

TOWN OF CAPE CARTERET, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2021



| | <u>Page</u> |
|--|-------------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | 6 |
| Management's Discussion and Analysis | 9 |
| <i>Basic Financial Statements</i> | |
| <i>Government-wide Financial Statements:</i> | |
| Statement of Net Position | 18 |
| Statement of Activities..... | 20 |
| <i>Fund Financial Statements:</i> | |
| Balance Sheet – Governmental Funds | 22 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 23 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds..... | 24 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund..... | 27 |
| Notes to the Financial Statements | 28 |
| <i>Required Supplementary Financial Data</i> | |
| Proportionate Share of Net Pension Liability (Asset) - LGERS | 56 |
| Town's Contributions - LGERS..... | 57 |
| Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance..... | 58 |
| Schedule of Total Pension Liability as a Percentage of Covered Payroll | 59 |
| <i>Major Governmental Funds – General Fund</i> | |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund..... | 62 |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Table of Contents (Continued)

Non-Major Capital Project Fund

| | |
|---|----|
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Non-Major Capital Project Fund – CC Trail..... | 66 |
|---|----|

Other Schedules

| | |
|--|----|
| Schedule of Ad Valorem Taxes Receivable – General Fund | 68 |
| Analysis of Current Tax Levy | 69 |

COMPLIANCE SECTION

| | |
|---|----|
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 72 |
| Schedule of Findings and Responses | 74 |
| Corrective Action Plan | 76 |
| Summary Schedule of Prior Audit Findings | 77 |

FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor
And the Board of Commissioners
Cape Carteret, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cape Carteret, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022 on our consideration of Town of Cape Carteret's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Cape Carteret's internal control over financial reporting and compliance.

W Greene, PLLC

Whiteville, North Carolina
January 18, 2022

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

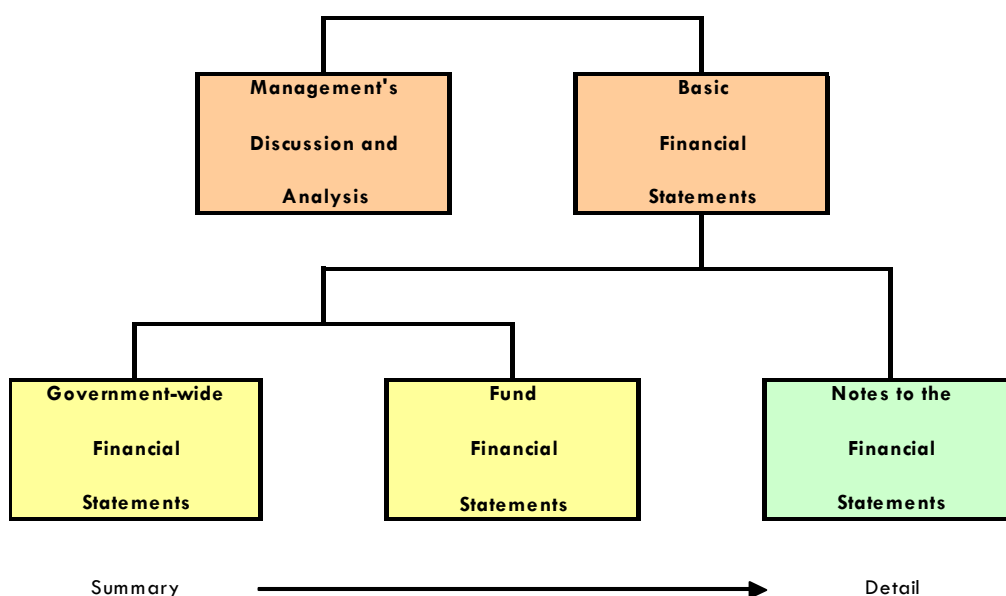
- The assets and deferred outflows of resources of the Town of Cape Carteret exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,873,158 (net position).
- The government's total net position increased \$323,853.
- As of the close of the current fiscal year, the Town of Cape Carteret's governmental funds reported combined ending fund balances of \$2,204,196, with an increase of \$42,011 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,693,619 or 75.94 percent of total general fund expenditures for the fiscal year.
- The Town's tax collection rate was 99.22% in total.
- The Town had one loan outstanding as of the year ended June 30, 2021 in the amount of \$20,639.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Cape Carteret'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 Cape Carteret.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (pages 22 through 27) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as administration, streets and highways, and public safety. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. The Town of Cape Carteret does not currently provide services that are considered business-type activities.

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

Fund Financial Statements

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

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

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

Proprietary Funds – The Town of Cape Carteret currently has no proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28 through 53 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Cape Carteret's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

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

Government-Wide Financial Analysis

The Town of Cape Carteret's Net Position
Figure 2

| | Governmental Activities | |
|---|------------------------------------|--------------|
| | 2021 | 2020 |
| Current and other assets | \$ 2,299,058 | \$ 2,284,454 |
| Capital assets | 2,028,563 | 1,708,647 |
| Deferred outflows of resources | 216,553 | 172,864 |
| Total assets and deferred outflows of resources | 4,544,174 | 4,165,965 |
| Long-term liabilities outstanding | 467,832 | 425,454 |
| Other liabilities | 50,630 | 85,929 |
| Deferred inflows of resources | 152,554 | 105,277 |
| Total liabilities and deferred inflows of resources | 671,016 | 616,660 |
| Net position: | | |
| Net investment in capital assets | 2,007,924 | 1,681,989 |
| Restricted | 263,125 | 262,017 |
| Unrestricted | 1,602,109 | 1,605,299 |
| Total net position | \$ 3,873,158 | \$ 3,549,305 |

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 Cape Carteret exceeded liabilities and deferred inflows by \$3,873,158 as of June 30, 2021. The Town's net position increased by \$323,853 for the fiscal year ended June 30, 2021. However, a large portion (51.84%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Cape Carteret uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Cape Carteret's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Cape Carteret's net position \$263,125 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$1,602,109 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.22%. The statewide average in fiscal year 2021 was 98.96%.

The Town of Cape Carteret's Changes in Net Position
Figure 3

| | Governmental Activities | |
|---|------------------------------------|---------------------|
| | 2021 | 2020 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 97,880 | \$ 88,695 |
| Operating grants and contributions | 426,883 | 541,919 |
| Capital grants and contributions | - | 137,940 |
| General Revenues | | |
| Property taxes | 956,679 | 870,076 |
| Other taxes | 748,853 | 669,306 |
| Investment earnings | 1,335 | 16,119 |
| Miscellaneous | 37,768 | 43,560 |
| Total revenues | <u>2,269,398</u> | <u>2,367,615</u> |
| Expenses: | | |
| General Government | 481,106 | 416,829 |
| Public Safety | 673,024 | 634,780 |
| Public Works | 239,745 | 233,538 |
| Public Buildings and Grounds | 76,230 | 78,719 |
| Streets | 176,593 | 115,650 |
| Environmental Protection | 215,274 | 192,763 |
| Parks and Recreation | 83,573 | 45,898 |
| Total expenses | <u>1,945,545</u> | <u>1,718,177</u> |
| Increase(Decrease) in net position before transfers | 323,853 | 649,438 |
| Transfers | <u>-</u> | <u>-</u> |
| Change in net position | 323,853 | 649,438 |
| Net Position, beginning | <u>3,549,305</u> | <u>2,899,867</u> |
| Net position, June 30 | <u>\$ 3,873,158</u> | <u>\$ 3,549,305</u> |

Governmental activities. Governmental activities increased the Town's net position by \$323,853. Key element of this increase is as follows:

- Property and other taxes increased over the previous year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Cape Carteret'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 Cape Carteret's financing requirements.

The general fund is the chief operating fund of the Town of Cape Carteret. At the end of the current fiscal year, Town of Cape Carteret's fund balance available in the General Fund was \$1,875,542, while total fund balance reached \$2,143,306. The Town currently has an available fund balance of 84.10 percent of total General Fund expenditures, while total fund balance represents 96.11 percent of the same amount.

At June 30, 2021, the governmental funds of Town of Cape Carteret reported a combined fund balance of \$2,204,196, with a net increase in fund balance of \$42,011. Included in this change in fund balance are an increase in fund balance in the General Fund.

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

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

Capital Asset and Debt Administration

Capital assets. The Town of Cape Carteret's investment in capital assets for its governmental activities as of June 30, 2021, totals \$2,028,563 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Purchase of floating dock, bulkhead and building in the amount of \$134,233.
- Purchase of land in the amount of \$95,000.
- Purchase of vehicles and equipment in the amount of \$205,487.

The Town of Cape Carteret's Capital Assets
(Net of depreciation)

Figure 4

| | Governmental Activities | |
|--------------------------|------------------------------------|---------------------|
| | 2021 | 2020 |
| Land | \$ 542,282 | \$ 447,282 |
| Construction in Progress | - | - |
| Buildings | 463,553 | 348,159 |
| Vehicles and Equipment | 310,970 | 177,188 |
| Infrastructure | 711,758 | 736,018 |
| Total | \$ 2,028,563 | \$ 1,708,647 |

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

Long-term Debt. As of June 30, 2021, the Town of Cape Carteret had total debt outstanding of \$474,084. Of this, \$-0- is debt backed by the full faith and credit of the Town of Cape Carteret.

Town of Cape Carteret's Outstanding Debt

| | Governmental Activities | |
|-------------------------------|------------------------------------|-------------------|
| | 2021 | 2020 |
| Installment Purchases | \$ 20,639 | \$ 26,658 |
| Compensated Absences | 44,205 | 40,218 |
| Net Pension Liability (LGERS) | 334,830 | 293,847 |
| Total Pension Liability (LEO) | 74,410 | 70,750 |
| Total | \$ 474,084 | \$ 431,473 |

The Town of Cape Carteret's total debt increased by \$42,611 during the fiscal year, primarily due to an increase in the Net Pension Liability.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Cape Carteret is \$35,777,015.

Additional information regarding the Town of Cape Carteret's long-term debt can be found beginning on page 51 in the Notes to the Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The budget for the fiscal year 2021-2022 was prepared after careful consideration and several budget meetings.

Governmental Activities. Total proposed revenues are estimated to be \$1,868,217 while budgeted expenses are \$1,868,217. The Board of Commissioners used conservative estimates in anticipating revenues and expenditures. The budget does not include a property tax increase, keeping the property tax rate \$0.2125 per \$100 valuation.

Requests for Information

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

**Sandra Favreau
Finance Officer
Town of Cape Carteret
102 Dolphin Street
Cape Carteret, North Carolina 28584
(252) 393-8483**

Basic Financial Statements

TOWN OF CAPE CARTERET, NORTH CAROLINA

Statement of Net Position

June 30, 2021

| | Primary Government | |
|---|---------------------------|--------------|
| | Governmental | |
| | Activities | Total |
| <hr/> | | |
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 1,851,174 | \$ 1,851,174 |
| Receivables (net): | | |
| Ad Valorem Taxes | 12,429 | 12,429 |
| Interest | 1,035 | 1,035 |
| Due from Other Governments | 251,810 | 251,810 |
| Prepaid Expenses | 15,954 | 15,954 |
| Restricted Cash and Cash Equivalents | 166,656 | 166,656 |
| | <hr/> | |
| Total Current Assets | 2,299,058 | 2,299,058 |
| | <hr/> | |
| Noncurrent Assets: | | |
| Capital Assets | | |
| Land, Nondepreciable Improvements, | | |
| and Construction in Progress | 542,282 | 542,282 |
| Other Capital Assets, Net of | | |
| Depreciation | 1,486,281 | 1,486,281 |
| | <hr/> | |
| Total Noncurrent Assets | 2,028,563 | 2,028,563 |
| | <hr/> | |
| Total Assets | 4,327,621 | 4,327,621 |
| | <hr/> | |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension Deferrals | 216,553 | 216,553 |
| | <hr/> | |
| Total Deferred Outflows of Resources | \$ 216,553 | \$ 216,553 |
| | <hr/> | |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2021

| | Primary Government | |
|--|---------------------------|---------------------|
| | Governmental | |
| | Activities | Total |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable and | | |
| Accrued Liabilities | \$ 44,378 | \$ 44,378 |
| Customer Deposits | - | - |
| Current Portion of Long-Term Liabilities | 6,252 | 6,252 |
| Total Current Liabilities | 50,630 | 50,630 |
| Long-Term Liabilities: | | |
| Net Pension Liability | 334,830 | 334,830 |
| Total Pension Liability | 74,410 | 74,410 |
| Due in More Than One year | 58,592 | 58,592 |
| Total Liabilities | 518,462 | 518,462 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension Deferrals | 115,534 | 115,534 |
| Prepaid Boat Ramp Fees | 37,020 | 37,020 |
| Total Deferred Inflows of Resources | 152,554 | 152,554 |
| NET POSITION | | |
| Net Investment in Capital Assets | 2,007,924 | 2,007,924 |
| Restricted for: | | |
| Transportation | 11,315 | 11,315 |
| Stabilization by State Statute | 251,810 | 251,810 |
| Unrestricted | 1,602,109 | 1,602,109 |
| Total Net Position | \$ 3,873,158 | \$ 3,873,158 |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues | | |
|-------------------------------|--------------|----------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 481,106 | \$ 31,200 | \$ 49,551 | \$ - |
| Public Safety | 673,024 | 5,645 | 34,152 | - |
| Public Works | 238,258 | - | - | - |
| Public Buildings and Grounds | 76,230 | - | - | - |
| Street Department | 176,593 | - | 70,367 | - |
| Environmental | 215,274 | - | 272,813 | - |
| Parks and Recreation | 83,573 | 61,035 | - | - |
| Interest on long-term debt | 1,487 | - | - | - |
| Total Governmental Activities | 1,945,545 | 97,880 | 426,883 | - |
| Total Primary Government | \$ 1,945,545 | \$ 97,880 | \$ 426,883 | \$ - |

The notes to the financial statements are an integral part of this statement.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2021

| Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------------------------|---------------------|
| Primary Government | | |
| Functions/Programs | Governmental Activities | Totals |
| Primary Government: | | |
| Governmental Activities: | | |
| General Government | \$ (400,355) | \$ (400,355) |
| Public Safety | (633,227) | (633,227) |
| Public Works | (238,258) | (238,258) |
| Public Buildings and Grounds | (76,230) | (76,230) |
| Street Department | (106,226) | (106,226) |
| Environmental | 57,539 | 57,539 |
| Parks and Recreation | (22,538) | (22,538) |
| Interest on long-term debt | (1,487) | (1,487) |
| Total Governmental Activities | (1,420,782) | (1,420,782) |
| Total Primary Government | (1,420,782) | (1,420,782) |
| General Revenues: | | |
| Property Taxes, Levied for General Purpose | 956,679 | 956,679 |
| Other Taxes and Licenses | 748,853 | 748,853 |
| Investment Earnings | 1,335 | 1,335 |
| Miscellaneous | 37,768 | 37,768 |
| Transfers | - | - |
| Total General Revenues and Transfers | 1,744,635 | 1,744,635 |
| Change in Net Position | 323,853 | 323,853 |
| Net Position - Beginning | 3,549,305 | 3,549,305 |
| Net Position - End of Year | \$ 3,873,158 | \$ 3,873,158 |

The notes to the financial statements are an integral part of this statement.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2021

| | Major Fund | | |
|--|-------------------------|--------------------------------------|---|
| | General Fund | Total Non-Major Funds | Total Governmental Funds |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,851,174 | \$ - | \$ 1,851,174 |
| Restricted Cash | 105,766 | 60,890 | 166,656 |
| Receivables (net): | | | |
| Ad Valorem Taxes | 12,429 | - | 12,429 |
| Due from Other Governments | 251,810 | - | 251,810 |
| Prepaid Expenses | 15,954 | - | 15,954 |
| Total Assets | 2,237,133 | 60,890 | 2,298,023 |
| LIABILITIES | | | |
| Accounts Payable and | | | |
| Accrued Liabilities | 44,378 | - | 44,378 |
| Total Liabilities | 44,378 | - | 44,378 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Taxes Receivable | 12,429 | - | 12,429 |
| Prepaid Boat Ramp Fees | 37,020 | - | 37,020 |
| Total Deferred Inflows of Resources | 49,449 | - | 49,449 |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Prepays | 15,954 | - | 15,954 |
| Restricted | | | |
| Stabilization by State Statute | 251,810 | - | 251,810 |
| Streets | 11,315 | - | 11,315 |
| Committed | | | |
| Police Special Separation | 94,451 | - | 94,451 |
| Assigned | | | |
| Subsequent Year's Expenditures: | 76,157 | - | 76,157 |
| Unassigned | 1,693,619 | 60,890 | 1,754,509 |
| Total Fund Balances | 2,143,306 | 60,890 | 2,204,196 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 2,237,133 | \$ 60,890 | \$ 2,298,023 |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2021

| | | Total Governmental Funds |
|---|--------------------|---|
| <hr/> | | |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Total Governmental Fund Balance | | \$ 2,204,196 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical costs | \$ 3,242,003 | |
| Accumulated depreciation | <u>(1,213,440)</u> | 2,028,563 |
| Deferred outflows of resources related to pensions are not reported in the funds | <u>216,553</u> | 216,553 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred | | |
| Accrued interest - taxes | <u>1,035</u> | 1,035 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | | |
| Ad valorem taxes | <u>12,429</u> | 12,429 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Installment purchases | (20,639) | |
| Compensated absences | (44,205) | |
| Total pension liability | (74,410) | |
| Net pension liability | <u>(334,830)</u> | (474,084) |
| Deferred inflows of resources related to pensions are not reported in the funds | | <u>(115,534)</u> |
| Net position of governmental activities | | <u><u>\$ 3,873,158</u></u> |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2021

| | Major Fund | | Total | Total |
|--|---------------------|------------------------|---------------------------|--------------|
| | General Fund | Non-Major Funds | Governmental Funds | |
| Revenues | | | | |
| Ad Valorem Taxes | \$ 960,834 | \$ - | \$ 960,834 | |
| Other Taxes and Licenses | 165 | - | 165 | |
| Unrestricted Intergovernmental | 748,688 | - | 748,688 | |
| Restricted Intergovernmental | 426,883 | - | 426,883 | |
| Permits and Fees | 97,880 | - | 97,880 | |
| Investment Earnings | 1,335 | - | 1,335 | |
| Miscellaneous | 33,713 | 4,055 | 37,768 | |
| Total Revenues | 2,269,498 | 4,055 | 2,273,553 | |
| Expenditures | | | | |
| Current | | | | |
| General Government | 449,698 | - | 449,698 | |
| Public Safety | 623,887 | - | 623,887 | |
| Public Works | 193,161 | - | 193,161 | |
| Public Buildings and Grounds | 75,008 | - | 75,008 | |
| Street Department | 174,990 | - | 174,990 | |
| Environmental Protection | 200,274 | - | 200,274 | |
| Parks and Recreation | 70,672 | 1,626 | 72,298 | |
| Debt Service | | | | |
| Principal | 6,019 | - | 6,019 | |
| Interest and Other charges | 1,487 | - | 1,487 | |
| Capital Outlay | | | | |
| General Government | - | - | - | |
| Public Safety | 33,357 | - | 33,357 | |
| Public Buildings and Grounds | 48,863 | - | 48,863 | |
| Streets | 22,124 | - | 22,124 | |
| Environmental Protection | 150,006 | - | 150,006 | |
| Parks and Recreation | 180,370 | - | 180,370 | |
| Total Expenditures | 2,229,916 | 1,626 | 2,231,542 | |
| Excess (Deficiency) of Revenues Over Expenditures | 39,582 | 2,429 | 42,011 | |
| Other Financing Sources (Uses) | | | | |
| Transfers from Other Funds | - | - | - | |
| Transfers to Other Funds | - | - | - | |
| Installment Purchase Obligations Issued | - | - | - | |
| Sale of Capital Assets | - | - | - | |
| Total Other Financing Sources (Uses) | - | - | - | |
| Net Change in Fund Balance | 39,582 | 2,429 | 42,011 | |
| Fund Balance - Beginning of Year | 2,103,724 | 58,461 | 2,162,185 | |
| Fund Balance - End of Year | \$ 2,143,306 | \$ 60,890 | \$ 2,204,196 | |

TOWN OF CAPE CARTERET, NORTH CAROLINA

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

Governmental Funds

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 | \$ | 42,011 |
|---|----|--------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--|------------------|---------|
| Capital outlay expenditures which were capitalized | 434,720 | |
| Depreciation expense | <u>(114,804)</u> | 319,916 |

| | | |
|--|--|--------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 67,274 |
|--|--|--------|

| | | |
|---|--|---|
| Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities | | - |
|---|--|---|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

| | | |
|--|--------------|---------|
| Change in unavailable revenue for tax revenues | (3,665) | |
| Interest earned on ad valorem taxes | <u>(490)</u> | (4,155) |

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

| | | |
|-----------------|--------------|-------|
| Debt issuance | - | |
| Debt retirement | <u>6,019</u> | 6,019 |

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

| | | |
|----------------------|----------------|-----------|
| Pension Expense | (103,225) | |
| Compensated absences | <u>(3,987)</u> | (107,212) |

| | | |
|--|----|----------------|
| Total changes in net position of governmental activities | \$ | <u>323,853</u> |
|--|----|----------------|



TOWN OF CAPE CARTERET, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2021

| | General Fund | | | |
|--|--------------------|------------------|---------------------|--|
| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
| Revenues | | | | |
| Ad Valorem Taxes | \$ 877,643 | \$ 877,643 | \$ 960,834 | \$ 83,191 |
| Other Taxes and Licenses | - | - | 165 | 165 |
| Unrestricted Intergovernmental | 539,897 | 539,897 | 748,688 | 208,791 |
| Restricted Intergovernmental | 112,984 | 345,202 | 426,883 | 81,681 |
| Permits and Fees | 86,000 | 84,500 | 97,880 | 13,380 |
| Investment Earnings | 3,000 | 3,000 | 1,335 | (1,665) |
| Miscellaneous | 13,279 | 31,521 | 33,713 | 2,192 |
| Total Revenues | 1,632,803 | 1,881,763 | 2,269,498 | 387,735 |
| Expenditures | | | | |
| General Government | 405,210 | 470,530 | 449,698 | 20,832 |
| Public Safety | 606,694 | 673,373 | 657,244 | 16,129 |
| Public Works | 201,118 | 219,011 | 200,667 | 18,344 |
| Public Building and Grounds | 74,421 | 129,059 | 123,871 | 5,188 |
| Street Department | 119,345 | 231,737 | 197,114 | 34,623 |
| Environmental Protection | 199,825 | 366,056 | 350,280 | 15,776 |
| Parks and Recreation | 26,190 | 328,406 | 251,042 | 77,364 |
| Total Expenditures | 1,632,803 | 2,418,172 | 2,229,916 | 188,256 |
| Revenues Over (Under) Expenditures | - | (536,409) | 39,582 | 575,991 |
| Other Financing Sources (Uses) | | | | |
| Transfers from Other Funds | - | - | - | - |
| Transfers to Other Funds | - | - | - | - |
| Sale of Capital Assets | - | - | - | - |
| Debt Issuance | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | - | (536,409) | 39,582 | 575,991 |
| Appropriated Fund Balance | - | 536,409 | - | (536,409) |
| Net Change in Fund Balance | \$ - | \$ - | 39,582 | \$ 39,582 |
| Fund Balance - Beginning of Year | | | 2,103,724 | |
| Fund Balance - End of Year | | | \$ 2,143,306 | |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Cape Carteret is a municipal corporation that was established on June 3, 1959 and is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. A separate statement for each fund category – *governmental* – is presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, general governmental services, and street maintenance and construction, and sanitation services.

The Town reports the following nonmajor governmental fund:

Capital Project Fund – CC Trail. This fund is used to account for the construction of a recreation trail.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****2. Cash and Cash Equivalents**

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S.136-41.1 through 136-41.4. Public Safety money is restricted to police special separation. Money in the Capital Project Fund is restricted to the recreation trail project.

| Town of Cape Carteret Restricted Cash | |
|---------------------------------------|------------|
| Governmental Activities | |
| General Fund | |
| Streets | \$ 11,315 |
| Public Safety | 94,451 |
| Capital Project Fund | |
| CC Trail | 60,890 |
| Total Governmental Activities | 166,656 |
| Total Restricted Cash | \$ 166,656 |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State Law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Capitalization costs for the Town's assets are \$2,500. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| Asset Class | Estimated Useful Lives |
|------------------------|---------------------------|
| Infrastructure | 40 |
| Buildings | 40 |
| Vehicles | 6 |
| Equipment and Fixtures | 7 |
| Computer Equipment | 3 |

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – property taxes receivable, prepaid boat ramp fees, and pension deferrals.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide activities, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances (Continued)

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. Only the Board is authorized to modify appropriations at the departmental level by amending the budget. Modifications to items within departments do not require Board approval.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances (Continued)

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

The Town of Cape Carteret has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Lowering of this amount may be done by a simple majority vote but the amount may never be less than 8%.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local 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 Cape Carteret's employer contributions are recognized when due and the Town of Cape Carteret 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.

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)**A. Assets (Continued)****1. Deposits (Continued)**

The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,017,520 and a bank balance of \$2,098,615. Of the bank balance, \$378,604 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$310.

2. Receivables**Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

| <u>Fund</u> | <u>06/30/2021</u> |
|--------------------|------------------------|
| General Fund: | |
| Taxes receivable | \$ <u>1,400</u> |
| Total General Fund | <u>1,400</u> |
| Total | \$ <u><u>1,400</u></u> |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)**A. Assets (Continued)****3. Capital Assets****Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 447,282 | \$ 95,000 | \$ - | \$ 542,282 |
| Construction in Progress | - | - | - | - |
| Total capital assets not being depreciated | 447,282 | 95,000 | - | 542,282 |
| Capital assets being depreciated: | | | | |
| Buildings and Improvements | 708,541 | 134,233 | - | 842,774 |
| Computer equipment | 41,967 | - | - | 41,967 |
| Equipment and fixtures | 283,711 | 22,124 | - | 305,835 |
| Vehicles | 431,713 | 183,363 | - | 615,076 |
| Infrastructure | 894,069 | - | - | 894,069 |
| Total capital assets being depreciated | 2,360,001 | 339,720 | - | 2,699,721 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | 360,382 | 18,839 | - | 379,221 |
| Computer equipment | 41,967 | - | - | 41,967 |
| Equipment and fixtures | 233,058 | 20,374 | - | 253,432 |
| Vehicles | 305,178 | 51,331 | - | 356,509 |
| Infrastructure | 158,051 | 24,260 | - | 182,311 |
| Total accumulated depreciation | 1,098,636 | 114,804 | - | 1,213,440 |
| Total capital assets being depreciated, net | 1,261,365 | | | 1,486,281 |
| Governmental activity capital assets, net | \$ 1,708,647 | | | \$ 2,028,563 |

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

| | |
|---------------------------|-------------------|
| General Government | \$ 17,971 |
| Public Safety | 30,145 |
| Public Works | 37,588 |
| Parks and Public Property | 11,275 |
| Environmental | 15,000 |
| Streets | 2,825 |
| Total | <u>\$ 114,804</u> |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Cape Carteret is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, or by calling (919) 981-5454 or at www.osc.nc.gov.

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Cape Carteret employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Cape Carteret's contractually required contribution rate for the year ended June 30, 2021, was 10.90% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Cape Carteret were \$67,274 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.

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 \$334,830 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 0.00937%, which was a decrease of 0.00139% from its proportion measured as of June 30, 2019.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

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

For the year ended June 30, 2021, the Town recognized pension expense of \$106,795. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 42,283 | \$ - |
| Changes of assumptions | 24,918 | - |
| Net difference between projected and actual earnings on pension plan investments | 47,118 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 2,639 | 32,011 |
| Town contributions subsequent to the measurement date | 67,274 | - |
| Total | <u>\$ 184,232</u> | <u>\$ 32,011</u> |

\$67,274 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

| | |
|------------|------------------|
| 2022 | \$ 22,701 |
| 2023 | 33,669 |
| 2024 | 14,632 |
| 2025 | 13,945 |
| 2026 | - |
| Thereafter | - |
| | <u>\$ 84,947</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 Increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment Rate of Return | 7.00 percent, net of pension plan investment expense, including inflation |

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

The actuarial assumptions used in the December 31, 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.

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:

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

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

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

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

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

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

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 679,334 | \$ 334,830 | \$ 48,523 |

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.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

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

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the valuation date, the Separation Allowance's membership consisted of:

| | |
|---|-----------------|
| Inactive members currently receiving benefits | 0 |
| Active plan members | <u>7</u> |
| Total | <u><u>7</u></u> |

2. Summary of Significant Accounting Policies:

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

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

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance (Continued)****3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2019 valuation. 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 | 2.50 percent |
| Salary Increases | 3.50 to 7.75 percent, including inflation and productivity factor |
| Discount Rate | 1.93 percent |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

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

At June 30, 2021, the Town reported a total pension liability of \$74,410. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$(3,570).

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 591 | \$ 79,858 |
| Changes of assumptions | 31,730 | 3,665 |
| Town benefit payments and plan administrative expense subsequent to the measurement date | - | - |
| Total | <u>\$ 32,321</u> | <u>\$ 83,523</u> |

\$0 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|----------------------------|--------------------|
| Year Ended June 30: | |
| 2022 | \$ (13,287) |
| 2023 | (13,935) |
| 2024 | (14,841) |
| 2025 | (7,442) |
| 2026 | (889) |
| Thereafter | (808) |
| | <u>\$ (51,202)</u> |

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

| | 1% Decrease (0.93%) | Discount Rate (1.93%) | 1% Increase (2.93%) |
|-------------------------|---------------------------|-----------------------------|---------------------------|
| Total Pension Liability | \$ 84,650 | \$ 74,410 | \$ 65,211 |

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

| | 2021 |
|--|-----------|
| Beginning balance | \$ 70,750 |
| Service Cost | 7,496 |
| Interest on the total pension liability | 2,306 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | (37,611) |
| Changes of assumptions or other inputs | 31,469 |
| Benefit payments | - |
| Other changes | - |
| Ending balance of the total pension liability | \$ 74,410 |

The plan currently uses mortality tables that vary by age, 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 five year period ending December 31, 2019.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)*****Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions***

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

| | LGERS | LEOSSA | Total |
|--|------------|------------|------------|
| Pension Expense | \$ 106,795 | \$ (3,570) | \$ 103,225 |
| Pension Liability | 334,830 | 74,410 | 409,240 |
| Proportionate share of the net pension liability | 0.00937% | n/a | |
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | 42,283 | 591 | 42,874 |
| Changes of assumptions | 24,918 | 31,730 | 56,648 |
| Net difference between projected and actual earnings on plan investments | 47,118 | - | 47,118 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,639 | - | 2,639 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 67,274 | - | 67,274 |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | - | 79,858 | 79,858 |
| Changes of assumptions | - | 3,665 | 3,665 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 32,011 | - | 32,011 |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The Town has also elected to contribute up to 5 percent on behalf of non-law enforcement employees. All employees may make voluntary contributions to the plan. Contributions from the Town for the year ended June 30, 2021 were \$30,955, which consisted of \$17,096 for law enforcement and \$13,859 for non-law enforcement. No amounts were forfeited.

2. Other Employment Benefit

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

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

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

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

| | | |
|---|----|----------------|
| Contributions to pension plan in current fiscal year | \$ | 67,274 |
| Benefit payments made and administrative expenses for LEOSA | | - |
| Differences between expected and actual experience | | 42,874 |
| Changes of assumptions | | 56,648 |
| Net difference between projected and actual | | 47,118 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 2,639 |
| Charge on refunding | | - |
| Total | \$ | <u>216,553</u> |

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

| | Statement of Net Position | General Fund Balance Sheet |
|---|------------------------------|-------------------------------------|
| Prepaid Boat Ramp Fees | \$ 37,020 | \$ 37,020 |
| Taxes Receivable (General Fund) | - | 12,429 |
| Changes in assumptions | 3,665 | - |
| Difference between expected and actual experience | 79,858 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 32,011 | - |
| Total | \$ <u>152,554</u> | \$ <u>49,449</u> |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management

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

The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry any flood insurance. Other risks are insured through commercial insurance companies.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

5. Claims, Judgements and Contingent Liabilities

At June 30, 2021, the Town did not have any litigation pending.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****6. Commitments**

As of June 30, 2021, the Town is obligated under the terms of a refuse contract through June 30, 2025. Costs are based on (1) number of service locations, and (2) number of containers per location. Service locations are counted by the contractor and Town once each spring. Based on the schedule below with one container per site and 1089 locations, the minimum annual cost would be \$8,647. In addition to the fixed payments as scheduled below, the contract includes extra allowance for fuel consumption by the contractor if the rate diesel exceeds \$4 per gallon per Department of Energy Lower Atlantic District.

| Year End June 30 | Per Container | Additional Container | Additional Container |
|------------------|------------------|-------------------------|-------------------------|
| 2022 | 7.94 | 6.9 | 1.03 |
| 2023 | 7.94 | 6.9 | 1.03 |
| 2024 | 7.94 | 6.9 | 1.03 |
| 2025 | 7.94 | 6.9 | 1.03 |

7. Long-Term Obligations**a. Installment Purchase**

On August 15, 2019, the Town entered into a contract in the amount of \$31,500 to finance a 2019 Chevrolet Silverado. The vehicle is collateral for the debt while the debt is outstanding. The financing contract requires monthly payments in the amount of \$577, including interest at 3.750%. Maturity is scheduled for August 2024. The principal amount outstanding at June 30, 2021 was \$20,639.

| June 30, | Governmental Activities | |
|-----------|-------------------------|----------|
| | Principal | Interest |
| 2022 | \$ 6,252 | \$ 677 |
| 2023 | 6,494 | 435 |
| 2024 | 6,745 | 184 |
| 2025 | 1,148 | 6 |
| 2026 | - | - |
| 2027-2031 | - | - |
| Total | \$ 20,639 | \$ 1,302 |

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)**7. Long-Term Obligations (Continued)****b. Changes in Long-Term Liabilities**

| | Balance 07/01/20 | Increases | Decreases | Balance 06/30/21 | Current Portion of Balance |
|--|---------------------|------------------|-----------------|---------------------|----------------------------------|
| Governmental activities: | | | | | |
| Installment Purchase | \$ 26,658 | \$ - | \$ 6,019 | \$ 20,639 | \$ 6,252 |
| Compensated absences | 40,218 | 3,987 | - | 44,205 | - |
| Net pension liability (LGERS) | 293,847 | 40,983 | - | 334,830 | - |
| Total pension liability (LEO) | 70,750 | 3,660 | - | 74,410 | - |
| Governmental activity long-term liabilities | <u>\$ 431,473</u> | <u>\$ 48,630</u> | <u>\$ 6,019</u> | <u>\$ 474,084</u> | <u>\$ 6,252</u> |

C. Net Investment in Capital Assets

| | Governmental |
|----------------------------------|---------------------|
| Capital Assets | \$ 2,028,563 |
| less: long-term debt | 20,639 |
| Add: unexpended debt proceeds | - |
| Net Investment in Capital Assets | <u>\$ 2,007,924</u> |

D. Fund Balance

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

| | |
|---|---------------------|
| <i>Total fund balance – General Fund</i> | \$ 2,143,306 |
| Less: | |
| Stabilization by State Statute | 251,810 |
| Streets | 11,315 |
| Police Special Separation | 94,451 |
| Prepays | 15,954 |
| Appropriated Fund Balance in 2021-2022 budget | 76,157 |
| Remaining Fund Balance | <u>\$ 1,693,619</u> |

The Town has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Lowering of this amount may be done by a simple majority vote but the amount may never be less than 8%.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

IV. JOINT VENTURES

The Town is a member of the Western Carteret Interlocal Agency, an entity formed to provide services or personnel for fire, emergency medical, police services and such other services as the Member Agencies (participating municipalities) may request. The purpose of this effort is to maximize the efficiency and effectiveness of these services while providing operational cost savings to the Member Agencies. The allocation of financial participation between Member Agencies is based upon an ad valorem basis for each of the services in which a Member Agency participates and is paid for by ad valorem taxes for the district by the Agency.

V. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 18, 2022, which is the date the financial statements were available to be issued.



***Required Supplementary
Financial Data***

TOWN OF CAPE CARTERET, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*

| | Local Government Employees' Retirement System | | | | | | | |
|--|--|------------|------------|------------|------------|------------|-------------|------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Cape Carteret's proportion of the net pension liability (asset) (%) | 0.00937% | 0.01076% | 0.01132% | 0.00967% | 0.00976% | 0.00900% | 0.00700% | 0.00700% |
| Cape Carteret's proportion of the net pension liability (asset) (\$) | \$ 334,830 | \$ 293,847 | \$ 268,549 | \$ 147,731 | \$ 207,141 | \$ 40,391 | \$ (41,164) | \$ 84,377 |
| Cape Carteret's covered-employee payroll | \$ 580,905 | \$ 573,744 | \$ 621,357 | \$ 572,262 | \$ 583,086 | \$ 530,130 | \$ 443,473 | \$ 439,785 |
| Cape Carteret's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 57.64% | 51.22% | 43.22% | 25.82% | 35.52% | 7.62% | (9.28%) | 19.19% |
| Plan fiduciary net position as a percentage of the total pension liability** | 88.61% | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

TOWN OF CAPE CARTERET, NORTH CAROLINA

Town of Cape Carteret's Contributions
Required Supplementary Information
Last Eight Fiscal Years

| | Local Government Employees' Retirement System | | | | | | | |
|---|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 67,274 | \$ 54,358 | \$ 46,711 | \$ 47,981 | \$ 44,356 | \$ 41,567 | \$ 38,427 | \$ 31,856 |
| Contributions in relation to the contractually required contribution | 67,274 | 54,358 | 46,711 | 47,981 | 44,356 | 41,567 | 38,427 | 31,856 |
| Contributions deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Cape Carteret's covered employee payroll | \$ 637,785 | \$ 580,905 | \$ 573,744 | \$ 621,357 | \$ 572,262 | \$ 583,086 | \$ 530,130 | \$ 443,473 |
| Contributions as a percentage of covered-employee payroll | 10.55% | 9.36% | 8.14% | 7.72% | 7.75% | 7.13% | 7.25% | 7.18% |

TOWN OF CAPE CARTERET, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
June 30, 2021

| Law Enforcement Officers' Special Separation Allowance | | | | | |
|--|------------------|------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Beginning balance | \$ 70,750 | \$ 120,048 | \$ 140,580 | \$ 124,502 | \$ 123,156 |
| Service cost | 7,496 | 7,163 | 9,580 | 7,578 | 8,396 |
| Interest on the total pension liability | 2,306 | 4,274 | 4,311 | 4,646 | 4,249 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | (37,611) | (58,671) | (19,597) | 2,151 | - |
| Changes of assumptions or other inputs | 31,469 | 3,203 | (6,527) | 10,002 | (2,999) |
| Benefit payments | - | (5,267) | (8,299) | (8,299) | (8,300) |
| Other changes | - | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 74,410</u> | <u>\$ 70,750</u> | <u>\$ 120,048</u> | <u>\$ 140,580</u> | <u>\$ 124,502</u> |

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

TOWN OF CAPE CARTERET, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

June 30, 2021

| Law Enforcement Officers' Special Separation Allowance | | | | | |
|---|-----------|-----------|------------|------------|------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total pension liability | \$ 74,410 | \$ 70,750 | \$ 120,048 | \$ 140,580 | \$ 124,502 |
| Covered payroll | 305,991 | 321,509 | 359,019 | 355,942 | 349,417 |
| Total pension liability as a percentage of covered payroll | 24.32% | 22.01% | 33.44% | 39.50% | 35.63% |

Notes to the schedules:

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



Major Governmental Funds

General Fund

TOWN OF CAPE CARTERET, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2021

| | Final Budget | Actual | Variance Positive (Negative) |
|---|-------------------------|------------------|---|
| Revenues | | | |
| Ad Valorem Taxes | | | |
| Taxes | | \$ 956,672 | |
| Penalties and Interest | | 4,162 | |
| Total Ad Valorem Taxes | \$ 877,643 | 960,834 | \$ 83,191 |
| Other Taxes and Licenses | | | |
| Privilege Licenses | | 165 | |
| Total Other Taxes and Licenses | - | 165 | 165 |
| Unrestricted Intergovernmental | | | |
| Local Option Sales Tax | | 453,271 | |
| Utility Sales Tax | | 107,221 | |
| Video Franchise Tax | | 24,056 | |
| Telecommunications Tax | | 5,384 | |
| ABC Profit Distribution | | 148,443 | |
| Beer and Wine Tax | | 9,318 | |
| Court Fees | | 995 | |
| Total Unrestricted Intergovernmental | 539,897 | 748,688 | 208,791 |
| Restricted Intergovernmental | | | |
| Powell Bill Allocation | | 70,367 | |
| Federal and State Grants | | 321,528 | |
| SRO Grant | | 33,333 | |
| Solid Waste Disposal Tax | | 1,655 | |
| Total Restricted Intergovernmental | 345,202 | 426,883 | 81,681 |
| Permits and Fees | | | |
| Boat Ramp Permits | | 53,155 | |
| Building and Zoning Permits | | 8,325 | |
| Golf Cart Fees | | 4,100 | |
| Rental Income | | 32,300 | |
| Community Market Fees | | - | |
| Total Permits and Fees | 84,500 | 97,880 | 13,380 |
| Investment Earnings | | | |
| General | | 1,335 | |
| Total Investment Earnings | 3,000 | 1,335 | (1,665) |
| Miscellaneous | | | |
| Other | | 33,713 | |
| Total Miscellaneous | 31,521 | 33,713 | 2,192 |
| Total Revenues | 1,881,763 | 2,269,498 | 387,735 |

TOWN OF CAPE CARTERET, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2021

| | Final Budget | Actual | Variance Positive (Negative) |
|---|-------------------------|---------------|---|
| Expenditures | | | |
| General Government | | | |
| Governing Body | | | |
| Salaries and Employee Benefits | | 8,334 | |
| Other Expenditures | | 115,228 | |
| Total Governing Body | 123,612 | 123,562 | 50 |
| Administration | | | |
| Salaries and Employee Benefits | | 273,028 | |
| Other Expenditures | | 53,108 | |
| Capital Outlay | | - | |
| Total Administration | 346,918 | 326,136 | 20,782 |
| Total General Government | 470,530 | 449,698 | 20,832 |
| Public Safety | | | |
| Police Department | | | |
| Salaries and Employee Benefits | | 499,953 | |
| Other Expenditures | | 98,075 | |
| Capital Outlay | | 33,357 | |
| Total Police | 643,211 | 631,385 | 11,826 |
| Planning and Inspections | | | |
| Salaries and Employee Benefits | | 23,786 | |
| Other Expenditures | | 2,073 | |
| Total Planning and Zoning | 30,162 | 25,859 | 4,303 |
| Total Public Safety | 673,373 | 657,244 | 16,129 |
| Public Works | | | |
| Salaries and Employee Benefits | | 155,088 | |
| Other Expenditures | | 38,073 | |
| Capital Outlay | | - | |
| Debt Service - Principal | | 6,019 | |
| Debt Service - Interest | | 1,487 | |
| Total Public Works | 219,011 | 200,667 | 18,344 |
| Public Buildings and Grounds | | | |
| Salaries and Employee Benefits | | - | |
| Other Expenditures | | 75,008 | |
| Capital Outlay | | 48,863 | |
| Total Public Buildings and Grounds | 129,059 | 123,871 | 5,188 |
| Streets | | | |
| Other Expenditures | | 174,990 | |
| Capital Outlay | | 22,124 | |
| Total Streets | 231,737 | 197,114 | 34,623 |

TOWN OF CAPE CARTERET, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2021

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------------|---------------------|---|
| Environmental | | | |
| Other Expenditures | | 200,274 | |
| Capital Outlay | | 150,006 | |
| Total Environmental | <u>366,056</u> | <u>350,280</u> | <u>15,776</u> |
| Parks and Recreation | | | |
| Salaries and Employee Benefits | | - | |
| Other Expenditures | | 70,672 | |
| Capital Outlay | | 180,370 | |
| Total Parks and Recreation | <u>328,406</u> | <u>251,042</u> | <u>77,364</u> |
| Total Expenditures | <u>2,418,172</u> | <u>2,229,916</u> | <u>188,256</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(536,409)</u> | <u>39,582</u> | <u>575,991</u> |
| Other Financing Sources (Uses) | | | |
| Transfers In: | | | |
| Capital Project Fund | - | - | - |
| Transfers Out: | | | |
| Capital Project Fund | - | - | - |
| Loan Proceeds | - | - | - |
| Sale of Capital Assets | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance Appropriated | <u>536,409</u> | <u>-</u> | <u>(536,409)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>39,582</u> | <u>\$ 39,582</u> |
| Fund Balance - Beginning of Year | | <u>2,103,724</u> | |
| Fund Balance - End of Year | | <u>\$ 2,143,306</u> | |

Nonmajor Governmental Funds

Capital Project Fund

TOWN OF CAPE CARTERET, NORTH CAROLINA

Capital Project Fund - CC Trail

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2021

| | | | Actual | | Totals to Date | Variance Positive (Negative) |
|--|--------------------------|------------------|------------------|------------------|----------------------|------------------------------------|
| | Project Authorization | Prior Year | Current Year | | | |
| Revenues | | | | | | |
| Donations | \$ 25,463 | \$ 223,525 | \$ 4,055 | \$ 227,580 | \$ 202,117 | |
| Investment Earnings | - | 8 | - | 8 | 8 | |
| Total Revenues | <u>25,463</u> | <u>223,533</u> | <u>4,055</u> | <u>227,588</u> | <u>202,125</u> | |
| Expenditures | | | | | | |
| Engineering | 35,933 | 55,759 | - | 55,759 | (19,826) | |
| Surveying | 25,482 | 19,682 | 1,630 | 21,312 | 4,170 | |
| Construction | 89,048 | 214,545 | (4) | 214,541 | (125,493) | |
| Other Operating | - | 86 | - | 86 | (86) | |
| Total Expenditures | <u>150,463</u> | <u>290,072</u> | <u>1,626</u> | <u>291,698</u> | <u>(141,235)</u> | |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(125,000)</u> | <u>(66,539)</u> | <u>2,429</u> | <u>(64,110)</u> | <u>60,890</u> | |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in: | | | | | | |
| General Fund | 125,000 | 125,000 | - | 125,000 | - | |
| Total Other Financing Sources (Uses) | <u>125,000</u> | <u>125,000</u> | <u>-</u> | <u>125,000</u> | <u>-</u> | |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ 58,461</u> | <u>2,429</u> | <u>\$ 60,890</u> | <u>\$ 60,890</u> | |
| Fund Balance - Beginning | | | <u>58,461</u> | | | |
| Fund Balance - Ending | | | <u>\$ 60,890</u> | | | |

Other Schedules

TOWN OF CAPE CARTERET, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2021

| Fiscal Year | Uncollected Balance 7-1-20 | Additions and Adjustments | Collections and Credits | Uncollected Balance 6-30-21 |
|--------------------|---|--|--|--|
| 2020-21 | \$ - | \$ 951,381 | \$ 943,949 | \$ 7,432 |
| 2019-20 | 8,703 | - | 5,893 | 2,810 |
| 2018-19 | 3,130 | - | 1,820 | 1,310 |
| 2017-18 | 1,643 | - | 1,486 | 157 |
| 2016-17 | 3,203 | - | 2,298 | 905 |
| 2015-16 | 303 | - | - | 303 |
| 2014-15 | 105 | - | - | 105 |
| 2013-14 | 473 | - | - | 473 |
| 2012-13 | 334 | - | - | 334 |
| 2011-12 | - | - | - | - |
| 2010-11 | - | - | - | - |
| | <u>\$ 17,894</u> | <u>\$ 951,381</u> | <u>\$ 955,446</u> | 13,829 |

Less: Allowance for Uncollectible Accounts:

General Fund

1,400

Ad Valorem Taxes Receivable - Net

\$ 12,429Reconciliation with Revenues

Ad Valorem Taxes - General Fund

960,834

Reconciling Items:

Interest and Penalties Collected

(4,162)

Taxes Released/Adjustments

(1,226)

Taxes Written Off

-

Total Collections and Credits

\$ 955,446

TOWN OF CAPE CARTERET, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2021

| | Town-Wide | | | Total Levy | |
|---|-----------------------|----------------|-------------------|--|---------------------------|
| | Property Valuation | Rate Per \$100 | Amount of Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | | |
| Property Taxed at | | | | | |
| Current Year's Rate | \$ 448,606,113 | 0.2125 | \$ 953,288 | \$ 867,152 | \$ 86,136 |
| Penalties | - | | 1,054 | 1,054 | - |
| | <u>448,606,113</u> | | <u>954,342</u> | <u>868,206</u> | <u>86,136</u> |
| Discoveries: | | | | | |
| Current Year Taxes | - | 0.2125 | - | - | - |
| Penalties | - | | - | - | - |
| | <u>-</u> | | <u>-</u> | <u>-</u> | <u>-</u> |
| Abatements: | | | | | |
| Property Taxes - | | | | | |
| Current Year's Rate | (1,393,426) | 0.2125 | \$ (2,961) | (2,961) | - |
| | <u>(1,393,426)</u> | | <u>(2,961)</u> | <u>(2,961)</u> | <u>-</u> |
| Total Property Valuations | <u>\$ 447,212,687</u> | | | | |
| Net Levy | | | 951,381 | 865,245 | 86,136 |
| Uncollected Taxes at June 30, 2021 | | | <u>7,432</u> | <u>7,432</u> | <u>-</u> |
| Current Year's Taxes Collected | | | <u>\$ 943,949</u> | <u>\$ 857,813</u> | <u>\$ 86,136</u> |
| Current Levy Collection Percentage | | | <u>99.22%</u> | <u>99.14%</u> | <u>100.00%</u> |



COMPLIANCE SECTION

**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based
On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditor's Report

To the Honorable Mayor
And Members of Board of Commissioners
Town of Cape Carteret, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cape Carteret, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Cape Carteret's basic financial statements, and have issued our report thereon dated January 18, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

W Greene PLLC

Whiteville, North Carolina
January 18, 2022

TOWN OF CAPE CARTERET, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2021

| |
|--|
| SECTION I. SUMMARY OF AUDITOR'S RESULTS |
|--|

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(s)

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

TOWN OF CAPE CARTERET, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2021

| |
|---|
| SECTION II. FINANCIAL STATEMENT FINDINGS |
|---|

None Reported

Mayor William Baker
Commissioner Steve Martin
Commissioner Mike King
Commissioner Jim Nalitz



102 Dolphin Street
Cape Carteret, NC 28584

Mayor Pro-tem Don Miller
Commissioner Jeff Waters
Town Manager Zachary Steffey
Town Attorney Brett DeSelms

Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

| |
|---|
| SECTION II. FINANCIAL STATEMENT FINDINGS |
|---|

None Reported.

TOWN OF CAPE CARTERET, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2021

Finding: 2020-01

Status: Corrected.

