

# **TOWN OF CALABASH NORTH CAROLINA**

## **BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

**MARTIN ♦ STARNES**  

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**& ASSOCIATES, CPAs, P.A.**

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



# TOWN OF CALABASH, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Calabash, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Calabash, North Carolina, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021 on our consideration of the Town of Calabash, North Carolina's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Calabash's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Calabash's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 12, 2021

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

As management of the Town of Calabash, we offer readers of the Town of Calabash's financial statements this narrative overview and analysis of the financial activities of the Town of Calabash for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

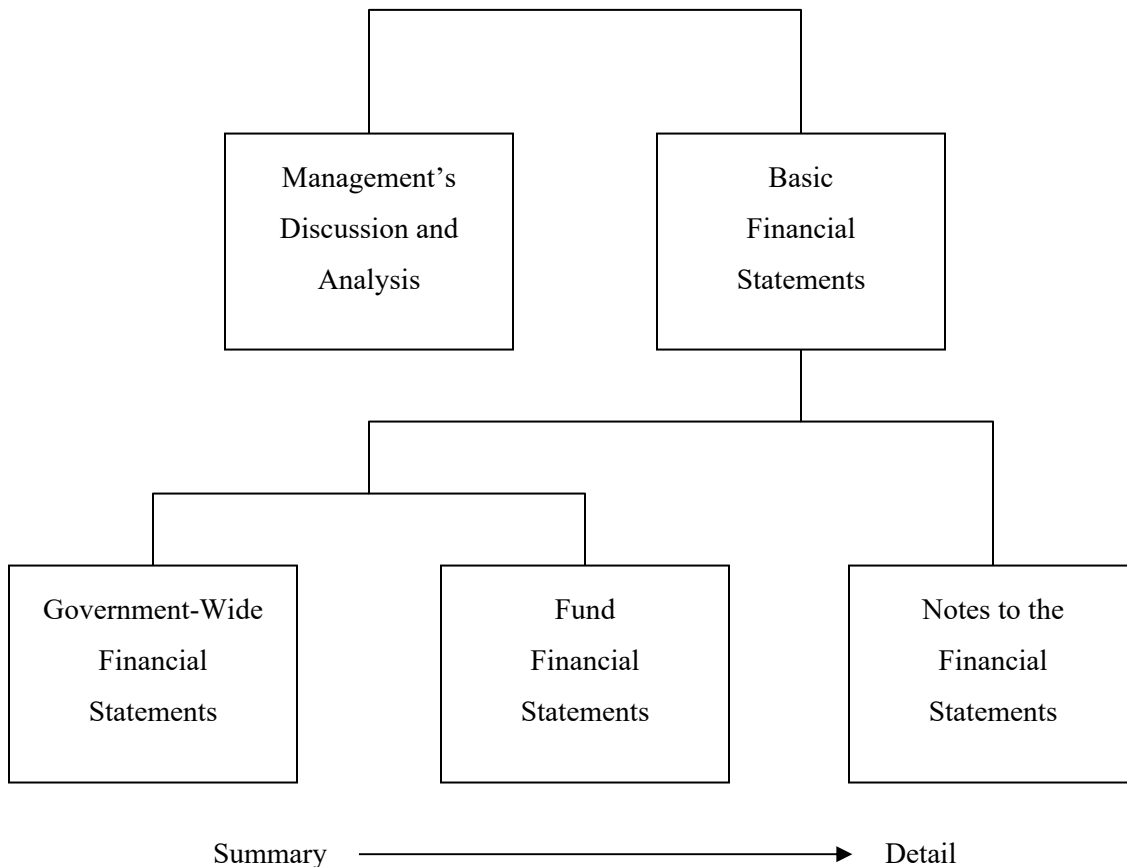
- The assets and deferred outflows of the Town of Calabash exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,763,204 (*net position*).
- As of the close of the current fiscal year, the Town of Calabash's governmental funds reported combined ending fund balances of \$2,652,309, an increase of \$584,139 in comparison with the prior year. Approximately 63% of this total amount, or \$1,658,538, is unassigned.
- At the end of the current fiscal year, available fund balance for the General Fund was \$1,823,411, or 121%, of total General Fund expenditures and transfers out for the fiscal year.

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

**Supplemental Information** is provided to show details about the Town's individual governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## **Government-Wide Financial Statements**

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) component units. The governmental activities include most of the Town's basic services, such as administration, streets and highways, and inspections. Property taxes and federal and state grant funds finance most of these activities. The final category is the component unit. Although legally separate from the Town, the Calabash ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town. The government-wide financial statements are on Exhibits A and B of this report.

## **Fund Financial Statements**

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

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

The Town of Calabash adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start after Exhibit F of this report.

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

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

## Government-Wide Financial Analysis

### Town of Calabash's Net Position

Figure 2

	<u>2021</u>	<u>2020</u>
<b>Assets:</b>		
Current and other assets	\$ 2,929,500	\$ 2,355,617
Capital assets	<u>1,199,387</u>	<u>1,244,168</u>
Total assets	<u>4,128,887</u>	<u>3,599,785</u>
 <b>Deferred Outflows of Resources</b>	 <u>110,618</u>	 <u>88,745</u>
 <b>Liabilities:</b>		
Long-term liabilities outstanding	182,281	143,909
Other liabilities	<u>288,746</u>	<u>271,833</u>
Total liabilities	<u>471,027</u>	<u>415,742</u>
 <b>Deferred Inflows of Resources</b>	 <u>5,274</u>	 <u>7,679</u>
 <b>Net Position:</b>		
Net investment in capital assets	1,199,387	1,244,168
Restricted	342,300	306,895
Unrestricted	<u>2,221,517</u>	<u>1,714,046</u>
Total net position	<u>\$ 3,763,204</u>	<u>\$ 3,265,109</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Calabash exceeded liabilities and deferred inflows by \$3,763,204 as of June 30, 2021. The Town's net position increased by \$498,095 for the fiscal year ended June 30, 2021. One of the largest portions of net position reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Calabash uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Calabash's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Calabash's net position of \$342,300 represents resources that are subject to external restrictions on how they may be used. The remaining balance (59%), or \$2,221,517, is unrestricted.

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

- The Town budgeted ultra conservatively based upon projections through the COVID 19 Pandemic. We were concerned that our largest revenue source (Sales Tax) would be severely impacted if tourism declined. Much to the contrary, Sales Tax Revenues were on par to possibly be a record in fiscal year ended June 30, 2021.
- Revenues exceeded budgeted projections, and the Town spent less than what was budgeted in most departments.
- ABC Revenues continued to grow.
- While we did not make many capital expenditures, we did move excess funds to capital project funds in anticipation of future expenditures.

## Town of Calabash's Changes in Net Position

**Figure 3**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 278,995	\$ 157,406
Operating grants and contributions	59,046	117,803
General revenues:		
Property taxes	302,400	274,684
Local option sales taxes	711,986	594,400
Other taxes	144,594	147,354
ABC profit distribution	168,114	205,275
Other	551	8,881
Total revenues	<u>1,665,686</u>	<u>1,505,803</u>
<b>Expenses:</b>		
General government	487,227	467,118
Public safety	117,011	150,172
Transportation	434,869	464,615
Environmental protection	22,146	88,612
Economic development	3,398	28,376
Culture and recreation	102,941	92,350
Total expenses	<u>1,167,591</u>	<u>1,291,243</u>
 Change in net position	 498,095	 214,560
<b>Net Position:</b>		
Beginning of year - July 1	<u>3,265,109</u>	<u>3,050,549</u>
 End of year - June 30	 <u>\$ 3,763,204</u>	 <u>\$ 3,265,109</u>

**Governmental Activities.** Governmental activities increased the Town's net position by \$498,095. Key elements of this increase are:

- Continued growth in revenues such as ad valorem taxes, sales taxes, ABC revenues, and development fees/permits.
- The Town did not have to utilize any fund balance for budgeting purposes.
- Conservative measures to decrease spending in the event that our tourism industry declined and impacted sales taxes.



## **Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Calabash's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Calabash's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Calabash. At the end of the current fiscal year, available fund balance of the General Fund was \$1,823,411, while total fund balance was \$2,118,983. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 121% of total General Fund expenditures and transfers out, while total fund balance represents 141% of that same amount.

At June 30, 2021, the governmental funds of the Town of Calabash reported a combined fund balance of \$2,652,309. Included in the change in fund balance are increases and decreases in fund balance in the General Fund, capital project funds, and special revenue funds.

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

During the 2020/2021 budget year, the Town revised the budget three times. The budget amendments served to fund the generator project, to put funds into project and reserve funds for future projects, and to fund the upcoming CAMA Land Use Plan update.

## **Capital Asset and Debt Administration**

**Capital Assets.** The Town of Calabash's capital assets for its governmental activities as of June 30, 2021 total \$1,199,387 (net of accumulated depreciation). These assets include buildings, land, and equipment.

The Town was reluctant to make many capital expenditures during the 20/21 fiscal year based upon possible decline in our sales tax revenues. However, we did conclude a computer server update, purchased new computer equipment for administrative and inspection employees, and purchased two new zero turn lawnmowers.

## Town of Calabash's Capital Assets

Figure 4

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 675,827	\$ 675,827
Buildings	271,063	279,664
Improvements	104,608	110,762
Vehicles	75,277	98,417
Equipment	72,612	79,498
Total	<u>\$ 1,199,387</u>	<u>\$ 1,244,168</u>

Additional information on the Town's capital assets can be found in Note 3 of the basic financial statements.

**Long-Term Debt.** As of June 30, 2021, the Town of Calabash had no installment debt outstanding.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Calabash is approximately \$26,618,057.

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

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

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

### Budget Highlights for the Fiscal Year Ending June 30, 2022

**Governmental Activities.** The Town is beginning the budget year with continued caution based upon the possibility that the COVID Pandemic could affect tourism and sales tax revenue. We have scheduled budget workshops at the end of each quarter to determine how revenues are progressing and to see if we need to make further cuts, or we can add items back to the budget. We have opened up more regarding spending and do plan on making more capital expenditures this year.

The 2021/2022 budget holds the line on health insurance, gives cost of living increases of 1.8% and merit increases up to 3% based upon job performance, updating the CAMA Land Use Plan, purchasing lawnmowers, purchasing a new equipment trailer, and continuing to place funds in project or reserve funds. We are only planning to use Powell Bill Funds for paving and have not budgeted any paving monies from the general fund. The Town is prepared to make adjustments along the way if necessary.

### **Requests for Information**

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

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

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## TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2021

	Primary Government Governmental Activities	Component Unit Calabash ABC Board
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 2,346,596	\$ 520,592
Receivables (net):		
Ad valorem taxes	4,945	-
Due from component unit	119,517	-
Due from other governments	176,055	-
Inventory	-	265,289
Equipment deposits	-	24,967
Restricted cash and cash equivalents	282,387	-
Total current assets	<u>2,929,500</u>	<u>810,848</u>
Non-current assets:		
Capital assets:		
Land, non-depreciable improvements, and construction in progress	675,827	119,763
Other capital assets, net of depreciation	523,560	70,556
Total capital assets	<u>1,199,387</u>	<u>190,319</u>
Total assets	<u>4,128,887</u>	<u>1,001,167</u>
<b>Deferred Outflows of Resources:</b>		
Contributions to pension plan in current fiscal year	46,791	7,437
Pension deferrals	63,827	13,789
Total deferred outflows of resources	<u>110,618</u>	<u>21,226</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	20,368	65,792
Accrued liabilities	16,219	73,747
Liabilities payable from restricted assets:		
Development deposits	235,659	-
Distributions payable	-	155,539
Current portion of long-term liabilities	16,500	-
Total current liabilities	<u>288,746</u>	<u>295,078</u>
Long-term liabilities:		
Net pension liability	176,527	33,947
Due in more than one year	5,754	-
Total long-term liabilities	<u>182,281</u>	<u>33,947</u>
Total liabilities	<u>471,027</u>	<u>329,025</u>
<b>Deferred Inflows of Resources:</b>		
Pension deferrals	<u>5,274</u>	<u>1,100</u>
<b>Net Position:</b>		
Net investment in capital assets	1,199,387	190,319
Restricted for:		
Stabilization by state statute	295,572	-
Streets	46,728	-
Working capital	-	75,560
Unrestricted	<u>2,221,517</u>	<u>426,389</u>
Total net position	<u>\$ 3,763,204</u>	<u>\$ 692,268</u>

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

**TOWN OF CALABASH, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

		<b>Program Revenues</b>		
		<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>
	<b>Expenses</b>	<b>Services</b>	<b>Grants and</b>	<b>Grants and</b>
			<b>Contributions</b>	<b>Contributions</b>
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Governing body	\$ 487,227	\$ 33,133	\$ -	\$ -
Public safety	117,011	242,155	-	-
Transportation	434,869	3,482	58,644	-
Environmental protection	22,146	-	402	-
Economic and physical development	3,398	-	-	-
Culture and recreation	102,941	225	-	-
Total governmental activities	<u>1,167,591</u>	<u>278,995</u>	<u>59,046</u>	<u>-</u>
Total primary government	<u>\$ 1,167,591</u>	<u>\$ 278,995</u>	<u>\$ 59,046</u>	<u>\$ -</u>
<b>Component Unit:</b>				
Calabash ABC Board	<u>\$ 1,899,775</u>	<u>\$ 1,964,554</u>	<u>\$ -</u>	<u>\$ -</u>

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

# TOWN OF CALABASH, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Total</b>	<b>Calabash ABC Board</b>
<b>Functions/Programs</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
Governing body	\$ (454,094)	\$ (454,094)	
Public safety	125,144	125,144	
Transportation	(372,743)	(372,743)	
Environmental protection	(21,744)	(21,744)	
Economic and physical development	(3,398)	(3,398)	
Culture and recreation	(102,716)	(102,716)	
Total governmental activities	(829,550)	(829,550)	
Total primary government	(829,550)	(829,550)	
<b>Component Unit:</b>			
Calabash ABC Board			\$ 64,779
<b>General Revenues:</b>			
Property taxes	302,400	302,400	-
Local option sales tax	711,986	711,986	-
Utility franchise tax	113,147	113,147	-
Telecommunications tax	14,225	14,225	-
Video franchise fee	6,070	6,070	-
Beer and wine tax	8,708	8,708	-
Other taxes and licenses	2,444	2,444	-
ABC profit distribution	168,114	168,114	-
Unrestricted investment earnings	551	551	1,111
Total general revenues	1,327,645	1,327,645	1,111
Change in net position	498,095	498,095	65,890
<b>Net Position:</b>			
Beginning of year - July 1	3,265,109	3,265,109	626,378
End of year - June 30	\$ 3,763,204	\$ 3,763,204	\$ 692,268

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

## TOWN OF CALABASH, NORTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 1,813,270	\$ 533,326	\$ 2,346,596
Receivables (net):			
Ad valorem taxes	4,945	-	4,945
Due from component unit	119,517	-	119,517
Due from other governments	176,055	-	176,055
Restricted cash and investments	282,387	-	282,387
Total assets	<u>\$ 2,396,174</u>	<u>\$ 533,326</u>	<u>\$ 2,929,500</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 20,368	\$ -	\$ 20,368
Accrued liabilities	16,219	-	16,219
Liabilities payable from restricted assets:			
Development deposits	235,659	-	235,659
Total liabilities	<u>272,246</u>	<u>-</u>	<u>272,246</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	<u>4,945</u>	<u>-</u>	<u>4,945</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	295,572	-	295,572
Streets	46,728	-	46,728
Committed:			
Environmental protection	-	33,073	33,073
Capital improvements	21,145	-	21,145
Streets and sidewalks	97,000	-	97,000
Assigned:			
Environmental protection	-	312,357	312,357
Culture and recreation	-	120,000	120,000
Capital outlay	-	60,000	60,000
Economic development	-	7,896	7,896
Unassigned	1,658,538	-	1,658,538
Total fund balances	<u>2,118,983</u>	<u>533,326</u>	<u>2,652,309</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,396,174</u>	<u>\$ 533,326</u>	<u>2,929,500</u>
Amounts reported for governmental activities in the Statements of Net Position (Exhibit A) are different because:			
Gross capital assets at historical costs less accumulated depreciation			1,199,387
Net pension liability			(176,527)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			46,791
Liabilities for earned but considered deferred inflows of resources in fund statements:			
Ad valorem taxes			4,945
Pension related deferrals			58,553
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Compensated absences			<u>(22,254)</u>
Net position of governmental activities			<u>\$ 3,763,204</u>

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



## TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 305,446	\$ -	\$ 305,446
Other taxes and licenses	885	-	885
Unrestricted intergovernmental revenues	1,023,809	-	1,023,809
Restricted intergovernmental revenues	59,046	-	59,046
Permits and fees	242,155	-	242,155
Investment earnings	551	-	551
Miscellaneous	55,963	-	55,963
Total revenues	<u>1,687,855</u>	<u>-</u>	<u>1,687,855</u>
<b>Expenditures:</b>			
Current:			
General government	476,438	-	476,438
Public safety	114,452	-	114,452
Transportation	390,517	-	390,517
Environmental protection	14,271	7,852	22,123
Economic and physical development	3,398	-	3,398
Culture and recreation	96,788	-	96,788
Total expenditures	<u>1,095,864</u>	<u>7,852</u>	<u>1,103,716</u>
Revenues over (under) expenditures	<u>591,991</u>	<u>(7,852)</u>	<u>584,139</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	406,226	406,226
Transfers out	(406,226)	-	(406,226)
Total other financing sources (uses)	<u>(406,226)</u>	<u>406,226</u>	<u>-</u>
Net change in fund balances	185,765	398,374	584,139
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>1,933,218</u>	<u>134,952</u>	<u>2,068,170</u>
End of year - June 30	<u>\$ 2,118,983</u>	<u>\$ 533,326</u>	<u>\$ 2,652,309</u>

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

# TOWN OF CALABASH, NORTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 584,139
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures, which were capitalized	30,248
Depreciation expense	(75,029)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	46,791
Change in unavailable revenue for ad valorem tax revenues	(3,046)
Expenses related to pensions that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(59,763)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	<u>(6,122)</u>
Total changes in net position of governmental activities	<u>\$ 498,095</u>

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

## TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
<b>Revenues:</b>				
Ad valorem taxes	\$ 294,850	\$ 309,350	\$ 305,446	\$ (3,904)
Other taxes and licenses	800	800	885	85
Unrestricted intergovernmental revenues	753,640	1,043,640	1,023,809	(19,831)
Restricted intergovernmental revenues	60,500	60,500	59,046	(1,454)
Permits and fees	110,200	188,200	242,155	53,955
Investment earnings	9,000	9,000	551	(8,449)
Miscellaneous	12,482	57,510	55,963	(1,547)
Total revenues	<u>1,241,472</u>	<u>1,669,000</u>	<u>1,687,855</u>	<u>18,855</u>
<b>Expenditures:</b>				
Current:				
General government	493,275	499,275	476,438	22,837
Public safety	126,685	125,913	114,452	11,461
Transportation	437,950	461,250	390,517	70,733
Environmental protection	12,500	14,000	14,271	(271)
Economic and physical development	15,800	4,574	3,398	1,176
Culture and recreation	100,000	103,250	96,788	6,462
Contingency	55,262	29,512	-	29,512
Total expenditures	<u>1,241,472</u>	<u>1,237,774</u>	<u>1,095,864</u>	<u>141,910</u>
Revenues over (under) expenditures	-	431,226	591,991	160,765
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	-	(431,226)	(431,226)	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>160,765</u>	<u>\$ 160,765</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>1,840,073</u>	
End of year - June 30			2,000,838	
A legally budgeted Streets and Sidewalks Fund is consolidated into the General Fund for reporting purposes.				
Fund balance			72,000	
Transfer in			25,000	
A legally budgeted Capital Improvement Fund is consolidated into the General Fund for reporting purposes.				
Fund balance			<u>21,145</u>	
Fund balance - end of year (consolidated)			<u>\$ 2,118,983</u>	

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

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# TOWN OF CALABASH, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

##### Town of Calabash ABC Board

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

#### B. Basis of Presentation

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

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

# TOWN OF CALABASH, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

The Town reports the following major governmental fund:

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

The Town reports the following nonmajor governmental funds:

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

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

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

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

**CAMA Land Use Capital Project Fund.** This fund is used to account for funds held for an update to the CAMA Land Use Plan.

**Waterfront Park Capital Project Fund.** This fund is used to account for funds held for improvements to the waterfront park.

**Building Capital Project Fund.** This fund is used to account for funds held for a future building project.

**Riverview Stormwater Capital Project Fund.** This fund is used to account for funds held for stormwater improvements

# **TOWN OF CALABASH, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

# **TOWN OF CALABASH, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

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

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

### **D. Use of Estimates**

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

### **E. Budgetary Data**

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



## **TOWN OF CALABASH, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

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

##### **Deposits and Investments**

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

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

##### **Cash and Cash Equivalents**

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

##### **Restricted Assets**

\$235,659 of development deposits are restricted in the General Fund because they are held by the Town until development is complete. They are restricted for the purpose for which the deposit was collected. \$46,728 of Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

##### **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, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020.

##### **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.

# TOWN OF CALABASH, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Inventory

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

### Capital Assets

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

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

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

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

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

# **TOWN OF CALABASH, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **Deferred Outflows/Inflows of Resources**

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

### **Long-Term Obligations**

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

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

### **Compensated Absences**

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

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

### **Net Position/Fund Balances**

#### **Net Position**

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

# TOWN OF CALABASH, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

*Restricted for Streets – Powell Bill* - portion of fund balance that has been restricted by revenue source for street construction and maintenance expenditures.

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

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

# TOWN OF CALABASH, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

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

*Culture and Recreation* – portion of fund balance that is budgeted by the Board for culture and recreation.

*Capital Outlay* – portion of fund balance that is budgeted by the Board for capital outlay.

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

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

The Town has not adopted a formal fund balance policy.

### **Fund Balance Available for Appropriation**

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

Total fund balance - General Fund	\$ 2,118,983
<b>Less:</b>	
Restricted:	
Stabilization by state statute	<u>295,572</u>
Available fund balance	<u><u>\$ 1,823,411</u></u>

# **TOWN OF CALABASH, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

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

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

### **2. Stewardship, Compliance, and Accountability**

#### **Excess Expenditures over Appropriations**

For the fiscal year ended June 30, 2021, the expenditures in the Town's Environmental Stormwater Capital Project Fund exceeded appropriations by \$5,289. The over-expenditure occurred because the Town failed to budget the fund in a project ordinance or in the annual budget. This has been corrected and capital project ordinances will be enacted prior to expending funds in the future.

### **3. Detail Notes on All Funds**

#### **A. Assets**

##### **Deposits**

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have no formal policy regarding custodial credit risk for

## TOWN OF CALABASH, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the Town's deposits had a carrying amount of \$2,628,733 and a bank balance of \$2,631,638. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of the deposits for the ABC Board was \$520,592 and the bank balance was \$667,445. Of the bank balance, \$531,833 was covered by federal depository insurance. At June 30, 2021, the Town's petty cash fund totaled \$250.

#### Receivables – Allowances for Doubtful Accounts

The allowance for doubtful accounts at June 30, 2021 was as follows:

##### Fund:

General Fund:

Ad valorem taxes receivable	\$ 4,300
Total governmental activities	<u>\$ 4,300</u>

Due from other governments at June 30, 2021 was as follows:

Sales tax	\$ 131,493
Franchise tax	29,341
Video tax	1,559
Telecommunications tax	4,053
Miscellaneous intergovernmental taxes	<u>9,609</u>
Total	<u>\$ 176,055</u>

# TOWN OF CALABASH, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2021 was as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
<b>By Asset Type:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	<u>\$ 675,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 675,827</u>
<b>Depreciable Capital Assets:</b>				
Buildings	398,161	-	-	398,161
Improvements	153,835	-	-	153,835
Equipment	305,714	30,248	6,869	329,093
Vehicles	<u>209,581</u>	<u>-</u>	<u>-</u>	<u>209,581</u>
Total depreciable capital assets	<u>1,067,291</u>	<u>30,248</u>	<u>6,869</u>	<u>1,090,670</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	118,497	8,601	-	127,098
Improvements	43,073	6,154	-	49,227
Equipment	226,216	37,134	6,869	256,481
Vehicles	<u>111,164</u>	<u>23,140</u>	<u>-</u>	<u>134,304</u>
Total accumulated depreciation	<u>498,950</u>	<u>\$ 75,029</u>	<u>\$ 6,869</u>	<u>567,110</u>
Total depreciable capital assets, net	<u>568,341</u>			<u>523,560</u>
 Governmental activity capital assets, net	 <u>\$ 1,244,168</u>			 <u>\$ 1,199,387</u>

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

<b>Governmental Activities:</b>	
General government	\$ 10,664
Transportation	58,212
Culture and recreation	<u>6,153</u>
Total depreciation expense	<u>\$ 75,029</u>



# TOWN OF CALABASH, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2021 was as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
<b>By Asset Type:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 119,763	\$ -	\$ -	\$ 119,763
<b>Depreciable Capital Assets:</b>				
Land improvements	5,645	-	-	5,645
Buildings	248,775	-	-	248,775
Furniture and fixtures	16,479	-	-	16,479
Equipment	80,097	-	-	80,097
Total depreciable capital assets	<u>470,759</u>	<u>-</u>	<u>-</u>	<u>470,759</u>
<b>Less Accumulated Depreciation:</b>				
Land	-	-	-	-
Land improvements	1,736	210	-	1,946
Buildings	183,699	7,913	-	191,612
Furniture and fixtures	16,479	-	-	16,479
Equipment	66,612	3,791	-	70,403
Total accumulated depreciation	<u>268,526</u>	<u>\$ 11,914</u>	<u>\$ -</u>	<u>280,440</u>
ABC capital assets, net	<u>\$ 202,233</u>			<u>\$ 190,319</u>

### B. Liabilities

#### Pension Plan and Post-Employment Obligations

##### Local Government Employees' Retirement System

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

## TOWN OF CALABASH, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Calabash employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Calabash's contractually required contribution rate for the year ended June 30, 2021 was 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Calabash were \$46,791 for the year ended June 30, 2021.

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

## TOWN OF CALABASH, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

At June 30, 2021, the Town reported a liability of \$176,527 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.00494%, which was a decrease of 0.00016% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$59,762. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 22,292	\$ -
Changes of assumptions	13,137	-
Net difference between projected and actual earnings on pension plan investments	24,842	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,556	5,274
Town contributions subsequent to the measurement date	46,791	-
Total	<u>\$ 110,618</u>	<u>\$ 5,274</u>

## TOWN OF CALABASH, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$46,791 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2022	\$ 16,107
2023	21,377
2024	13,717
2025	7,352
2026	-
Thereafter	-
Total	<u>\$ 58,553</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

## TOWN OF CALABASH, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2020 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

## TOWN OF CALABASH, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	<u>\$ 358,155</u>	<u>\$ 176,527</u>	<u>\$ 25,582</u>

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

#### Deferred Outflows and Inflows of Resources

The Town has two deferred outflow of resources: \$46,791 of contributions to pension plan in the current fiscal year and \$63,827 of pension deferrals.

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

Taxes receivable (General Fund)	\$ 4,945
Pension deferrals	5,274

#### Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$2 million per occurrence; auto, public officials and employment practices, workers' compensation, and employee benefits liability coverage of \$1 million per occurrence; property coverage up to the total insurance value of the property; and health insurance for Town employees. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

## TOWN OF CALABASH, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

#### Long-Term Obligations

#### Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Net pension liability LGERS	\$ 139,277	\$ 37,250	\$ -	\$ 176,527	\$ -
Compensated absences	<u>16,132</u>	<u>22,678</u>	<u>16,556</u>	<u>22,254</u>	<u>16,500</u>
Governmental activities					
long-term liabilities	<u>\$ 155,409</u>	<u>\$ 59,928</u>	<u>\$ 16,556</u>	<u>\$ 198,781</u>	<u>\$ 16,500</u>

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

At June 30, 2021, the Town had a legal debt margin of approximately \$26,618,057.

# **TOWN OF CALABASH, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **Interfund Balances and Activity**

Transfers to/from other funds during the year ended June 30, 2021 consist of the following:

From the General Fund to the Streets and Sidewalks Fund to provide funds for sidewalks	\$ 25,000
From the General Fund to the Waterfront Park Capital Project Fund to provide funds for park development	\$ 120,000
From the General Fund to the Dredging Capital Project Fund to provide funds for dredging	\$ 125,000
From the General Fund to the Economic Development Capital Project Fund to provide funds for economic development	\$ 3,726
From the General Fund to the Building Capital Project Fund to provide funds for a building	\$ 60,000
From the General Fund to the CAMA Land Use Capital Project Fund to provide funds for an update to the CAMA Land Use Plan	\$ 17,500
From the General Fund to the Riverview Stormwater Capital Project Fund to provide funds for stormwater	\$ 80,000

#### **4. Summary Disclosures of Significant Contingencies**

##### **Federal and State-Assisted Programs**

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

##### **Coronavirus Disease (COVID-19)**

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 is expected to impact various parts of its fiscal year 2021-2022 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the



## **TOWN OF CALABASH, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with pandemic continue to develop.

#### **5. Subsequent Events**

Town of Calabash was awarded \$723,443 in American Rescue Plan Funding. Subsequent to year end, the Town received \$361,722. The remaining is expected to be received within the next 12 months.

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# **TOWN OF CALABASH, NORTH CAROLINA**

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

<b>Local Government Employees' Retirement System</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Town's proportion of the net pension liability (asset) (%)	0.00494%	0.00510%	0.00587%	0.00701%
Town's proportion of the net pension liability (asset) (\$)	\$ 176,527	\$ 139,277	\$ 139,256	\$ 107,093
Town's covered payroll	\$ 425,661	\$ 412,656	\$ 376,084	\$ 449,135
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.47%	33.75%	37.03%	23.84%
Plan fiduciary net position as a percentage of the total pension liability **	88.61%	90.86%	91.63%	94.18%

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

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

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

**TOWN OF CALABASH, NORTH CAROLINA**

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

	<b>Local Government Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.00684%	0.00708%	0.00580%	0.00005%
Town's proportion of the net pension liability (asset) (\$)	\$ 145,168	\$ 31,775	\$ (34,205)	\$ 60,269
Town's covered payroll	\$ 439,366	\$ 393,026	\$ 353,680	\$ 255,505
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.04%	8.08%	( 9.67%)	23.59%
Plan fiduciary net position as a percentage of the total pension liability **	91.47%	98.09%	102.64%	94.35%

**TOWN OF CALABASH, NORTH CAROLINA**

**CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS**

<b>Local Government Employees' Retirement System</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 46,791	\$ 38,096	\$ 31,981	\$ 28,206
Contributions in relation to the contractually required contribution	<u>46,791</u>	<u>38,096</u>	<u>31,981</u>	<u>28,206</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 460,986	\$ 425,661	\$ 412,656	\$ 376,084
Contributions as a percentage of covered payroll	10.15%	8.95%	7.75%	7.50%

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

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

<b>Local Government Employees' Retirement System</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 32,562	\$ 29,306	\$ 27,787	\$ 25,116
Contributions in relation to the contractually required contribution	<u>32,562</u>	<u>29,306</u>	<u>27,787</u>	<u>25,116</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 449,135	\$ 439,366	\$ 393,026	\$ 353,680
Contributions as a percentage of covered payroll	7.25%	6.67%	7.07%	7.10%

**TOWN OF CALABASH, NORTH CAROLINA**

**GENERAL FUND - CONSOLIDATED  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Streets and Sidewalks Fund</u>	<u>Capital Improvement Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
<b>Revenues:</b>					
Ad valorem taxes	\$ 305,446	\$ -	\$ -	\$ -	\$ 305,446
Other taxes and licenses	885	-	-	-	885
Unrestricted intergovernmental revenues	1,023,809	-	-	-	1,023,809
Restricted intergovernmental revenues	59,046	-	-	-	59,046
Permits and fees	242,155	-	-	-	242,155
Investment earnings	551	-	-	-	551
Miscellaneous	55,963	-	-	-	55,963
Total revenues	<u>1,687,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,687,855</u>
<b>Expenditures:</b>					
General government:					
Governing body	21,451	-	-	-	21,451
Administrative	443,740	-	-	-	443,740
Public buildings	11,247	-	-	-	11,247
Total general government	<u>476,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476,438</u>
Public safety:					
Public safety	4,651	-	-	-	4,651
Inspections	109,801	-	-	-	109,801
Total public safety	<u>114,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,452</u>
Transportation:					
Town services	378,601	-	-	-	378,601
Powell Bill	11,916	-	-	-	11,916
Total transportation	<u>390,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,517</u>
Environmental protection:					
Sanitation	14,271	-	-	-	14,271
Economic and physical development:					
Planning and zoning	3,398	-	-	-	3,398
Culture and recreation:					
Town beautification	82,640	-	-	-	82,640
Community services	6,418	-	-	-	6,418
Community park	7,730	-	-	-	7,730
Total culture and recreation	<u>96,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,788</u>
Total expenditures	<u>1,095,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,095,864</u>



**TOWN OF CALABASH, NORTH CAROLINA**

**GENERAL FUND - CONSOLIDATED  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>General Fund</b>	<b>Streets and Sidewalks Fund</b>	<b>Capital Improvement Fund</b>	<b>Eliminations</b>	<b>Total General Fund</b>
Revenues over (under) expenditures	<u>591,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,991</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out:					
Streets and Sidewalks Fund	(25,000)	-	-	25,000	-
Economic Development Capital Project Fund	(3,726)	-	-	-	(3,726)
Waterfront Park Capital Project Fund	(120,000)	-	-	-	(120,000)
Riverview Stormwater Capital Project Fund	(80,000)	-	-	-	(80,000)
Dredging Capital Project Fund	(125,000)	-	-	-	(125,000)
Building Capital Project Fund	(60,000)	-	-	-	(60,000)
CAMA Land Use Capital Project Fund	(17,500)	-	-	-	(17,500)
Transfers in:					
General Fund	-	25,000	-	(25,000)	-
Total other financing sources (uses)	<u>(431,226)</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>(406,226)</u>
Net change in fund balances	<u>\$ 160,765</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	185,765
<b>Fund Balances:</b>					
Beginning of year - July 1					<u>1,933,218</u>
End of year - June 30					<u>\$ 2,118,983</u>

**TOWN OF CALABASH, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020**

	<b>2021</b>			<b>2020</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 306,350	\$ 302,124		\$ 270,925
Penalties and interest	3,000	3,322		3,356
Total ad valorem taxes	309,350	305,446	\$ (3,904)	274,281
<b>Other Taxes:</b>				
Privilege licenses	800	885	-	810
<b>Unrestricted Intergovernmental Revenues:</b>				
Local option sales tax	675,000	711,986		594,400
Utility franchise tax	116,200	113,147		113,721
Telecommunications tax	15,890	14,225		16,446
Video franchise fee	6,400	6,070		6,103
Beer and wine tax	8,650	8,708		8,735
Solid waste disposal tax	1,500	1,559		1,539
ABC profit distribution	220,000	168,114		205,275
Total unrestricted intergovernmental revenues	1,043,640	1,023,809	(19,831)	946,219
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	60,500	58,644		61,177
FEMA Grant	-	402		16,539
Brunswick County	-	-		25,592
Total restricted intergovernmental revenues	60,500	59,046	(1,454)	103,308
<b>Permits and Fees:</b>				
Inspection fees	56,200	72,025		47,000
Building permits	132,000	170,130		99,593
Total permits and fees	188,200	242,155	53,955	146,593
<b>Investment Earnings:</b>				
General	9,000	551		8,881
Total investment earnings	9,000	551	(8,449)	8,881
<b>Miscellaneous:</b>				
Other	57,510	55,963	(1,547)	10,813
Total revenues	1,669,000	1,687,855	18,855	1,490,905

**TOWN OF CALABASH, NORTH CAROLINA**

**GENERAL FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020**

	<b>2021</b>			<b>2020</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Board fees	17,200	18,004		16,847
Other operating expenditures	10,550	3,447		4,878
Total governing body	27,750	21,451	6,299	21,725
<b>Administrative:</b>				
Salaries, wages, and employee benefits	316,575	314,576		296,208
Professional services	52,000	56,718		59,054
Capital outlay	18,000	15,195		-
Other operating expenditures	69,200	57,251		56,724
Total administrative	455,775	443,740	12,035	411,986
<b>Elections</b>				
Other operating expenditures	-	-	-	1,752
<b>Public Buildings:</b>				
Other operating expenditures	15,750	11,247		13,111
Capital outlay	-	-		18,530
Total public buildings	15,750	11,247	4,503	31,641
Total general government	499,275	476,438	22,837	467,104
<b>Public Safety:</b>				
<b>Fire and Rescue:</b>				
Other operating expenditures	5,085	4,532		30,607
EMS contract	1,000	119		11,652
Total fire and rescue	6,085	4,651	1,434	42,259
<b>Inspections:</b>				
Salaries, wages, and employee benefits	100,400	96,661		88,073
Capital outlay	-	-		2,028
Other operating expenditures	19,428	13,140		15,143
Total inspections	119,828	109,801	10,027	105,244
Total public safety	125,913	114,452	11,461	147,503

**TOWN OF CALABASH, NORTH CAROLINA**

**GENERAL FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020**

	<b>2021</b>			<b>2020</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Transportation:</b>				
<b>Town Services:</b>				
Salaries, wages, and employee benefits	307,500	307,409		250,669
Other operating expenditures	54,750	48,715		90,411
Capital outlay	38,500	22,477		70,896
Total Town services	400,750	378,601	22,149	411,976
<b>Powell Bill:</b>				
Contracted services	54,750	11,250		51,677
Capital outlay	5,750	666		9,500
Total Powell Bill	60,500	11,916	48,584	61,177
Total transportation	461,250	390,517	70,733	473,153
<b>Environmental Protection:</b>				
<b>Sanitation:</b>				
Contracted services	14,000	14,271		10,251
Total sanitation	14,000	14,271	(271)	10,251
Total environmental protection	14,000	14,271	(271)	10,251
<b>Economic and Physical Development:</b>				
<b>Planning and Zoning:</b>				
Salaries and benefits	3,250	2,724		2,336
Other operating expenditures	1,050	400		25,234
Total planning and zoning	4,300	3,124	1,176	27,570
<b>Local Economic Development:</b>				
Other operating expenditures	274	274		806
Total economic and physical development	4,574	3,398	1,176	28,376
<b>Culture and Recreation:</b>				
<b>Town Beautification:</b>				
Contracted services	2,500	-		-
Other operating expenditures - street lighting	85,100	82,640		69,784
Total town beautification	87,600	82,640	4,960	69,784

**TOWN OF CALABASH, NORTH CAROLINA**

**GENERAL FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020**

	<b>2021</b>			<b>2020</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Community Services:</b>				
Other operating expenditures	7,900	6,418	1,482	10,768
<b>Community Park:</b>				
Other operating expenditures	7,750	7,730		5,643
Total community park	7,750	7,730	20	5,643
Total culture and recreation	103,250	96,788	6,462	86,195
Contingency	29,512	-	29,512	-
Total expenditures	1,237,774	1,095,864	141,910	1,212,582
Revenues over (under) expenditures	431,226	591,991	160,765	278,323
<b>Other Financing Sources (Uses):</b>				
Transfers out:				
Environmental/Stormwater Capital Project Fund	-	-		(93,586)
Dredging Capital Project Fund	(125,000)	(125,000)		(20,000)
Economic Development Capital Project Fund	(3,726)	(3,726)		(4,170)
Transfer to Waterfront Park Capital Project Fund	(120,000)	(120,000)		-
Transfer to Building Capital Project Fund	(60,000)	(60,000)		-
Transfer to CAMA Land Use Capital Project Fund	(17,500)	(17,500)		-
Transfer to Riverview Stormwater Capital Project Fun	(80,000)	(80,000)		-
Streets and Sidewalks Fund	(25,000)	(25,000)		(20,000)
Total other financing sources (uses)	(431,226)	(431,226)	-	(137,756)
Net change in fund balance	\$ -	160,765	\$ 160,765	140,567
<b>Fund Balance:</b>				
Beginning of year - July 1		1,840,073		1,699,506
End of year - June 30		\$ 2,000,838		\$ 1,840,073

**TOWN OF CALABASH, NORTH CAROLINA**

**STREETS AND SIDEWALKS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Contracted services	\$ 25,000	\$ -	\$ 25,000
Revenues over (under) expenditures	(25,000)	-	(25,000)
<b>Other Financing Sources (Uses):</b>			
Transfers in:			
Transfer from General Fund	25,000	25,000	-
Net change in fund balance	<u>\$ -</u>	25,000	<u>\$ 25,000</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>72,000</u>	
End of year - June 30		<u>\$ 97,000</u>	

**TOWN OF CALABASH, NORTH CAROLINA**

**CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
Net change in fund balance	\$ -	\$ -	\$ -

**Fund Balance:**

Beginning of year - July 1	21,145
End of year - June 30	\$ 21,145

**TOWN OF CALABASH, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	<b><u>Building Capital Project Fund</u></b>	<b><u>Waterfront Park Capital Project Fund</u></b>	<b><u>Economic Development Capital Project Fund</u></b>	<b><u>Dredging Capital Project Fund</u></b>	<b><u>CAMA Land Use Capital Project Fund</u></b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 60,000	\$ 120,000	\$ 7,896	\$ 207,500	\$ 17,500
<b>Fund Balances:</b>					
Committed:					
Environmental protection	-	-	-	-	-
Assigned:					
Culture and recreation	-	120,000	-	-	-
Capital outlay	60,000	-	-	-	-
Economic development	-	-	7,896	-	-
Environmental protection	-	-	-	207,500	17,500
Total fund balances	\$ 60,000	\$ 120,000	\$ 7,896	\$ 207,500	\$ 17,500



**TOWN OF CALABASH, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	<b><u>Riverview Stormwater Project Fund</u></b>	<b><u>Saltaire Village Stormwater Capital Project Fund</u></b>	<b><u>Environmental Stormwater Capital Project Fund</u></b>	<b><u>Total Nonmajor Governmental Funds</u></b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 77,437	\$ 33,073	\$ 9,920	\$ 533,326
<b>Fund Balances:</b>				
Committed:				
Environmental protection	-	33,073	-	33,073
Assigned:				
Culture and recreation	-	-	-	120,000
Capital outlay	-	-	-	60,000
Economic development	-	-	-	7,896
Environmental protection	<u>77,437</u>	<u>-</u>	<u>9,920</u>	<u>312,357</u>
Total fund balances	<u>\$ 77,437</u>	<u>\$ 33,073</u>	<u>\$ 9,920</u>	<u>\$ 533,326</u>

**TOWN OF CALABASH, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b><u>Building Capital Project Fund</u></b>	<b><u>Waterfront Park Capital Project Fund</u></b>	<b><u>Economic Development Capital Project Fund</u></b>	<b><u>Dredging Capital Project Fund</u></b>	<b><u>CAMA Land Use Capital Project Fund</u></b>
<b>Expenditures:</b>					
Environmental protection	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	<u>60,000</u>	<u>120,000</u>	<u>3,726</u>	<u>125,000</u>	<u>17,500</u>
Net change in fund balances	60,000	120,000	3,726	125,000	17,500
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>-</u>	<u>-</u>	<u>4,170</u>	<u>82,500</u>	<u>-</u>
End of year - June 30	<u>\$ 60,000</u>	<u>\$ 120,000</u>	<u>\$ 7,896</u>	<u>\$ 207,500</u>	<u>\$ 17,500</u>

**TOWN OF CALABASH, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b><u>Riverview Stormwater Project Fund</u></b>	<b><u>Saltaire Village Stormwater Capital Project Fund</u></b>	<b><u>Environmental Stormwater Capital Project Fund</u></b>	<b><u>Total Nonmajor Governmental Funds</u></b>
<b>Expenditures:</b>				
Environmental protection	\$ 2,563	\$ -	\$ 5,289	\$ 7,852
Revenues over (under) expenditures	(2,563)	-	(5,289)	(7,852)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	80,000	-	-	406,226
Net change in fund balances	77,437	-	(5,289)	398,374
<b>Fund Balances:</b>				
Beginning of year - July 1	-	33,073	15,209	134,952
End of year - June 30	<u>\$ 77,437</u>	<u>\$ 33,073</u>	<u>\$ 9,920</u>	<u>\$ 533,326</u>

**TOWN OF CALABASH, NORTH CAROLINA**
**BUILDING CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Capital outlay	\$ 60,000	\$ -	\$ 60,000
Revenues over (under) expenditures	(60,000)	-	(60,000)
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	60,000	60,000	-
Net change in fund balance	<u>\$ -</u>	60,000	<u>\$ 60,000</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		-	
End of year - June 30		<u>\$ 60,000</u>	

**TOWN OF CALABASH, NORTH CAROLINA**

**WATERFRONT PARK CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u><b>Final Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance Over/Under</b></u>
<b>Expenditures:</b>			
Capital outlay	\$ 120,000	\$ -	\$ 120,000
Revenues over (under) expenditures	(120,000)	-	(120,000)
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	120,000	120,000	-
Net change in fund balance	<u>\$ -</u>	120,000	<u>\$ 120,000</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		-	
End of year - June 30		<u>\$ 120,000</u>	

## TOWN OF CALABASH, NORTH CAROLINA

**ECONOMIC DEVELOPMENT CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Economic development	\$ 3,726	\$ -	\$ 3,726
Revenues over (under) expenditures	(3,726)	-	(3,726)
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	<u>3,726</u>	<u>3,726</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	3,726	<u>\$ 3,726</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>4,170</u>	
End of year - June 30		<u>\$ 7,896</u>	

**TOWN OF CALABASH, NORTH CAROLINA**

**DREDGING CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Contracted services	\$ 125,000	\$ -	\$ 125,000
Revenues over (under) expenditures	(125,000)	-	(125,000)
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	125,000	125,000	-
Net change in fund balance	<u>\$ -</u>	125,000	<u>\$ 125,000</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>82,500</u>	
End of year - June 30		<u>\$ 207,500</u>	

**TOWN OF CALABASH, NORTH CAROLINA**

**CAMA LAND USE CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Contracted services	\$ 17,500	\$ -	\$ 17,500
Revenues over (under) expenditures	(17,500)	-	(17,500)
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	17,500	17,500	-
Net change in fund balance	<u>\$ -</u>	17,500	<u>\$ 17,500</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ 17,500</u>	



**TOWN OF CALABASH, NORTH CAROLINA****RIVERVIEW STORMWATER CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Over/Under</u></b>
<b>Expenditures:</b>			
Contracted services	<u>\$ 80,000</u>	<u>\$ 2,563</u>	<u>\$ 77,437</u>
Revenues over (under) expenditures	(80,000)	(2,563)	(77,437)
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>77,437</u>	<u><u>\$ 77,437</u></u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u><u>\$ 77,437</u></u>	

**TOWN OF CALABASH, NORTH CAROLINA**

**SALTAIRE VILLAGE STORMWATER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

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

## TOWN OF CALABASH, NORTH CAROLINA

**ENVIRONMENTAL/STORMWATER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Environmental protection:			
Drainage/stormwater	\$ -	\$ 5,289	\$ (5,289)
Net change in fund balance	<u>\$ -</u>	(5,289)	<u>\$ (5,289)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>15,209</u>	
End of year - June 30		<u>\$ 9,920</u>	

## TOWN OF CALABASH, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2021

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020 - 2021	\$ -	\$ 291,135	\$ 287,010	\$ 4,125
2019 - 2020	7,591	-	5,817	1,774
2018 - 2019	5,155	-	4,777	378
2017 - 2018	3,878	-	3,578	300
2016 - 2017	387	-	239	148
2015 - 2016	442	-	270	172
2014 - 2015	358	-	18	340
2013 - 2014	302	-	-	302
2012 - 2013	857	-	79	778
2011 - 2012	552	-	116	436
2010 - 2011	492	-	-	492
Total	<u>\$ 20,014</u>	<u>\$ 291,135</u>	<u>\$ 301,904</u>	<u>9,245</u>
Less: Allowance for uncollectible accounts				<u>(4,300)</u>
Ad valorem taxes receivable, net				<u>\$ 4,945</u>
<b>Reconciliation of Collections and Credits with Revenues:</b>				
Ad valorem taxes:				
General Fund				\$ 305,446
Reconciling items:				
Penalties and interest collected				(3,322)
Miscellaneous adjustments				12
Taxes written off				<u>(232)</u>
Total collections and credits				<u>\$ 301,904</u>

## TOWN OF CALABASH, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY  
TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 331,641,143	\$ 0.0875	\$ 290,186	\$ 269,607	\$ 20,579
<b>Discoveries:</b>					
Current year taxes	1,084,571	0.0875	949	949	-
Penalties					
Total property valuation	<u>\$ 332,725,714</u>				
<b>Net Levy</b>			291,135	270,556	20,579
Uncollected taxes at June 30, 2021			4,125	4,125	-
<b>Current Year's Taxes Collected</b>			<u>\$ 287,010</u>	<u>\$ 266,431</u>	<u>\$ 20,579</u>
<b>Current Levy Collection Percentage</b>			<u>98.58%</u>	<u>98.48%</u>	<u>100.00%</u>

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

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

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

### **Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Calabash, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report, thereon, dated November 12, 2021. Our report includes a reference to other auditors who audited the financial statements of the Calabash ABC Board, as described in our report on the Town of Calabash, North Carolina's financial statements. The financial statements of the Calabash ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Calabash ABC Board.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Calabash's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2021-002.

### **Responses to Findings**

The Town of Calabash's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town of Calabash's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 12, 2021



# TOWN OF CALABASH, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

### 1. Summary of Auditor's Results

#### Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted?

  X   Yes    \_\_\_\_\_ No

## **TOWN OF CALABASH, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021**

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

##### **Finding 2021-001:**

##### **Significant Deficiency**

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

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

**Effect:** Adjustments could be made without oversight.

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

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2020-001.

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

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

# **TOWN OF CALABASH, NORTH CAROLINA**

## **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021**

### **Finding 2021-002:**

#### **Significant Deficiency Non-Compliance**

**Criteria:** G.S 159-28 states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current year.

**Condition:** The Town expended \$5,289 more for environmental protection than it appropriated in the budget ordinance.

**Effect:** Moneys were spent that had not been obligated and appropriated.

**Cause:** The Town expended funds that they intended to budget in a project ordinance, however a project ordinance was not adopted in accordance with G.S. 159-13.2.

**Recommendation:** Before an obligation is incurred in a project fund, a project ordinance should be adopted or the fund should be budgeted in the annual budget ordinance.

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



## TOWN OF CALABASH, NORTH CAROLINA

882 Persimmon Road \* Calabash, NC 28467

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

Web Address: [www.townofcalabash.net](http://www.townofcalabash.net) \* Email: [towncalabash@atmc.net](mailto:towncalabash@atmc.net)

### **CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2021**

#### **Significant Deficiency**

##### **Finding 2021-001:**

**Name of Contact Person:** Chuck Nance

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

**Proposed Completion Date:** Immediately

#### **Significant Deficiency/Non-Compliance**

##### **Finding 2021-002:**

**Name of Contact Person:** Chuck Nance

**Corrective Action:** Management concurs with Finding 2021-002. The Town will adopt project ordinances with our annual budget ordinance prior to any obligations being incurred.

**Proposed Completion Date:**  
Immediately

**TOWN OF CALABASH, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Significant Deficiency**

**Finding 2020-001:**

**Status:** Repeated as Finding 2021-001.

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