>Total Other Taxes and Licenses</b>	<b>2,500</b>	<b>3,300</b>	<b>800</b>
<b>Unrestricted Intergovernmental</b>			
Local Option Sales Tax		1,138,082	
Utility Sales Tax		141,919	
Telecommunications Tax		24,394	
Video Franchise Tax		5,379	
Fire District Tax		-	
Beer and Wine Tax		16,456	
<b>Total Unrestricted Intergovernmental</b>	<b>1,189,200</b>	<b>1,326,230</b>	<b>137,030</b>
<b>Restricted Intergovernmental</b>			
Powell Bill Allocation		113,396	
Federal Grants		177,148	
Solid Waste Disposal Tax		2,885	
<b>Total Restricted Intergovernmental</b>	<b>117,000</b>	<b>293,429</b>	<b>176,429</b>
<b>Permits and Fees</b>			
Building Permits		293,700	
Sales of Service (FastTrack)		4,560	
Inspection Fees		6,600	
Zoning Permits		20,950	
<b>Total Permits and Fees</b>	<b>464,000</b>	<b>325,810</b>	<b>(138,190)</b>
<b>Investment Earnings</b>			
General		39,646	
<b>Total Investment Earnings</b>	<b>45,000</b>	<b>39,646</b>	<b>(5,354)</b>
<b>Miscellaneous</b>			
Other		51,614	
<b>Total Miscellaneous</b>	<b>20,000</b>	<b>51,614</b>	<b>31,614</b>
<b>Total Revenues</b>	<b>2,354,700</b>	<b>2,626,579</b>	<b>271,879</b>



**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures</b>			
<b>Governing Body</b>			
Salaries and Employee Benefits		16,686	
Other Expenditures		965	
<b>Total Governing Body</b>	<b>17,695</b>	<b>17,651</b>	<b>44</b>
<b>Administration</b>			
Salaries and Employee Benefits		365,117	
Other Expenditures		171,728	
<b>Total Administration</b>	<b>552,170</b>	<b>536,845</b>	<b>15,325</b>
<b>Elections</b>			
Other Expenditures		3,388	
<b>Total Elections</b>	<b>5,000</b>	<b>3,388</b>	<b>1,612</b>
<b>Public Buildings</b>			
Salaries and Employee Benefits		33,884	
Other Expenditures		27,291	
Capital Outlay		-	
<b>Total Public Buildings</b>	<b>68,500</b>	<b>61,175</b>	<b>7,325</b>
<b>Public Safety</b>			
Salaries and Employee Benefits		36,830	
Other Expenditures		70,379	
Capital Outlay		-	
<b>Total Public Safety</b>	<b>109,112</b>	<b>107,209</b>	<b>1,903</b>
<b>Inspections</b>			
Salaries and Employee Benefits		251,488	
Other Expenditures		21,944	
Capital Outlay		-	
<b>Total Inspections</b>	<b>290,300</b>	<b>273,432</b>	<b>16,868</b>
<b>Street Department</b>			
Salaries and Employee Benefits		543,303	
Other Expenditures		250,489	
Capital Outlay		9,199	
<b>Total Street Department</b>	<b>879,550</b>	<b>802,991</b>	<b>76,559</b>
<b>Powell Bill Funds</b>			
Other Expenditures		115,000	
<b>Total Powell Bill Funds</b>	<b>115,000</b>	<b>115,000</b>	<b>-</b>
<b>Sanitation</b>			
Salaries and Employee Benefits		26,027	
Other Expenditures		37,491	
<b>Total Sanitation</b>	<b>84,000</b>	<b>63,518</b>	<b>20,482</b>

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
<b>Drainage</b>			
Other Expenditures		50,286	
<b>Total Drainage</b>	55,000	50,286	4,714
<b>Planning and Zoning</b>			
Salaries and Employee Benefits		5,594	
Other Expenditures		17,751	
<b>Total Planning and Zoning</b>	23,696	23,345	351
<b>Economic Development</b>			
Salaries and Employee Benefits		-	
Other Expenditures		7,100	
<b>Total Economic Development</b>	14,100	7,100	7,000
<b>Capital Projects</b>			
Other Expenditures		-	
Capital Outlay		294,828	
<b>Total Capital Projects</b>	313,500	294,828	18,672
<b>Cultural and Recreation</b>			
Salaries and Employee Benefits		-	
Other Expenditures		1,779	
Capital Outlay		-	
<b>Total Cultural and Recreation</b>	5,000	1,779	3,221
<b>Contingency</b>	33,400	-	33,400
<b>Total Expenditures</b>	2,566,023	2,358,547	207,476
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(211,323)	268,032	479,355
<b>Other Financing Sources (Uses)</b>			
Installment Purchase Obligations Issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-
<b>Fund Balance Appropriated</b>	211,323	-	(211,323)
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	268,032	<u>\$ 268,032</u>
<b>Fund Balance - Beginning of Year</b>		<u>1,986,396</u>	
<b>Fund Balance - End of Year</b>		<u>\$ 2,254,428</u>	

## ***Other Schedules***

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**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance 7-1-19</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6-30-20</u>
2019-20	\$ -	\$ 570,919	\$ 567,270	\$ 3,649
2018-19	5,082	-	3,551	1,531
2017-18	1,195	-	1,028	167
2016-17	428	-	229	199
2015-16	258	-	234	24
2014-15	269	-	221	48
2013-14	526	-	283	243
2012-13	827	-	630	197
2011-12	806	-	609	197
2010-11	660	-	484	176
2009-10	758	-	758	-
	<u>\$ 10,809</u>	<u>\$ 570,919</u>	<u>\$ 575,297</u>	6,431

Less: Allowance for Uncollectible Accounts:

General Fund

600

Ad Valorem Taxes Receivable - Net

\$ 5,831

Reconciliation with Revenues

Ad Valorem Taxes - General Fund

586,550

Reconciling Items:

Interest and Penalties Collected

(11,541)

Taxes Released

-

Taxes Written Off

288

Total Collections and Credits

\$ 575,297

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2020

	Town-Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate Per \$100	Amount of Levy		
<b>Original Levy:</b>					
Property Taxed at					
Current Year's Rate	\$ 561,636,772	0.1016	\$ 570,622	\$ 514,244	\$ 56,378
Penalties	-		34	34	-
	<u>561,636,772</u>		<u>570,656</u>	<u>514,278</u>	<u>56,378</u>
<b>Discoveries:</b>					
Current Year Taxes	325,955	0.1016	331	331	-
Penalties	-		-	-	-
	<u>325,955</u>		<u>331</u>	<u>331</u>	<u>-</u>
<b>Abatements:</b>					
Property Taxes -					
Current Year's Rate	(66,959)	0.1016	\$ (68)	(68)	-
<b>Total Property Valuations</b>	<u>\$ 561,895,768</u>				
<b>Net Levy</b>			570,919	514,541	56,378
<b>Uncollected Taxes at June 30, 2020</b>			3,649	3,649	-
<b>Current Year's Taxes Collected</b>			<u>\$ 567,270</u>	<u>\$ 510,892</u>	<u>\$ 56,378</u>
<b>Current Levy Collection Percentage</b>			<u>99.36%</u>	<u>99.29%</u>	<u>100.00%</u>



## ***COMPLIANCE SECTION***

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**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 Carolina Shores, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Carolina Shores, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Carolina Shores' basic financial statements, and have issued our report thereon dated January 5, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Carolina Shores' 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 Carolina Shores' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*W Greene, PLLC*

Whiteville, North Carolina  
January 5, 2021

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2020

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<b>SECTION I. SUMMARY OF AUDITOR'S RESULTS</b>
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**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(s)

\_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2020

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<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
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*None Reported*

# TOWN OF CAROLINA SHORES NORTH CAROLINA

200 Persimmon Road  
Carolina Shores, NC 28467



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

SECTION II. FINANCIAL STATEMENT FINDINGS
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None Reported.

**TOWN OF CAROLINA SHORES, NORTH CAROLINA**

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2020

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**Finding: 2019-1**

Status: Corrected.

**Finding: 2019-2**

Status: Corrected.

