

REVIEWED

By SLGFD at 2:58 pm, Feb 08, 2021

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2020



Nature's Tranquil Beauty

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FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor
And Members of Board of Aldermen
North Topsail 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 North Topsail 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 North Topsail Beach, North Carolina as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Shoreline Protection 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 Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a 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 North Topsail Beach, North Carolina. The individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards 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 by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, 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 December 22, 2020 on our consideration of the Town of North Topsail Beach's 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 the Town of North Topsail Beach's internal control over financial reporting and compliance.

W Greene PLLC

Whiteville, North Carolina
December 22, 2020

Management's Discussion and Analysis

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

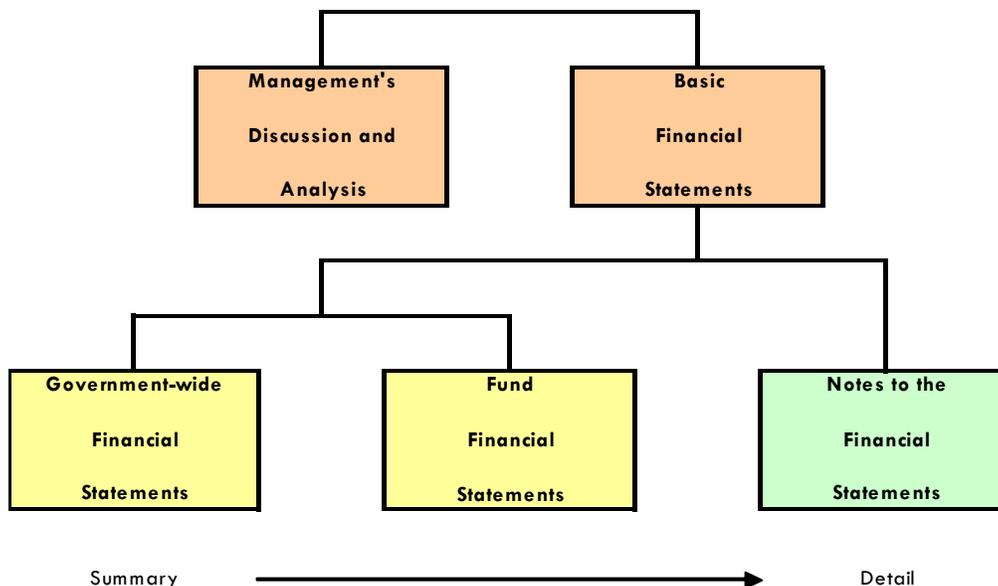
- The assets and deferred outflows of resources of the Town of North Topsail Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,685,671 (net position).
- The government's total net position increased \$1,360,521.
- As of the close of the current fiscal year, the Town of North Topsail Beach's governmental funds reported combined ending fund balances of \$13,909,577, with an increase of \$1,992,710 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,442,878 or 69.05 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of North Topsail 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 North Topsail Beach.

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 27) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. 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 North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type 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 business-type activities are those that the Town charges customers to provide. The Town of North Topsail Beach does not currently provide services that are considered business-type 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 North Topsail 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 Town of North Topsail Beach are 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of North Topsail 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 board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of North Topsail Beach currently has no proprietary funds.

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 28 through 54 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 North Topsail Beach's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 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

The Town of North Topsail Beach's Net Position
Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 14,343,959	\$ 12,283,120
Capital assets	27,544,355	28,340,514
Deferred outflows of resources	574,523	609,432
Total assets and deferred outflows of resources	42,462,837	41,233,066
Long-term liabilities outstanding	15,876,803	16,182,477
Other liabilities	808,930	685,412
Deferred inflows of resources	91,433	40,027
Total liabilities and deferred inflows of resources	16,777,166	16,907,916
Net position:		
Net investment in capital assets	12,354,833	12,774,208
Restricted	6,484,167	6,413,744
Unrestricted	6,846,671	5,137,198
Total net position	\$ 25,685,671	\$ 24,325,150

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 North Topsail Beach exceeded liabilities and deferred inflows by \$25,685,671 as of June 30, 2020. The Town’s net position increased by \$1,360,521 for the fiscal year ended June 30, 2020. However, the largest portion (48.10%) 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 North Topsail Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of North Topsail Beach’s 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 North Topsail Beach’s net position \$6,484,167 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$6,846,671 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 99.16%

The Town of North Topsail Beach's Changes in Net Position
Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 715,322	\$ 745,066
Operating grants and contributions	8,217,760	4,410,885
Capital grants and contributions	-	-
General Revenues		
Property taxes	3,875,915	3,303,444
Other taxes	3,178,194	3,148,998
Investment earnings	139,557	160,772
Miscellaneous	22,295	436,975
Total revenues	<u>16,149,043</u>	<u>12,206,140</u>
Expenses:		
General Government	1,651,802	1,625,271
Public Safety	2,518,947	2,355,143
Sanitation	452,837	449,104
Environmental Protection	9,235,094	3,743,676
Street Department	93,296	49,865
Community Development	35,050	33,716
Cultural and Recreation	-	-
Beach and Strand	4,890	34,637
Beach Nourishment/Dune Stabilization	291,532	-
Interest on long-term debt	505,074	517,191
Total expenses	<u>14,788,522</u>	<u>8,808,603</u>
Increase(Decrease) in net position before transfers	1,360,521	3,397,537
Settlement on sandbag revetment receivable	-	-
Transfers	-	-
Change in net position	1,360,521	3,397,537
Net Position, beginning	<u>24,325,150</u>	<u>20,927,613</u>
Net position, June 30	<u>\$ 25,685,671</u>	<u>\$ 24,325,150</u>

Governmental activities. Governmental activities increased the Town’s net position by \$1,360,521. Key element of this increase is as follows:

- Increase in grant and contribution revenues and property taxes.

Business-type Activities. There were no business-type activities in the current year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of North Topsail 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 North Topsail Beach's financing requirements.

The general fund is the chief operating fund of the Town of North Topsail Beach. At the end of the current fiscal year, Town of North Topsail Beach's fund balance available in the General Fund was \$3,458,968, while total fund balance reached \$3,808,534. The Town currently has an available fund balance of 69.37 percent of total General Fund expenditures, while total fund balance represents 76.38 percent of the same amount.

At June 30, 2020, the governmental funds of Town of North Topsail Beach reported a combined fund balance of \$13,909,577, with a net increase in fund balance of \$1,992,710. Included in this change in fund balance are increases in fund balance in the General Fund.

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 less than the budgeted amounts primarily because the Town received less restricted intergovernmental funds than anticipated. Overall, expenditures were less than budgeted amounts.

Proprietary Funds. The Town of North Topsail Beach had no proprietary funds in the current year.

Capital Asset and Debt Administration

Capital assets. The Town of North Topsail Beach's investment in capital assets for its governmental activities as of June 30, 2020, totals \$27,544,355 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Vehicles purchases in the amount of \$168,932.
- Equipment purchases in the amount of \$5,900.
- Construction in progress in the amount of \$506,807.

The Town of North Topsail Beach's Capital Assets
(Net of depreciation)

Figure 4

	Governmental Activities	
	2020	2019
Land	\$ 1,082,341	\$ 1,082,341
Construction in Progress	1,113,062	606,255
Buildings	400,419	434,532
Vehicles and Equipment	668,459	696,977
Infrastructure	24,280,074	25,520,409
Total	<u>\$ 27,544,355</u>	<u>\$ 28,340,514</u>

Additional information on the Town’s capital assets can be found on page 37 in the Notes to the Financial Statements.

Long-term Debt. As of June 30, 2020, the Town of North Topsail Beach had total debt outstanding of \$16,401,169. Of this, \$14,935,000 is debt backed by the full faith and credit of the Town of North Topsail Beach.

Outstanding Debt

Figure 5

Town of North Topsail Beach's Outstanding Debt

	Governmental Activities	
	2020	2019
Installment Purchases	\$ 254,522	\$ 230,306
Special Obligation Bonds	14,935,000	15,336,000
Compensated Absences	90,992	124,677
Net Pension Liability (LRS)	834,024	662,358
Total Pension Liability (LEO)	286,631	360,852
Total	<u>\$ 16,401,169</u>	<u>\$ 16,714,193</u>

The Town of North Topsail Beach’s total debt decreased by \$313,024 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 North Topsail Beach is \$75,651,342.

Additional information regarding the Town of North Topsail Beach’s long-term debt can be found beginning on page 51 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.

Population growth – The Town's permanent population has grown slightly from previous years as more secondary homeowners become permanent residents and due to the rise of long-term renters. Based on the Town's increased Accommodations Tax collection for FY19-20, we anticipate our seasonal population to increase by 30% during the 20-21 Fiscal Year, a direct result of the COVID-19 pandemic.

The Town will continue monitoring the balances of each fund and make every effort to stay within the realm of the adopted Budget. The Town did approve to continue moving forward with ongoing Shoreline and Beach related projects in progress, which include the Hardened Structure and Hurricane Florence and Dorian dune and beach restoration projects. The Town is working with the Army Corps of Engineers in preparation for the Federal beach project.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities. Property tax rates were kept the same this year, totaling \$0.41 per \$100 valuation.

Business-type Activities. Residential garbage and recycling services rates increased by \$1.09 this fiscal year. The rate increase was due to rising costs for recycling services and tipping fees. The Town does not own or operate any electrical, water or sewer facilities.

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:

**Caitlin Elliott
Finance Officer
Town of North Topsail Beach
2008 Loggerhead Court
North Topsail Beach, NC 28460**

Basic Financial Statements

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Statement of Net Position

June 30, 2020

	Primary Government Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	7,629,568
Receivables (net):	
Ad Valorem Taxes	56,895
Interest	8,542
Assessments	128,640
Accounts	321,521
Due from Other Governments	1,574,556
Prepaid Items	36,147
Restricted Cash and Cash Equivalents	<u>4,588,090</u>
 Total Current Assets	 <u>14,343,959</u>
Noncurrent Assets:	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	2,195,403
Other Capital Assets, Net of Depreciation	<u>25,348,952</u>
 Total Capital Assets	 <u>27,544,355</u>
 Total Assets	 <u>41,888,314</u>
 DEFERRED OUTFLOWS OF RESOURCES	
 Pension Deferrals	 <u>574,523</u>
 Total Deferred Outflows of Resources	 <u>\$ 574,523</u>

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2020

	Primary Government Governmental Activities
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	284,564
Customer Deposits	-
Current Portion of Long-Term Liabilities	<u>524,366</u>
Total Current Liabilities	<u>808,930</u>
Long-Term Liabilities:	
Net Pension Liability	834,024
Total Pension Liability	286,631
Due in More Than One year	<u>14,756,148</u>
Total Long-Term Liabilities	<u>15,876,803</u>
Total Liabilities	<u>16,685,733</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid Taxes	-
Pension Deferrals	<u>91,433</u>
Total Deferred Inflows of Resources	<u>91,433</u>
NET POSITION	
Net Investment in Capital Assets	12,354,833
Restricted for:	
Transportation	16,090
Stabilization by State Statute	1,896,077
Environmental Protection	4,572,000
Unrestricted	<u>6,846,671</u>
Total Net Position	<u>\$ 25,685,671</u>

TOWN OF NORTH TOPSAIL BEACH, 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
Primary Government:				
Governmental Activities:				
General Government	\$ 1,651,802	\$ 128,886	\$ -	\$ -
Public Safety	2,518,947	146,517	-	-
Sanitation	452,837	439,919	-	-
Environmental Protection	9,235,094	-	8,191,606	-
Street Department	93,296	-	26,154	-
Community Development	35,050	-	-	-
Beach and Strand	4,890	-	-	-
Beach Renourishment/Dune Stabilization	291,532	-	-	-
Interest on long-term debt	505,074	-	-	-
Total Governmental Activities	14,788,522	715,322	8,217,760	-
Total Primary Government	\$ 14,788,522	\$ 715,322	\$ 8,217,760	\$ -

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2020

	<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Primary Government</u>
<u>Functions/Programs</u>	<u>Total Governmental Activities</u>
Primary Government:	
Governmental Activities:	
General Government	\$ (1,522,916)
Public Safety	(2,372,430)
Sanitation	(12,918)
Environmental Protection	(1,043,488)
Street Department	(67,142)
Community Development	(35,050)
Beach and Strand	(4,890)
Beach Renourishment/Dune Stabilization	(291,532)
Interest on long-term debt	(505,074)
Total Governmental Activities	<u>(5,855,440)</u>
Total Primary Government	<u>(5,855,440)</u>
General Revenues:	
Property Taxes, Levied for General Purpose	3,875,915
Other Taxes and Licenses	3,178,194
Investment Earnings	139,557
Miscellaneous	22,295
Transfers	<u>-</u>
Total General Revenues and Transfers	<u>7,215,961</u>
Change in Net Position	<u>1,360,521</u>
Net Position - Beginning of Year	<u>24,325,150</u>
Net Position - End of Year	<u>\$ 25,685,671</u>

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2020

	Major Funds			Total Governmental Funds
	General	Beach Nourishment	Shoreline Protection Fund	
ASSETS				
Cash and Cash Equivalents	3,503,803	-	4,125,765	\$ 7,629,568
Restricted Cash	16,090	-	4,572,000	4,588,090
Receivables (net):				
Ad Valorem Taxes	56,895	-	-	56,895
Accounts	108,491	-	213,030	321,521
Assessment	-	-	128,640	128,640
Prepaid Items	9,147	-	27,000	36,147
Due from Other Funds	-	-	-	-
Due from Other Governments	231,928	-	1,342,628	1,574,556
Total Assets	3,926,354	-	10,409,063	14,335,417
LIABILITIES				
Accounts Payable and Accrued Liabilities	60,925	-	179,380	240,305
Due to Other Funds	-	-	-	-
Total Liabilities	60,925	-	179,380	240,305
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Receivable	56,895	-	-	56,895
Assessment Receivable	-	-	128,640	128,640
Total Deferred Inflows of Resources	56,895	-	128,640	185,535
FUND BALANCES				
Restricted				
Stabilization by State Statute	340,419	-	1,555,658	1,896,077
Streets	16,090	-	-	16,090
Environmental Protection	-	-	4,572,000	4,572,000
Nonspendable				
Prepaid Items	9,147	-	27,000	36,147
Committed				
Shoreline Protection	-	-	3,973,385	3,973,385
Unassigned	3,442,878	-	-	3,442,878
Total Fund Balances	3,808,534	-	10,101,043	13,909,577
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,926,354	\$ -	\$ 10,409,063	\$ 14,335,417

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2020

	Total Governmental Funds
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Total Governmental Fund Balance	\$ 13,909,577
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical costs	39,268,586
Accumulated depreciation	<u>(11,724,231)</u>
	27,544,355
Deferred outflows of resources related to pensions are not reported in the funds	<u>574,523</u>
	574,523
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>8,542</u>
	8,542
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	
Assessments	128,640
Ad valorem taxes	<u>56,895</u>
	185,535
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Installment purchases and Special Obligation Bonds	(15,189,522)
Total pension liability	(286,631)
Compensated absences	(90,992)
Net Pension Liability	<u>(834,024)</u>
	(16,401,169)
Deferred inflows of resources related to pensions are not reported in the funds	(91,433)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest	<u>(44,259)</u>
Net position of governmental activities.	<u><u>\$ 25,685,671</u></u>

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

	Major Funds			Total Governmental Funds
	General Fund	Beach Nourishment	Shoreline Protection Fund	
Revenues				
Ad Valorem Taxes	\$ 2,548,835	\$ -	\$ 1,330,949	\$ 3,879,784
Other Taxes and Licenses	-	-	1,009,226	1,009,226
Unrestricted Intergovernmental	1,661,119	-	507,257	2,168,376
Restricted Intergovernmental	222,381	-	7,995,971	8,218,352
Permits and Fees	146,517	-	-	146,517
Sales and Services	568,805	-	-	568,805
Investment Earnings	116,587	-	22,970	139,557
Miscellaneous	12,571	-	56,963	69,534
Total Revenues	5,276,815	-	10,923,336	16,200,151
Expenditures				
Current				
General Government	1,500,470	-	-	1,500,470
Public Safety	2,195,243	-	-	2,195,243
Sanitation	452,837	-	-	452,837
Environmental Protection	-	-	8,082,456	8,082,456
Street Department	93,097	-	-	93,097
Community Development	35,050	-	-	35,050
Beach and Strand	4,890	-	-	4,890
Beach Renourishment/Dune Stabilization	291,532	-	-	291,532
Contingency	-	-	-	-
Debt Service				
Principal	130,716	-	401,000	531,716
Interest and Other charges	4,748	-	498,420	503,168
Capital Outlay				
General Government	134,123	-	-	134,123
Public Safety	137,570	-	-	137,570
Environmental Protection	-	-	404,046	404,046
Street Department	5,900	-	-	5,900
Community Development	-	-	-	-
Total Expenditures	4,986,176	-	9,385,922	14,372,098
Excess (Deficiency) of Revenues Over Expenditures	290,639	-	1,537,414	1,828,053
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	2,263,846	2,263,846
Transfers to Other Funds	-	(2,263,846)	-	(2,263,846)
Installment Loan Proceeds	154,932	-	-	154,932
Sale of Capital Assets	9,725	-	-	9,725
Total Other Financing Sources (Uses)	164,657	(2,263,846)	2,263,846	164,657
Net Change in Fund Balance	455,296	(2,263,846)	3,801,260	1,992,710
Fund Balance - Beginning of Year	3,353,238	2,263,846	6,299,783	11,916,867
Fund Balance - End of Year	\$ 3,808,534	\$ -	\$ 10,101,043	\$ 13,909,577

TOWN OF NORTH TOPSAIL BEACH, 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		\$ 1,992,710
<p>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.</p>		
Capital outlay expenditures which were capitalized	681,639	
Depreciation expense	<u>(1,477,798)</u>	(796,159)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		184,774
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		20,108
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
Change in unavailable revenue for tax revenues	(639)	
Change in unavailable revenue for special assessments	(56,963)	
Interest earned on ad valorem taxes	<u>(3,230)</u>	(60,832)
<p>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.</p>		
Debt issuance	(154,932)	
Debt retirement	531,716	
Accrued Interest Payable	<u>(1,906)</u>	374,878
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Pension Expense	(388,643)	
Compensated absences	<u>33,685</u>	(354,958)
Total changes in net position of governmental activities		<u><u>\$ 1,360,521</u></u>

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

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad Valorem Taxes	\$ 2,538,340	\$ 2,541,840	\$ 2,548,835	\$ 6,995
Unrestricted Intergovernmental	1,873,980	1,635,898	1,661,119	25,221
Restricted Intergovernmental	543,800	690,514	222,381	(468,133)
Permits and Fees	127,200	127,200	146,517	19,317
Sales and Services	569,108	525,390	568,805	43,415
Investment Earnings	100,000	100,000	116,587	16,587
Miscellaneous	-	37,800	12,571	(25,229)
Total Revenues	5,752,428	5,658,642	5,276,815	(381,827)
Expenditures				
General Government	1,837,599	1,885,599	1,634,593	251,006
Public Safety	2,574,859	2,549,437	2,332,813	216,624
Sanitation	453,840	453,840	452,837	1,003
Street Department	121,700	104,700	98,997	5,703
Community Development	75,000	75,000	35,050	39,950
Beach and Strand	8,430	8,430	4,890	3,540
Beach Renourishment/Dune Stabilization	361,000	346,000	291,532	54,468
Contingency	334,000	281,672	-	281,672
Debt Service	-	135,464	135,464	-
Total Expenditures	5,766,428	5,840,142	4,986,176	853,966
Revenues Over (Under) Expenditures	(14,000)	(181,500)	290,639	472,139
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Sale of Assets	14,000	14,000	9,725	(4,275)
Installment Loan Proceeds	-	167,500	154,932	(12,568)
Total Other Financing Sources (Uses)	14,000	181,500	164,657	(16,843)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	455,296	455,296
Appropriated Fund Balance	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	455,296	\$ 455,296
Fund Balance - Beginning of Year			3,353,238	
Fund Balance - End of Year			\$ 3,808,534	

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA
 Shoreline Protection Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2020

	Shoreline Protection Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad Valorem Taxes	\$ 1,409,500	\$ 1,384,500	\$ 1,330,949	\$ (53,551)
Accommodations Taxes	823,747	823,747	1,009,226	185,479
Unrestricted Intergovernmental	444,630	444,630	507,257	62,627
Restricted Intergovernmental	6,930,085	8,596,752	7,995,971	(600,781)
Investment Earnings	20,000	20,000	22,970	2,970
Miscellaneous	-	25,000	56,963	31,963
Total Revenues	<u>9,627,962</u>	<u>11,294,629</u>	<u>10,923,336</u>	<u>(371,293)</u>
Expenditures				
Environmental Protection	9,627,962	11,294,629	9,385,922	1,908,707
Total Expenditures	<u>9,627,962</u>	<u>11,294,629</u>	<u>9,385,922</u>	<u>1,908,707</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>1,537,414</u>	<u>1,537,414</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	2,263,846	2,263,846
Transfers to Other Funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,263,846</u>	<u>2,263,846</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>-</u>	<u>-</u>	<u>3,801,260</u>	<u>3,801,260</u>
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,801,260</u>	<u>\$ 3,801,260</u>
Fund Balance - Beginning of Year			<u>6,299,783</u>	
Fund Balance - End of Year			<u>\$ 10,101,043</u>	

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements

June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of North Topsail 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 North Topsail Beach is a municipal corporation that is governed by an elected mayor and a five member council. 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. The Town currently maintains only one fund category – *governmental*. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund – This 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.

Beach Nourishment Fund – This is a capital project fund that is for beach nourishment.

Shoreline Protection Fund – This is a special revenue fund used to account for shoreline and beach protection.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, 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 North Topsail Beach because the tax is levied by Onslow 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 general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and Beach Nourishment Fund. All annual appropriations lapse at the fiscal year end. Project length ordinances are utilized in capital project funds whereby appropriations lapse at project completion. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The finance officer is authorized by the budget ordinance to transfer appropriations between departmental areas within a fund up to \$2,500; however, any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$2,500 must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town 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 Super-NOW accounts, money market accounts, and certificates of deposits.

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Deposits and Investments (Continued)

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 generally 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.

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

The USDA requires that three years of debt service payments be restricted per the loan agreement for the bond issued. Also, the Town must deposit into a restricted special savings account ten percent of the annual payment with each payment. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 16,090
Shoreline Protection Fund	
Pursuant to Loan Requirements	<u>4,572,000</u>
Total Governmental Activities	<u>4,588,090</u>
Total Restricted Cash	\$ <u>4,588,090</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Ad Valorem Taxes Receivable

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs for all assets are \$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 assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	40
Vehicles and Equipment	5-10

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 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 – property taxes receivable, assessments receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. 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 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide 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.

Prepaid Expense – portion of fund balance that is not an available resource because it represents the year-end balance of expense prepaid for future use, which are not spendable resources.

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

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

Restricted for Environmental Protection – portion of the fund balance that is restricted by the USDA for future debt service.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances (Continued)

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of North Topsail 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 revise the limitation.

Committed for Shoreline Protection – portion of fund balance assigned by the Board for Shoreline Protection.

Assigned fund balance – portion of fund balance that the Town of North Topsail Beach intends to use for special 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.

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

12. 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 Government 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 North Topsail Beach’s employer contributions are recognized when due and the Town of North Topsail Beach 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 NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the deposits of the Town are either insured or collateralized by the Pooling Method. 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 with 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. The 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 \$2,390,405 and a bank balance of \$2,389,066. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2020, the Town of North Topsail Beach had \$6,709,007 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 had \$3,118,046 invested with the North Carolina Management Trust's Term Portfolio which is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The Town has no policy regarding credit risk.

3. 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	
Property Taxes	\$ 6,000
Total	\$ 6,000

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,082,341	\$ -	\$ -	\$ 1,082,341
Construction in Progress	606,255	506,807	-	1,113,062
Total capital assets not being depreciated	<u>1,688,596</u>	<u>506,807</u>	<u>-</u>	<u>2,195,403</u>
Capital assets being depreciated:				
Buildings	1,364,535	-	-	1,364,535
Vehicles and Equipment	3,318,430	174,832	44,203	3,449,059
Infrastructure	32,259,589	-	-	32,259,589
Total capital assets being depreciated	<u>36,942,554</u>	<u>174,832</u>	<u>44,203</u>	<u>37,073,183</u>
Less accumulated depreciation for:				
Buildings	930,003	34,113	-	964,116
Vehicles and Equipment	2,621,453	203,350	44,203	2,780,600
Infrastructure	6,739,180	1,240,335	-	7,979,515
Total accumulated depreciation	<u>10,290,636</u>	<u>\$ 1,477,798</u>	<u>\$ 44,203</u>	<u>11,724,231</u>
Total capital assets being depreciated, net	<u>26,651,918</u>			<u>25,348,952</u>
Governmental activity capital assets, net	<u>\$ 28,340,514</u>			<u>\$ 27,544,355</u>

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

	Depreciation
Administration	\$ 18,744
Public Works	92,736
Streets	197
Police Department	97,407
Inspections and Zoning	51,788
Fire Department	64,288
Environmental Protection	<u>1,152,638</u>
Total	<u>\$ 1,477,798</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of North Topsail Beach 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 serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at 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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of North Topsail Beach 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 North Topsail Beach's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, 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 North Topsail Beach were \$184,774 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 \$834,024 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 0.03054%, which was an increase of 0.00262% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$369,556. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

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)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 142,806	\$ -
Changes of assumptions	135,932	-
Net difference between projected and actual earnings on pension plan investments	20,343	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,640	8,623
Town contributions subsequent to the measurement date	184,774	-
Total	<u>\$ 507,495</u>	<u>\$ 8,623</u>

\$184,774 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:

Year Ended June 30:	
2021	\$ 147,518
2022	51,011
2023	86,871
2024	28,698
2025	-
Thereafter	-
	<u>\$ 314,098</u>

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

Inflation	3.0 percent
Salary 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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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.

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:

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

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 NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

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)

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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,907,564	\$ 834,024	\$ (58,306)

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of North Topsail Beach administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	2
Active plan members	<u>12</u>
Total	<u>14</u>

2. Summary of Significant Accounting Policies

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

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

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

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 (Continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. 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	2.50 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Investment Rate of Return	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$20,108 as benefits came due for the reporting period.

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

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 (Continued)

4. Contributions (Continued)

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 total pension liability of \$286,631. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$19,448.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,481	\$ 69,630
Changes of assumptions	18,439	13,180
Town benefit payments and plan administrative expense made subsequent to the measurement date	20,108	-
Total	<u>\$ 67,028</u>	<u>\$ 82,810</u>

\$20,108 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ (6,581)
2022	(6,581)
2023	(6,555)
2024	(9,904)
2025	(6,269)
Thereafter	-0-
	<u>\$ (35,890)</u>

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

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 (Continued)

4. Contributions (Continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.26 percent) or 1-percentage point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 308,282	\$ 286,631	\$ 266,745

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

	2020
Beginning balance	\$ 360,852
Service Cost	12,938
Interest on the total pension liability	12,729
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(85,313)
Changes of assumptions or other inputs	7,759
Benefit payments	(22,334)
Other changes	-
Ending balance of the total pension liability	<u>\$ 286,631</u>

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

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

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)*****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:

	LGERS	LEOSSA	Total
Pension Expense	\$ 369,556	\$ 19,448	\$ 389,004
Pension Liability	834,024	286,631	1,120,655
Proportionate share of the net pension liability	0.03054%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	142,806	28,481	171,287
Changes of assumptions	135,932	18,439	154,371
Net difference between projected and actual earnings on plan investments	20,343	-	20,343
Changes in proportion and differences between contributions and proportionate share of contributions	23,640	-	23,640
Benefit payments and administrative costs paid subsequent to the measurement date	184,774	20,108	204,882
Deferred Inflows of Resources			
Differences between expected and actual experience	-	69,630	69,630
Changes of assumptions	-	13,180	13,180
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,623	-	8,623

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

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 that the Town contribute each month an amount equal to 5 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. The Town made contributions of \$30,418 for law enforcement officers for the reporting year. No amounts were forfeited.

All Other Employees

Plan Description. All other employees have the option of contributing to the Supplemental Retirement Plan of North Carolina 401(k). This plan is a defined contribution pension plan and participation is optional.

Funding Policy. The Town contributes 3.0 percent of employee's monthly compensation to the plan, and the employees may make voluntary contributions. For the year ended June 30, 2020, the Town contributed \$40,552 for employees other than law enforcement. No amounts were forfeited.

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

Contributions to Pension Plan in Current Fiscal Year	\$	184,774
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date		20,108
Differences between expected and actual experience		171,287
Changes of assumptions		154,371
Net difference between projected and actual		20,343
Changes in proportion and differences between employer contributions and proportionate share of contributions		23,640
Charge on refunding		-
Total	\$	<u>574,523</u>

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****3. Deferred Outflows and Inflows of Resources (Continued)**

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

	Statement of Net Position	General Fund Balance Sheet	Beach Nourishment Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -	\$ -
Taxes receivable (General Fund)	-	56,895	-
Assessments Receivable (Beach Nourishment)			128,640
Changes in assumptions	13,180	-	-
Differences between expected and actual experience	69,630	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,623	-	-
Total	\$ 91,433	\$ 56,895	\$ 128,640

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 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 \$300,000 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 total property losses in a single year, with the reinsurance limit based upon percentage of the total insurance values.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$1,000,000.

The Town has a VFIS policy with American Alternative Insurance Corporation covering certain fire department equipment and property. The Town also has a flood insurance policy with Lloyd's of London.

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Claims, Judgments and Contingent Liabilities

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

6. Long-Term Obligations

a. Installment Purchases

In March 2013, the Town entered into a loan to finance the purchase of a fire truck. The financing contract requires principal payments beginning in 2013 with an interest rate of 1.79%. The outstanding principal balance at June 30, 2020 was \$83,282.

In February 2017, the Town entered into a loan to finance the purchase of a backhoe. The financing contract requires principal payments beginning in 2017 with an interest rate of 3.21%. The outstanding principal balance at June 30, 2020 was \$16,308.

In June 2017, the Town entered into a loan to finance the purchase of Police and Fire vehicles. The financing contract requires principal payments beginning in 2018 with an interest rate of 2.38%. This loan was paid off during the current fiscal year.

In September 2019, the Town entered into a loan to finance the purchase of various vehicles. The financing contract requires principal payments beginning in 2020 with an interest rate of 2.84%. The vehicles are security for the loan. The outstanding principal balance at June 30, 2020 was \$154,932.

Annual debt service payments of the installment purchases as of June 30, 2020, including \$12,125 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 110,366	\$ 6,656
2022	96,299	3,884
2023	47,857	1,585
2024	-	-
2025	-	-
2026-2030	-	-
2031-2035	-	-
2036-2040	-	-
2041-2045	-	-
2046-2050	-	-
Total	\$ 254,522	\$ 12,125

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

b. Special Obligation Indebtedness

The Town's special obligation bonds serviced by the governmental funds were issued for the purpose of beach renourishment. The special obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2020 are comprised of the following individual issue:

Serviced by the Beach Nourishment Fund:

\$16,815,000 Special Obligation, Series 2015 USDA
bonds issued on November 6, 2015, and due on June
1st in various installments plus interest through June 1,
2045; interest at 3.25% \$ 14,935,000

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 414,000	\$ 485,388
2022	427,000	471,932
2023	441,000	458,055
2024	455,000	443,722
2025	470,000	428,935
2026-2030	2,589,000	1,905,443
2031-2035	3,038,000	1,456,455
2036-2040	3,564,000	929,630
2041-2045	3,537,000	311,480
2046-2050	-	-
Total	\$ 14,935,000	\$ 6,891,040

c. Long-Term Obligation Activity

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installation Purchases	\$ 230,306	\$ 154,932	\$ 130,716	\$ 254,522	\$ 110,366
Special Obligation Bonds	15,336,000	-	401,000	14,935,000	414,000
Compensated Absences	124,677	-	33,685	90,992	-
Net Pension Liability (LGERS)	662,358	171,666	-	834,024	-
Total Pension Liability (LEO)	360,852	-	74,221	286,631	-
Total governmental activities	\$ 16,714,193	\$ 326,598	\$ 639,622	\$ 16,401,169	\$ 524,366

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

c. Long-Term Obligation Activity (Continued)

Compensated absences for governmental activities typically have been liquidated in the General Fund.

C. Interfund Balances and Activity

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

From the Beach Nourishment Fund to the Shoreline Protection Fund to close the Beach Nourishment Fund and transfer to the Shoreline Protection Fund	\$ 2,263,846
Total	<u>\$ 2,263,846</u>

D. Net Investment in Capital Assets

	<u>Governmental</u>
Capital Assets	\$ 27,544,355
less: long-term debt	15,189,522
add: unexpended debt proceeds	-
Net investment in capital asset	<u>\$ 12,354,833</u>

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 3,808,534
Less:	
Stabilization by State Statute	340,419
Streets – Powell Bill	16,090
Prepays	9,147
Remaining Fund Balance	3,442,878

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	General Fund	Non-Major Funds
\$ -	\$ -	\$ -

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2020

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. 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 funds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

IV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 22, 2020, which is the date the financial statements were available to be issued.

Required Supplementary

Financial Data

TOWN OF NORTH TOPSAIL BEACH, 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
North Topsail Beach's proportion of the net pension liability (asset) (%)	0.03054%	0.02792%	0.02581%	0.02612%	0.03091%	0.03100%	0.02480%
North Topsail Beach's proportion of the net pension liability (asset) (\$)	\$ 834,024	\$ 662,358	\$ 394,305	\$ 554,354	\$ 138,722	\$ (182,821)	\$ 298,935
North Topsail Beach's covered-employee payroll	\$ 2,038,073	\$ 1,616,324	\$ 1,627,781	\$ 1,604,908	\$ 1,599,383	\$ 1,510,668	\$ 1,253,500
North Topsail Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.92%	40.98%	24.22%	34.54%	8.67%	-12.10%	23.85%
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 NORTH TOPSAIL BEACH, NORTH CAROLINA

Town of North Topsail Beach's Contributions

Required Supplementary Information

Last Seven Fiscal Years

	Local Government Employees' Retirement System						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 184,774	\$ 164,560	\$ 122,528	\$ 117,456	\$ 104,513	\$ 113,221	\$ 103,790
Contributions in relation to the contractually required contribution	184,774	164,560	122,528	117,456	104,513	113,221	103,790
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
North Topsail Beach's covered employee payroll	\$ 1,989,600	\$ 2,038,073	\$ 1,616,324	\$ 1,627,781	\$ 1,604,908	\$ 1,599,383	\$ 1,510,668
Contributions as a percentage of covered-employee payroll	9.29%	8.07%	7.58%	7.22%	6.51%	7.08%	6.87%

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Schedule of Changes in Total Pension Liability

June 30, 2020

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Beginning balance	\$ 360,852	\$ 336,687	\$ 299,382	\$ 283,172
Service cost	12,938	15,414	13,560	14,398
Interest on the total pension liability	12,729	10,286	11,159	10,109
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(85,313)	35,446	9,908	-
Changes of assumptions or other inputs	7,759	(14,647)	23,281	(8,297)
Benefit payments	(22,334)	(22,334)	(20,603)	-
Other changes	-	-	-	-
Ending balance of the total pension liability	\$ 286,631	\$ 360,852	\$ 336,687	\$ 299,382

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA
 Schedule of Total Pension Liability as a Percentage of Covered Payroll
 June 30, 2020

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Total pension liability	\$ 286,631	\$ 360,852	\$ 336,687	\$ 299,382
Covered payroll	650,515	513,035	497,026	498,295
Total pension liability as a percentage of covered payroll	44.06%	70.34%	67.74%	60.08%

Notes to the schedules:

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



Nature's Tranquil Beauty

Governmental Funds

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

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 2,546,701	
Penalties and Interest		2,134	
Total Ad Valorem Taxes	\$ 2,541,840	2,548,835	\$ 6,995
Unrestricted Intergovernmental			
Local Option Sales Tax		1,358,286	
Utility Sales Tax		299,474	
Beer and Wine Tax		3,359	
Total Unrestricted Intergovernmental	1,635,898	1,661,119	25,221
Restricted Intergovernmental			
Powell Bill Allocation		26,154	
Federal, State & Local Grants		195,635	
Solid Waste Disposal Tax		592	
Total Restricted Intergovernmental	690,514	222,381	(468,133)
Permits and Fees			
Inspection Fees		146,517	
Total Permits and Fees	127,200	146,517	19,317
Sales and Services			
Solid Waste		439,919	
Rents		78,166	
Fines and Penalties		29,363	
Miscellaneous		21,357	
Total Sales and Services	525,390	568,805	43,415
Investment Earnings			
General		116,587	
Total Investment Earnings	100,000	116,587	16,587
Miscellaneous			
Other		12,571	
Total Miscellaneous	37,800	12,571	(25,229)
Total Revenues	5,658,642	5,276,815	(381,827)

TOWN OF NORTH TOPSAIL BEACH, 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)
Expenditures			
General Government			
Governing Body			
Salaries, Wages and Employee Benefits		\$ 44,535	
Other Expenditures		168,633	
Total Governing Body	235,010	213,168	\$ 21,842
Administration			
Salaries, Wages, and Employee Benefits		448,611	
Other Expenditures		98,477	
Capital Outlay		-	
Total Administration	584,280	547,088	37,192
Planning and Zoning			
Salaries, Wages and Employee Benefits		116,749	
Other Expenditures		19,223	
Total Planning and Zoning	149,310	135,972	13,338
Elections			
Other Expenditures		2,575	
Total Elections	4,700	2,575	2,125
Insurance			
Other Expenditures		162,701	
Total Insurance	178,500	162,701	15,799
Public Works			
Salaries, Wages and Employee Benefits		257,176	
Other Expenditures		47,059	
Capital Outlay		31,362	
Total Public Works	433,299	335,597	97,702
Public Buildings			
Other Expenditures		134,731	
Capital Outlay		102,761	
Total Public Buildings	300,500	237,492	63,008
Total General Government	1,885,599	1,634,593	251,006
Public Safety			
Police Department			
Salaries, Wages and Employee Benefits		908,234	
Other Expenditures		137,968	
Capital Outlay		107,347	
Total Police Department	1,285,657	1,153,549	132,108

TOWN OF NORTH TOPSAIL BEACH, 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)
Police Separation Allowance			
Salaries, Wages and Employee Benefits		21,339	
Total Police Separation Allowance	24,525	21,339	3,186
Fire Department			
Salaries, Wages and Employee Benefits		855,923	
Other Expenditures		88,045	
Capital Outlay		-	
Total Fire Department	1,014,005	943,968	70,037
Inspections and Zoning			
Salaries, Wages and Employee Benefits		157,888	
Other Expenditures		25,846	
Capital Outlay		30,223	
Total Inspections and Zoning	225,250	213,957	11,293
Total Public Safety	2,549,437	2,332,813	216,624
Sanitation			
Other Expenditures		452,837	
Total Sanitation	453,840	452,837	1,003
Street Department			
Other Expenditures		93,097	
Capital Outlay		5,900	
Total Street Department	104,700	98,997	5,703
Community Development			
Other Expenditures		35,050	
Capital Outlay		-	
Total Community Development	75,000	35,050	39,950
Beach and Strand			
Other Expenditures		4,890	
Total Beach and Strand	8,430	4,890	3,540
Beach Renourishment/Dune Stabilization			
Other Expenditures		291,532	
Capital Outlay		-	
Total Beach Renourishment/Dune Stabilization	346,000	291,532	54,468
Debt Service			
Principal Retirement		130,716	
Interest and Other Charges		4,748	
Total Debt Service	135,464	135,464	-
Contingency	281,672	-	281,672
Total Expenditures	5,840,142	4,986,176	853,966

TOWN OF NORTH TOPSAIL BEACH, 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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (181,500)	\$ 290,639	\$ 472,139
Other Financing Sources (Uses)			
Transfers In:			
Beach Renourishment Fund	-	-	-
Shoreline Protection Fund	-	-	-
Sale of Assets	14,000	9,725	(4,275)
Installment Loan Proceeds	167,500	154,932	(12,568)
Total Other Financing Sources (Uses)	<u>181,500</u>	<u>164,657</u>	<u>(16,843)</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	455,296	<u>\$ 455,296</u>
Fund Balance - Beginning of Year		<u>3,353,238</u>	
Fund Balance - End of Year		<u>\$ 3,808,534</u>	

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA
 Beach Nourishment Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Unrestricted Intergovernmental	\$ -	\$ -	\$ -
Restricted Intergovernmental	-	-	-
Sales and Services	-	-	-
Investment Earnings	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Environmental Protection			
Operating Expenditures		-	
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources			
Transfers Out:			
Shoreline Protection Fund	-	(2,263,846)	(2,263,846)
Total Other Financing Sources	<u>-</u>	<u>(2,263,846)</u>	<u>(2,263,846)</u>
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(2,263,846)</u>	<u>\$ (2,263,846)</u>
Fund Balance - Beginning of Year		<u>2,263,846</u>	
Fund Balance - End of Year		<u>\$ -</u>	

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA
 Shoreline Protection Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes	\$ 1,384,500	\$ 1,330,949	\$ (53,551)
Accommodations Tax	823,747	1,009,226	185,479
Unrestricted Intergovernmental	444,630	507,257	62,627
Restricted Intergovernmental	8,596,752	7,995,971	(600,781)
Investment Earnings	20,000	22,970	2,970
Miscellaneous	25,000	56,963	31,963
Total Revenues	11,294,629	10,923,336	(371,293)
Expenditures			
Environmental Protection			
Operating Expenditures		8,082,456	
Capital Outlay		404,046	
Debt Service			
Principal Retirement		401,000	
Interest and Other Charges		498,420	
Total Expenditures	11,294,629	9,385,922	1,908,707
Excess (Deficiency) of Revenues Over Expenditures	-	1,537,414	1,537,414
Other Financing Sources			
Transfers in:			
Beach Nourishment Fund	-	2,263,846	2,263,846
Total Other Financing Sources	-	2,263,846	2,263,846
Appropriated Fund Balance	-	-	-
Net Change in Fund Balance	\$ -	3,801,260	\$ 3,801,260
Fund Balance - Beginning of Year		6,299,783	
Fund Balance - End of Year		\$ 10,101,043	



Nature's Tranquil Beauty

Other Schedules

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

General Fund and Shoreline Protection Project

Schedule of Ad Valorem Taxes Receivable

June 30, 2020

Fiscal Year	Uncollected Balance 7-1-19	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-20
2019-20	\$ -	\$ 3,880,058	\$ 3,847,300	\$ 32,758
2018-19	21,210	-	14,527	6,683
2017-18	7,731	-	3,926	3,805
2016-17	6,101	-	3,452	2,649
2015-16	6,623	-	2,654	3,969
2014-15	4,959	-	1,600	3,359
2013-14	5,038	-	1,412	3,626
2012-13	3,107	-	959	2,148
2011-12	2,989	-	883	2,106
2010-11	2,730	-	938	1,792
2009-10	3,046	-	3,046	-
	<u>\$ 63,534</u>	<u>\$ 3,880,058</u>	<u>\$ 3,880,697</u>	62,895

Less: Allowance for Uncollectible Accounts:

General Fund 6,000

Ad Valorem Taxes Receivable - Net \$ 56,895

Reconciliation with Revenues

Ad Valorem Taxes - General Fund \$ 2,548,835

Ad Valorem Taxes - Shoreline Protection Project 1,330,949

Reconciling Items:

Interest and Penalties Collected (2,134)

Taxes Released 1

Taxes Written Off 3,046

Total Collections and Credits \$ 3,880,697

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2020

	Town-Wide		Total Levy		
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 947,276,251	0.410	\$ 3,883,833	\$ 3,830,179	\$ 53,654
Penalties	-		2,926	2,926	-
	<u>947,276,251</u>		<u>3,886,759</u>	<u>3,833,105</u>	<u>53,654</u>
Discoveries:					
Current Year Taxes	-	0.410	\$ -	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:					
Property Taxes -					
Current Year's Rate	(1,634,473)	0.410	\$ (6,701)	(6,701)	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Total Property Valuations	<u>\$ 945,641,778</u>				
Net Levy			3,880,058	3,826,404	53,654
Uncollected Taxes at June 30, 2020			32,758	32,758	-
Current Year's Taxes Collected			<u>\$ 3,847,300</u>	<u>\$ 3,793,646</u>	<u>\$ 53,654</u>
Current Levy Collection Percentage			<u>99.16%</u>	<u>99.14%</u>	<u>100.00%</u>



Nature's Tranquil Beauty

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
*Government Auditing Standards***

Independent Auditor's Report

To the Honorable Mayor
And Members of Board of Aldermen
Town of North Topsail Beach, 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 North Topsail Beach, 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 North Topsail Beach's basic financial statements, and have issued our report thereon dated December 22, 2020 .

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 North Topsail Beach, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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
December 22, 2020

**Report on Compliance for Each Major Federal Program; Report on
Internal Control Over Compliance; In Accordance with OMB Uniform Guidance;
and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Aldermen
Town of North Topsail Beach, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Town of North Topsail Beach, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Town of North Topsail Beach's major federal programs for the year ended June 30, 2020. Town of North Topsail Beach's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of North Topsail Beach's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of North Topsail Beach's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of North Topsail Beach's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of North Topsail Beach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Town of North Topsail Beach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of North Topsail Beach's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

W Greene PLLC

Whiteville, North Carolina
December 22, 2020

**Report on Compliance for Each Major State Program; Report on
Internal Control Over Compliance; In Accordance with OMB Uniform Guidance;
and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Aldermen
Town of North Topsail Beach, North Carolina

Report on Compliance for Each Major State Program

We have audited Town of North Topsail Beach, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Town of North Topsail Beach's major State programs for the year ended June 30, 2020. Town of North Topsail Beach's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of North Topsail Beach's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of North Topsail Beach's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Town of North Topsail Beach's compliance.

Opinion on Each Major State Program

In our opinion, Town of North Topsail Beach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Town of North Topsail Beach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of North Topsail Beach's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

W Greene PLLC

Whiteville, North Carolina
December 22, 2020

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2020

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report 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 NORTH TOPSAIL BEACH, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2020

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act _____ Yes X No

Identification of major State programs:

<u>Program Name</u>
Dune Restoration Grant

Disaster Grants - Public Assistance is a State match on a federal program, therefore this program has been included in the list of major federal programs.

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2020

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported.

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2020

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS
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None Reported.

Town of North Topsail Beach

Joann M. McDermon, Mayor
Mike Benson, Mayor Pro Tem
Aldermen:
Richard Grant
Tom Leonard
Susan Meyer
Richard Peters



Dave J. Gilbride
Town Manager

Laura Oxley, JD, MPA
Town Clerk

Nature's Tranquil Beauty

Corrective Action Plan
For the Fiscal Year Ended June 30, 2020

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported

SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2020

None Reported

TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantors Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Justice</u>					
<i>Passed thru N.C. Department of Public Safety</i>					
Edward Byrne Memorial Justice Assistance					
Grant Program					
	16.738		\$ 23,707	\$ -	\$ -
<u>U.S. Department of Homeland Security</u>					
<i>Passed thru N.C. Department of Public Safety</i>					
<i>Division of Emergency Management</i>					
Disaster Grants - Public Assistance -					
(Presidentially Declared Disasters)					
	97.036		4,651,393	1,550,464	-
Total U.S. Department of Homeland Security					
			<u>4,651,393</u>	<u>1,550,464</u>	<u>-</u>
Total Assistance - Federal Programs			<u>4,675,100</u>	<u>1,550,464</u>	<u>-</u>
State Awards:					
<u>N.C. Department of Transportation</u>					
Non-State System Street-Aid Allocation					
(Powell Bill)					
	-	DOT-4	-	10,064	-
<u>N.C. Department of Public Safety</u>					
North Carolina Office of Recovery and Resiliency Grant					
			-	250,000	-
<u>N.C. Department of Environmental Quality</u>					
Division of Water Resources					
Dune Restoration Grant					
			-	1,666,667	-
Total Assistance - State Programs			<u>-</u>	<u>1,926,731</u>	<u>-</u>
Total Federal and State Assistance			<u>\$ 4,675,100</u>	<u>\$ 3,477,195</u>	<u>\$ -</u>

I. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Town of North Topsail Beach, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Town of North Topsail Beach, North Carolina, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of North Topsail Beach, North Carolina.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND INDIRECT COST RATE

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of North Topsail Beach, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



Nature's Tranquil Beauty