
Town of Minnesott Beach

Minnesott Beach, North Carolina

Audit Report

June 30, 2020

TOWN OF MINNESOTT BEACH

MINNESOTT BEACH, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Tim Fowler

Town Commissioners

Adam Garfinkel - Mayor Pro Tem

Cliff Braly

David Gaskins

Kenny Campen

Town of Minnesott Beach, North Carolina
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June 30, 2020

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Minnesott Beach, 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 Minnesott Beach, 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 the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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.

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
AICPA – Governmental Audit Quality Center

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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 funds of Town of Minnesott Beach, North Carolina as of June 30, 2020, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general 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 Minnesott Beach, North Carolina. The combining and 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 the basic financial statement 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 descried above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Larry E. Carpenter, CPA, PA

Greenville, NC
September 18, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Minnesott Beach, we offer readers of the Town of Minnesott Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Minnesott Beach 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

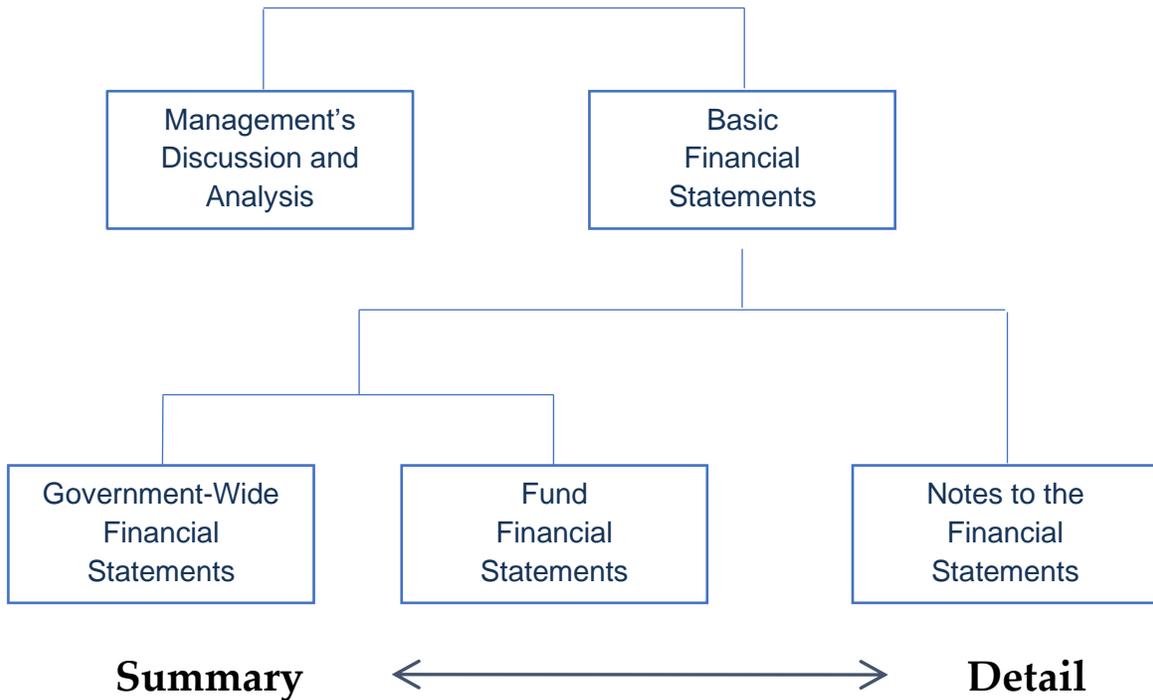
- The assets and deferred outflows of resources of the Town of Minnesott Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,385,062 (*net position*).
- The government's total net position increased by \$76,119, primarily due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Minnesott Beach's governmental funds reported an ending fund balance of \$1,020,924 with a net change of \$46,815 in fund balance. Approximately 97.71% percent of this total amount, or \$997,589, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$997,589 or 461.47% percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town had Restricted Reserve of \$4,363.

Overview of the Financial Statements

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

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status. The next statements (Exhibits A-3 through A-7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; and 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 the governmental activities. The governmental activities include most of the Town's basic services such as public safety, cultural and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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

Fund financial statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Minnesott Beach, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town fall into 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. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Minnesott Beach 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 Town Council; 2) the final budget as amended by the Town Council; 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 begin on page 18 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 government and other holders of publicly held U.S. Treasury Securities.

Town of Minnesott Beach's Net Position
Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 1,030,411	\$ 982,068
Pension assets		
Capital assets	360,018	331,923
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	<u>1,390,429</u>	<u>1,313,991</u>
Current liabilities	5,367	5,048
Noncurrent liabilities	-	-
Deferred inflows of resources	-	-
Total liabilities and deferred inflow of resources	<u>5,367</u>	<u>5,048</u>
Net investment in capital assets	360,018	331,923
Restricted	23,335	20,036
Unrestricted	<u>1,001,709</u>	<u>956,984</u>
Total net position	<u>\$ 1,385,062</u>	<u>\$ 1,308,943</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Minnesott Beach exceeded liabilities by \$1,385,062 as of June 30, 2020. The Town's net position increased by \$76,119 for the fiscal year ended June 30, 2020. However, the largest portion, \$360,018 or 26.00%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Minnesott Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Minnesott Beach's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Minnesott Beach's net position, \$23,335 or 0.02% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,001,709 or 100.00% is unrestricted.

Town of Minnesott Beach's Changes in Net Position
Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 4,251	\$ 4,199
Operating grants and contributions	57,327	18,658
Capital grants and contributions	-	-
General revenues:		
Property taxes	124,063	121,355
Other taxes	66,683	72,618
Investment earnings	8,633	8,064
Other	3,242	4,647
Total revenues	<u>264,199</u>	<u>229,541</u>
Expenses:		
General government	73,460	83,773
Public works	2,544	19,112
Environmental protection	52,100	53,938
Transportation	59,976	39,444
Total expenses	<u>188,080</u>	<u>168,507</u>
 Increase (decrease) in Net Position	 76,119	 61,034
Net Position, July 1	<u>1,308,943</u>	<u>1,028,631</u>
Net Position, June 30	<u>\$1,385,062</u>	<u>\$1,247,909</u>

Governmental activities

Governmental activities increased the Town's net position by \$76,119.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Minnesott Beach. At the end of the current fiscal year, the Town of Minnesott Beach's fund balance available in the General Fund was \$997,589, while total fund balance reached \$1,020,924. The Town currently has an available fund balance of 676.92% of general fund expenditures, while total fund balance represents 461.47% of the same amount.

At June 30, 2020, the governmental funds of the Town of Minnesott Beach reported a balance of \$1,020,924 with a net increase in fund balance of \$46,815.

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.

Capital Asset and Debt Administration

Capital assets. The Town of Minnesott Beach's investment in capital assets for its governmental and business—type activities as of June 30, 2020, totaled \$360,018 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Town of Minnesott Beach's Capital Assets
(Net of Accumulated Depreciation)
Figure 4

	Governmental Activities	
	2020	2019
Land	\$ 21,769	\$ 21,769
Construction in Progress	15,344	15,344
Buildings	31,727	31,727
Equipment	53,505	53,505
Vehicles	13,400	13,400
Improvements	136,314	81,709
Infrastructure	399,169	399,169
Subtotal	671,228	616,623
Accumulated depreciation	(311,209)	(284,699)
Capital assets, net	\$ 360,018	\$ 331,924

Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus

revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time.

Requests for Information

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

Town Clerk
Town of Minnesott Beach,
11758 Hwy 306 South
Minnesott Beach, NC 28510

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Minnesott Beach, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government
	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 1,002,956
Taxes receivable, net	4,120
Accounts receivable, net	18,972
Restricted cash and cash equivalents	4,363
Total Current Assets	1,030,411
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	37,113
Other capital assets, net of depreciation	322,905
Total Assets	1,390,429
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	--
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	5,367
Total Current Liabilities	5,367
<i>Internal Balances*</i>	
Total Liabilities	5,367
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
Net investment in capital assets	360,018
<i>Restricted for:</i>	
Stabilization by State Statute	18,972
Streets	4,363
<i>Unrestricted</i>	1,001,709
Total Net Position	\$ 1,385,062

The accompanying notes are an integral part of this financial statement.

Town of Minnesott Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Government</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
					<u>Activities</u>
Primary Government					
Governmental Activities:					
General government	73,460	--	38,590	--	(34,870)
Public safety	\$ 2,544	\$ 4,251	\$ --	\$ --	\$ 1,707
Transportation	59,976	--	18,737	--	(41,239)
Environmental protection	52,100	--	--	--	(52,100)
Total Governmental Activities	<u>188,080</u>	<u>4,251</u>	<u>57,327</u>	<u>--</u>	<u>(126,502)</u>

General Purpose Revenues and Transfers:

Revenues

Ad valorem taxes	124,063
Other taxes	66,683
Investment earnings	8,633
Miscellaneous Income	3,242

Total General Revenues and Transfers 202,621

Change in Net Position **76,119**

Net Position at Beginning of Period 1,308,943

Net Position at End of Period **\$ 1,385,062**

The accompanying notes are an integral part of this financial statement.

Fund Financial Statement

Town of Minnesott Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,002,956
Taxes receivable, net	3,620
Accounts receivable, net	18,972
Restricted cash and cash equivalents	4,363
Total Assets	1,029,911
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Assets and Deferred Outflows of Resources	\$ 1,029,911
LIABILITIES	
Accounts payable and accrued liabilities	\$ 5,367
Total Liabilities	5,367
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	3,620
Total Liabilities and Deferred Inflows of Resources	8,987
FUND BALANCE	
Restricted	
Stabilization by State Statute	18,972
Streets	4,363
Unassigned	997,589
Total Fund Balance	1,020,924
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,029,911

The accompanying notes are an integral part of this financial statement.

Town of Minnesott Beach, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

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

Total Fund Balance - Governmental Funds	\$	1,020,924
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		360,018
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		351
Earned revenues considered deferred inflows of resources in fund statements.		3,769
Total Net Position-Governmental Funds	\$	<u>1,385,062</u>

The accompanying notes are an integral part of this financial statement.

Town of Minnesott Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>Major Fund</u>
	<u>General Fund</u>
Revenues	
Ad valorem taxes	\$ 122,855
Unrestricted intergovernmental	38,590
Restricted intergovernmental	18,737
Other taxes	66,683
Sales and services	4,251
Miscellaneous Income	3,242
Investment earnings	8,633
Total Revenues	<u>262,991</u>
Expenditures	
General government	94,611
Public safety	2,544
Transportation	66,921
Environmental protection	52,100
Total Expenditures	<u>216,176</u>
Net Change in Fund Balance	46,815
<i>Fund Balance at Beginning of Period</i>	<u>974,108</u>
Fund Balance at End of Period	<u>\$ 1,020,924</u>

The accompanying notes are an integral part of this financial statement.

Town of Minnesott Beach, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2020

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

Total Net Change in Fund Balances - Governmental Funds	\$	46,815
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		28,095
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		1,209
Changes in Net Position-Governmental Funds	\$	<u>76,119</u>

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

Town of Minnesott Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 116,310	\$ 116,310	\$ 122,855	\$ 6,545
Unrestricted intergovernmental	--	--	38,590	38,590
Restricted intergovernmental	19,000	19,000	18,737	(263)
Other taxes	57,974	57,974	66,683	8,709
Sales and services	2,500	2,500	4,251	1,751
Miscellaneous Income	1,000	1,000	3,242	2,242
Investment earnings	2,500	2,500	8,633	6,133
Total Revenues	199,284	199,284	262,991	63,707
Other Financing Sources				
Total Revenues and Other Financing Sources	199,284	199,284	262,991	63,707
Expenditures				
General government	373,500	373,500	94,614	278,886
Public safety	14,500	14,500	2,541	11,959
Transportation	68,000	68,000	66,921	1,079
Environmental protection	62,500	62,500	52,100	10,400
Total Expenditures	518,500	518,500	216,176	302,324
Other Financing Uses				
Appropriations	(319,216)	(319,216)	--	(319,216)
Total Expenditures and Other Financing Uses	199,284	199,284	216,176	(16,892)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	46,815	46,815
Net Change in Fund Balance	\$ --	\$ --	46,815	\$ 46,815
<i>Fund Balance at Beginning of Period</i>			974,109	
Fund Balance at End of Period			\$ 1,020,924	

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

Notes To The Financial Statements

**Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020**

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Minnesott Beach 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 Minnesott Beach is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the financial information of 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. 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 the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds is displayed. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are local option sales taxes and various other taxes and licenses. The primary expenditures are for public safety and general government.

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.

Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2015, 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, 2015 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

**Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020**

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. 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 functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

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 as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of service.

**Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020**

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory & Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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	Years
Infrastructure	20
Buildings	40
Improvements	25
Vehicles	5
Furniture and Fixtures	7
Equipment	5
Computer Equipment	3
Software	3

Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020

8. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2015 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 two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. *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.

10. *Net Position/Fund Balances*

Net Position

Net position in government-wide fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are 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.

Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020

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

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

Restricted for Stabilization by State Statute — portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

Assigned Fund Balance — portion of fund balance that the Town of Minnesott Beach intends to use for specific purposes.

Subsequent years' expenditures— portion of fund balance that is appropriated in the next years' budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- 1. Noncompliance with North Carolina General Statutes**
NONE
- 2. Contractual Violations**
NONE
- 3. Deficit in Fund Balance or Net Position of Individual Funds**
NONE
- 4. Excess of Expenditures over Appropriations**
NONE

**Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020**

NOTE III—DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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 these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town 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. 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 \$795,793 and a bank balance of \$796,884. Of the bank balance, \$710,214 was covered by federal depository insurance. The Town has petty cash of \$50.

At June 30, 2020 the Town had \$211,476 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

2. Receivables — Allowance for Doubtful Accounts

General Fund:	
Taxes receivable	\$ 500
Accounts receivable	-
Total	<u>500</u>

**Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020**

3. Capital Assets

Governmental Capital Assets

A summary of changes in the Town's capital assets used in governmental activities follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 21,769	\$ -	\$ -	\$ 21,769
Construction in Progress	15,344	-	-	15,344
Total capital assets not being depreciated	<u>37,113</u>	<u>-</u>	<u>-</u>	<u>37,113</u>
Capital assets being depreciated:				
Buildings	31,727	-	-	31,727
Equipment	53,505	-	-	53,505
Vehicles	13,400	-	-	13,400
Improvements	81,709	54,605	-	136,314
Infrastructure	399,169	-	-	399,169
Total capital assets being depreciated	<u>579,510</u>	<u>54,605</u>	<u>-</u>	<u>634,115</u>
Less accumulated depreciation for:				
Buildings	21,243	793	-	22,036
Equipment	51,593	1,739	-	53,332
Vehicles	13,400	-	-	13,400
Improvements	4,903	4,360	-	9,263
Infrastructure	193,560	19,618	-	213,178
Total accumulated depreciation	<u>284,699</u>	<u>\$ 26,510</u>	<u>\$ -</u>	<u>311,209</u>
Total capital assets being depreciated, net	<u>294,811</u>			<u>322,906</u>
Governmental activity capital assets, net	<u>\$ 331,924</u>			<u>\$ 360,018</u>

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

Governmental Activities:	
General Government	\$ 6,350
Transportation	20,160
Total	<u>\$ 26,510</u>

**Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020**

B. Liabilities

1. Deferred Outflows and Inflows of Resources

Deferred outflows of resources were none at year end.

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

Source	Amount
Taxes receivable, net (<i>General Fund</i>)	\$ 4,120
Total	<u>\$ 4,120</u>

2. Fund Balance

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

Total Fund Balance-General Fund	\$ 1,020,924
Less:	
Stabilization by State Statute	18,972
Streets-Powell Bill	4,363
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	997,589

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values

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.

In accordance with G.S. 159-29, the Town's finance officer has a performance bond for \$50,000 through a commercial surety bond agency.

**Town of Minnesott Beach
Notes to Financial Statements
For Fiscal Year Ended June 30, 2020**

NOTE IV —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 18, 2020, the date the financial statements were available to be issued.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Minnesott Beach, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes			
Taxes		122,424	
Interest and penalties		431	
Total	<u>116,310</u>	<u>122,855</u>	<u>6,545</u>
Other Taxes and Licenses			
Local option sales tax		45,437	
Utility franchise tax		18,682	
Beer & wine tax		2,142	
Privilege License		45	
Solid waste tax		377	
Total	<u>57,974</u>	<u>66,683</u>	<u>8,709</u>
Restricted Intergovernmental Revenues			
Powell Bill		18,737	
Total	<u>19,000</u>	<u>18,737</u>	<u>(263)</u>
Unrestricted Intergovernmental Revenues			
Grants		38,590	
Total	<u>-</u>	<u>38,590</u>	<u>38,590</u>
Sales and Services			
Garbage services		4,251	
Total	<u>2,500</u>	<u>4,251</u>	<u>1,751</u>

Town of Minnesott Beach, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Investment Earnings			
Interest		8,633	
Total	<u>2,500</u>	<u>8,633</u>	<u>6,133</u>
Other Revenues			
Miscellaneous		3,242	
Total	<u>1,000</u>	<u>3,242</u>	<u>2,242</u>
Total Revenue	<u>\$ 199,284</u>	<u>\$ 262,991</u>	<u>\$ 63,707</u>
Expenditures			
General Government			
Salaries and benefits		\$ 23,957	
Tax collection fee		2,664	
Professional services		8,196	
Dues & subscriptions		2,304	
Telephone		2,813	
Insurance & bonds		4,611	
Utilities		1,298	
Repairs & maintenance		32,389	
Supplies		4,926	
Other operating expenses		11,456	
Total	<u>373,500</u>	<u>94,614</u>	<u>278,886</u>

Town of Minnesott Beach, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Salaries and benefits		\$ 1,792	
Contract Labor		682	
Other operating expenses		67	
Total	<u>14,500</u>	<u>2,541</u>	<u>11,959</u>
Transportation			
Street lights		10,118	
Street maintenance		56,360	
Other operating expenses		443	
Total	<u>68,000</u>	<u>66,921</u>	<u>1,079</u>
Enviromental Protection			
Garbage service		52,100	
Total	<u>62,500</u>	<u>52,100</u>	<u>10,400</u>
Total Expenditures	<u>518,500</u>	<u>216,176</u>	<u>302,324</u>
Revenue over (under) expenditures	<u>(319,216)</u>	<u>46,815</u>	<u>366,031</u>
Other Financing Sources (Uses)			
Appropriations	<u>(319,216)</u>		<u>(319,216)</u>
Total	<u>(319,216)</u>	<u>46,815</u>	<u>46,815</u>
Net change in fund balance	<u>\$ -</u>	<u>46,815</u>	<u>\$ 46,815</u>
Fund balance - July 1		<u>974,109</u>	
Fund balance - June 30		<u>\$ 1,020,924</u>	

OTHER SCHEDULES

Town of Minnesott Beach, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2020

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2020	\$ -	\$ 123,683	\$ 121,132	\$ 2,551
2019	1,801		1,536	265
2018	296		110	186
2017	261		59	202
2016	309		57	252
2015	210		32	178
2014	259		(38)	297
2013	190		(129)	319
2012	167		10	157
2011	163		(48)	211
2010	135		135	-
	<u>3,791</u>	<u>123,683</u>	<u>122,854</u>	<u>4,620</u>

Less: Allowance for Uncollectible Accounts	500
Ad Valorem Taxes Receivables, Net	4,120

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	122,856
Reconciling items:	
Interest collected	(432)
Releases and adjustments	430
Total Collections and Credits	122,854

Town of Minnesott Beach, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate	\$ 112,439,064	0.11	\$ 123,683	\$ 115,431	\$ 8,252
Total Net Levy for Current Year	<u>\$ 112,439,064</u>				
Net levy			123,683	115,431	8,252
Less uncollected taxes at June 30, 2020			<u>2,551</u>	<u>2,551</u>	<u>-</u>
Current year's taxes collected			<u>\$ 121,132</u>	<u>\$ 112,880</u>	<u>\$ 8,252</u>
Current levy collection percentage			<u>97.94%</u>	<u>97.79%</u>	<u>100.00%</u>