

REVIEWED

By SLGFD at 9:31 am, Feb 15, 2022

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2021



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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carolina Shores, North Carolina, as of and for the year ended June 30, 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2022 on our consideration of Town of Carolina Shores' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Carolina Shores' internal control over financial reporting and compliance.

W Greene, PLLC

Whiteville, North Carolina
January 19, 2022

As management of the Town of Carolina Shores, we offer readers of the Town of Carolina Shores' financial statements this narrative overview and analysis of the financial activities of the Town of Carolina Shores for the fiscal year ended June 30, 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

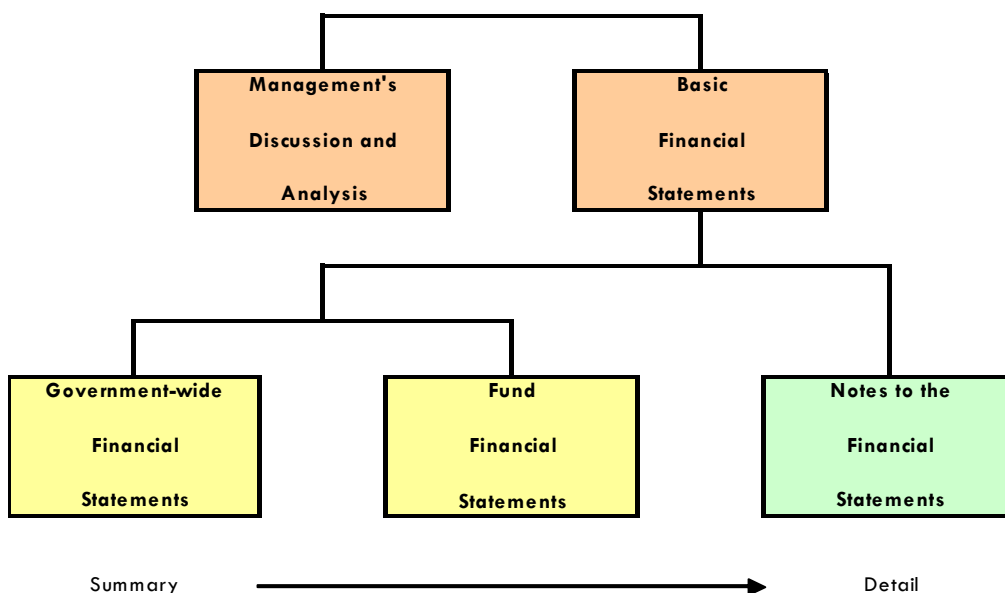
- The assets and deferred outflows of resources of the Town of Carolina Shores exceeded its liabilities and deferred inflows at the close of the fiscal year by \$6,901,712 (net position).
- The government's total net position increased by \$683,434, primarily due to an increase in revenues in the governmental activities.
- As of the close of the current fiscal year, the Town of Carolina Shores' governmental funds reported combined ending fund balances of \$3,526,029 with a net increase of \$1,271,601 in fund balance. Approximately 7.33 percent of this total amount, or \$258,330, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,107,999, or 154.38 percent of total general fund expenditures for the fiscal year.
- The Town of Carolina Shores' total debt increased by \$367,219 during the current fiscal year. The Town's debt consists of accrued vacation, postemployment benefits and the Local Government Employees Retirement accrual. The largest increase, in the amount of \$243,056, was in the post-employment benefit liability.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (pages 22 through 26) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements, and the 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27 through 50 of this report.

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

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

Government-Wide Financial Analysis

Town of Carolina Shores' Net Position

Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 3,532,928	\$ 2,260,850
Capital assets	4,086,906	4,506,503
Deferred outflows of resources	422,327	226,546
Total assets and deferred outflows of resources	8,042,161	6,993,899
Long-term liabilities outstanding	1,127,452	760,233
Other liabilities	-	-
Deferred inflows of resources	12,997	15,388
Total liabilities and deferred inflows of resources	1,140,449	775,621
Net position:		
Net investment in capital assets	4,086,906	4,506,503
Restricted	258,330	234,739
Unrestricted	2,556,476	1,477,036
Total net position	\$ 6,901,712	\$ 6,218,278

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Carolina Shores exceeded liabilities and deferred inflows by \$6,901,712 as of June 30, 2021. The Town's net position increased by \$683,434 for the fiscal year ended June 30, 2021. However, the largest portion (59.22%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Carolina Shores uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Carolina Shores' net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Carolina Shores' net position, \$258,330, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,556,476 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 99.21%. The statewide average in fiscal year 2021 was 98.96%.

The Town of Carolina Shores' Changes in Net Position

Figure 3

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 748,125	\$ 325,810
Operating grants and contributions	249,880	293,429
Capital grants and contributions	-	-
General Revenues		
Property taxes	596,113	581,115
Other taxes	1,505,985	1,329,530
Other	185,244	91,260
Total revenues	3,285,347	2,621,144
Expenses:		
General Government	691,151	770,964
Public Safety	469,461	454,361
Transportation	1,157,247	1,450,425
Economic and Physical Development	111,351	88,227
Environmental Protection	159,956	177,560
Cultural and Recreation	12,747	1,779
Total expenses	2,601,913	2,943,316
Increase(Decrease) in net position before transfers	683,434	(322,172)
Transfers	-	-
Change in net position	683,434	(322,172)
Beginning Net Position	6,218,278	6,540,450
Net position, June 30	\$ 6,901,712	\$ 6,218,278

Governmental activities. Governmental activities increased the Town's net position by \$683,434, thereby accounting for 100% of the total increase in the net position of the Town of Carolina Shores. Key elements of this increase are as follows:

- Increase in revenues from property and other taxes and also charges for services.
- Decrease in total expenses

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Carolina Shores. At the end of the current fiscal year, Town of Carolina Shores' fund balance available in the General fund was \$3,267,699 while total fund balance reached \$3,526,029. The Town currently has an available fund balance of 162.31% of general fund expenditures, while the total balance represents 175.14% of the same amount.

At June 30, 2021, the governmental funds of Town of Carolina Shores reported a combined fund balance of \$3,526,029 with a net increase in fund balance of \$1,271,601.

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

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

Capital Asset and Debt Administration

Capital assets. The Town of Carolina Shores' investment in capital assets for its governmental activities as of June 30, 2021, totals \$4,086,906 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

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

- Machinery and equipment acquisition of \$89,783.

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

Figure 4

	Governmental Activities	
	2021	2020
Land	\$ 611,975	\$ 611,975
Buildings	837,731	865,306
Machinery and Equipment	553,198	535,401
Furniture and Fixtures	5,379	8,800
Infrastructure	1,986,989	1,916,353
Construction in Progress	-	429,925
Vehicles	91,634	138,743
Total	\$ 4,086,906	\$ 4,506,503

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

Long-term Debt. As of June 30, 2021, the Town of Carolina Shores had total debt outstanding of \$1,127,452. Of this, \$-0- is debt backed by the full faith and credit of the Town of Carolina Shores.

The Town of Carolina Shores' Outstanding Debt

Figure 5

	Governmental Activities	
	2021	2020
Compensated absences	\$ 40,372	\$ 24,012
Pension related debt (LRS)	363,417	255,614
Total OPEB Liability	723,663	480,607
Total	\$ 1,127,452	\$ 760,233

Town of Carolina Shores Outstanding Debt

The Town of Carolina Shores' total debt increased by \$367,219 during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Carolina Shores is \$46,963,741. The Town of Carolina Shores does not have any authorized but un-issued debt at June 30, 2021.

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

Economic Factors and Next Year's Budgets and Rates

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

- Low tax rate
- Increased level of building activity

Budget Highlights for the Fiscal Year Ending June 30, 2022

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

Requests for Information

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

Lori Frye
Finance Officer
Town of Carolina Shores
200 Persimmon Road
Carolina Shores, North Carolina 28467
(910) 575-4877
www.townofcarolinashores.com
csth@atmc.net

Basic Financial Statements

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Statement of Net Position

June 30, 2021

	Primary Government Governmental Activities	Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,267,699	\$ 3,267,699
Receivables (net):		
Ad Valorem Taxes	6,434	6,434
Interest	465	465
Accounts	-	-
Due from Other Governments	258,330	258,330
		-
Total Current Assets	3,532,928	3,532,928
Noncurrent Assets:		
Capital Assets		
Land, Nondepreciable Improvements, and Construction in Progress	611,975	611,975
Other Capital Assets, Net of Depreciation	3,474,931	3,474,931
		-
Total Noncurrent Assets	4,086,906	4,086,906
Total Assets	7,619,834	7,619,834
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	222,984	222,984
OPEB Deferrals	199,343	199,343
		-
Total Deferred Outflows of Resources	\$ 422,327	\$ 422,327

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2021

	Primary Government Governmental Activities	Total
LIABILITIES		
Current Liabilities:		
Accounts Payable and		
Accrued Liabilities	\$ -	\$ -
Current Portion of Long-Term Liabilities	-	-
Total Current Liabilities	-	-
Long-Term Liabilities:		
Net Pension Liability	363,417	363,417
Total OPEB Liability	723,663	723,663
Due in More Than One year	40,372	40,372
Total Liabilities	1,127,452	1,127,452
DEFERRED INFLOWS OF RESOURCES		
Pension Deferrals	-	-
OPEB Deferrals	12,997	12,997
Total Deferred Inflows of Resources	12,997	12,997
NET POSITION		
Net Investment in Capital Assets	4,086,906	4,086,906
Restricted for:		
Transportation	-	-
Stabilization by State Statute	258,330	258,330
Unrestricted	2,556,476	2,556,476
Total Net Position	\$ 6,901,712	\$ 6,901,712

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2021

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs	Expenses			
Primary Government:				
Governmental Activities:				
General Government	\$ 691,151	\$ -	\$ -	\$ -
Public Safety	469,461	748,125	136,910	-
Transportation	1,157,247	-	110,031	-
Economic and Physical Development	111,351	-	-	-
Environmental Protection	159,956	-	2,939	-
Cultural and Recreation	12,747	-	-	-
Total Governmental Activities	2,601,913	748,125	249,880	-
Total Primary Government	\$ 2,601,913	\$ 748,125	\$ 249,880	\$ -

TOWN OF CAROLINA SHORES, 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	\$ (691,151)	\$ (691,151)
Public Safety	415,574	415,574
Transportation	(1,047,216)	(1,047,216)
Economic and Physical Development	(111,351)	(111,351)
Environmental Protection	(157,017)	(157,017)
Cultural and Recreation	(12,747)	(12,747)
Total Governmental Activities	(1,603,908)	(1,603,908)
Total Primary Government	(1,603,908)	(1,603,908)
General Revenues:		
Property Taxes, Levied for General Purpose	596,113	596,113
Other Taxes and Licenses	1,505,985	1,505,985
Investment Earnings	3,486	3,486
Miscellaneous	181,758	181,758
Transfers	-	-
Total General Revenues and Transfers	2,287,342	2,287,342
Change in Net Position	683,434	683,434
Net Position - Beginning	6,218,278	6,218,278
Net Position - End of Year	\$ 6,901,712	\$ 6,901,712

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2021

	Major Fund		Total Governmental Funds	
	General Fund			
ASSETS				
Cash and Cash Equivalents	\$	3,267,699	\$	3,267,699
Restricted Cash		-		-
Receivables (net):				
Ad Valorem Taxes		6,434		6,434
Sanitation		-		-
Due from Other Governments		258,330		258,330
Total Assets		3,532,463		3,532,463
LIABILITIES				
Accounts Payable and				
Accrued Liabilities		-		-
Total Liabilities		-		-
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Receivable		6,434		6,434
Total Deferred Inflows of Resources		6,434		6,434
FUND BALANCES				
Restricted				
Stabilization by State Statute		258,330		258,330
Streets		-		-
Assigned				
Subsequent Year's Expenditures:		159,700		159,700
Unassigned		3,107,999		3,107,999
Total Fund Balances		3,526,029		3,526,029
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	3,532,463	\$	3,532,463

TOWN OF CAROLINA SHORES, 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		\$ 3,526,029
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	\$ 8,909,900	
Accumulated depreciation	<u>(4,822,994)</u>	4,086,906
Deferred outflows of resources related to pensions are not reported in the funds	<u>222,984</u>	222,984
Deferred outflows of resources related to OPEB are not reported in the funds	<u>199,343</u>	199,343
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>465</u>	465
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes	<u>6,434</u>	6,434
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment purchases and General Obligation Bond	-	
Compensated absences	(40,372)	
Total pension liability	-	
Net pension liability	(363,417)	
Total OPEB liability	<u>(723,663)</u>	(1,127,452)
Pension and OPEB related deferrals		<u>(12,997)</u>
 Net position of governmental activities		 <u><u>\$ 6,901,712</u></u>

TOWN OF CAROLINA SHORES, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Fund		Total	
	General		Governmental	
	Fund		Funds	
Revenues				
Ad Valorem Taxes	\$	595,636	\$	595,636
Other Taxes and Licenses		3,350		3,350
Unrestricted Intergovernmental		1,502,635		1,502,635
Restricted Intergovernmental		249,880		249,880
Permits and Fees		748,125		748,125
Sales and Services		-		-
Investment Earnings		3,486		3,486
Miscellaneous		181,758		181,758
Total Revenues		<u>3,284,870</u>		<u>3,284,870</u>
Expenditures				
Current				
General Government		612,014		612,014
Public Safety		409,151		409,151
Transportation		746,987		746,987
Economic and Physical Development		53,569		53,569
Environmental Protection		99,766		99,766
Cultural and Recreation		1,999		1,999
Capital Outlay				
Public Safety		-		-
Cultural and Recreation		-		-
Streets		-		-
Economic and Physical Development		89,783		89,783
Total Expenditures		<u>2,013,269</u>		<u>2,013,269</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>1,271,601</u>		<u>1,271,601</u>
Other Financing Sources (Uses)				
Installment Purchase Obligations Issued		-		-
Total Other Financing Sources (Uses)		<u>-</u>		<u>-</u>
Net Change in Fund Balance		1,271,601		1,271,601
Fund Balance - Beginning of Year		<u>2,254,428</u>		<u>2,254,428</u>
Fund Balance - End of Year	\$	<u>3,526,029</u>	\$	<u>3,526,029</u>

TOWN OF CAROLINA SHORES, NORTH CAROLINA

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

Governmental Funds

For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 1,271,601
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	89,783	
Depreciation expense	(509,380)	
Unrecovered cost of assets sold	-	(419,597)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	73,200	73,200
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OPEB Benefit payments paid and administrative costs made in the current fiscal year are not included on the Statement of Activities	-	-
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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	603	
Interest earned on ad valorem taxes	(126)	477

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

Debt issuance	-	
Debt retirement	-	-

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

Pension Expense	(138,365)	
OPEB Plan Expense	(87,522)	
Compensated absences	(16,360)	(242,247)

Total changes in net position of governmental activities	\$ 683,434
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TOWN OF CAROLINA SHORES, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 550,000	\$ 550,000	\$ 595,636	\$ 45,636
Other Taxes and Licenses	-	3,000	3,350	350
Unrestricted Intergovernmental	1,080,000	1,147,500	1,502,635	355,135
Restricted Intergovernmental	115,000	117,000	249,880	132,880
Permits and Fees	178,000	283,000	748,125	465,125
Investment Earnings	-	25,000	3,486	(21,514)
Miscellaneous	157,000	100,000	181,758	81,758
Total Revenues	2,080,000	2,225,500	3,284,870	1,059,370
Expenditures				
General Government	624,200	672,200	612,014	60,186
Public Safety	406,000	498,000	409,151	88,849
Transportation	846,000	846,000	746,987	99,013
Economic and Physical Development	242,600	243,600	143,352	100,248
Environmental Protection	104,500	109,000	99,766	9,234
Cultural and Recreation	6,700	6,700	1,999	4,701
Contingency	100,000	100,000	-	100,000
Total Expenditures	2,330,000	2,475,500	2,013,269	462,231
Revenues Over (Under) Expenditures	(250,000)	(250,000)	1,271,601	1,521,601
Other Financing Sources (Uses)				
Installment Purchase Obligations Issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(250,000)	(250,000)	1,271,601	1,521,601
Appropriated Fund Balance	250,000	250,000	-	(250,000)
Net Change in Fund Balance	\$ -	\$ -	1,271,601	\$ 1,271,601
Fund Balance - Beginning of Year			2,254,428	
Fund Balance - End of Year			\$ 3,526,029	

TOWN OF CAROLINA SHORES, 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 Carolina Shores conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on the major governmental funds.

The Town reports the following major governmental fund:

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

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 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 Carolina Shores because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

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

1. Deposits and Investments

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

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

4. Allowances for Doubtful Accounts

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

5. Capital Assets

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred Outflows/Inflows of Resources

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

7. Long-Term Obligations

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

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

8. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. All of the vacation hours accumulated at December 31 of each year above the limit of 30 is added to sick leave. For the Town's government-wide statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

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

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Assets/Fund Balances (Continued)

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

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

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

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

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

The Town of Carolina Shores has not adopted a formal fund balance policy. It has decided to follow the general guidance in Governmental Accounting Standards #54 regarding the spending order of unrestricted fund balance. Fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

10. Defined Benefit Cost-Sharing Plans

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

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

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

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

At June 30, 2021, the Town's deposits had a carrying amount of \$2,338,052 and a bank balance of \$2,534,337. Of the bank balance, \$457,492 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2021, the Town of Carolina Shores had \$929,647 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

2. Receivables - Allowances for Doubtful Accounts

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

Fund	06/30/2021
General Fund:	
Taxes receivable	\$ 700
Total General Fund	\$ 700

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

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

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 611,975	\$ -	\$ -	\$ 611,975
Construction in Progress	429,925	-	429,925	-
Total capital assets not being depreciated	1,041,900	-	429,925	611,975
Capital assets being depreciated:				
Buildings	1,289,342	-	-	1,289,342
Equipment	866,423	89,783	-	956,206
Furniture & Fixtures	52,258	-	-	52,258
Vehicles	337,185	-	-	337,185
Infrastructure	5,233,009	429,925	-	5,662,934
Total capital assets being depreciated	7,778,217	519,708	-	8,297,925
Less accumulated depreciation for:				
Buildings	424,036	27,575	-	451,611
Equipment	331,022	71,986	-	403,008
Furniture & Fixtures	43,458	3,421	-	46,879
Vehicles	198,442	47,109	-	245,551
Infrastructure	3,316,656	359,289	-	3,675,945
Total accumulated depreciation	4,313,614	509,380	-	4,822,994
Total capital assets being depreciated, net	3,464,603			3,474,931
Governmental activity capital assets, net	\$ 4,506,503			\$ 4,086,906

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

General Government	\$ 29,098
Public Safety	11,362
Transportation	340,200
Economic & Physical Development	57,782
Cultural and Recreation	10,748
Environmental Protection	60,190
Total Depreciation Expense	<u>\$ 509,380</u>

TOWN OF CAROLINA SHORES, 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 Carolina Shores is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Carolina Shores employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Carolina Shores' contractually required contribution rate for the year ended June 30, 2021, was 0.00% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Carolina Shores were \$73,200 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 \$363,417 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 0.01017%, which was an increase of 0.00081% from its proportion measured as of June 30, 2019.

TOWN OF CAROLINA SHORES, 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 \$138,365. 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	\$ 45,893	\$ -
Changes of assumptions	27,045	-
Net difference between projected and actual earnings on pension plan investments	51,141	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	25,705	-
Town contributions subsequent to the measurement date	73,200	-
Total	<u>\$ 222,984</u>	<u>\$ -</u>

\$73,200 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	\$ 45,775
2023	56,040
2024	32,833
2025	15,136
2026	-
Thereafter	-
	<u>\$ 149,784</u>

TOWN OF CAROLINA SHORES, 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)

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

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

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

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

TOWN OF CAROLINA SHORES, 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)**

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 LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 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)	\$ 737,334	\$ 363,417	\$ 52,666

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 CAROLINA SHORES, 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**

During the year ended June 30, 2021, the Town did not employ any police officers and therefore does not have any employees who are participants in the Local Law Enforcement Special Separation Allowance retirement plan.

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

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

	LGERS	Total
Pension Expense	\$ 138,365	\$ 138,365
Pension Liability	363,417	363,417
Proportionate share of the net pension liability	0.01017%	
Deferred Outflows of Resources		
Differences between expected and actual experience	45,893	45,893
Changes of assumptions	27,045	27,045
Net difference between projected and actual earnings on plan investments	51,141	51,141
Changes in proportion and differences between contributions and proportionate share of contributions	25,705	25,705
Benefit payments and administrative costs paid subsequent to the measurement date	73,200	73,200
Deferred Inflows of Resources		
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 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. Also, the law enforcement officers may make voluntary contributions to the plan. As of June 30, 2021, the Town employed no law enforcement officers.

The Town has elected for all employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan beginning July 1, 2008. Total contributions for the year ended June 30, 2021 were \$37,458, which consisted of \$15,913 from the Town and \$21,545 from the employees. No amounts were forfeited.

d. Other Post-Employment Benefits

Healthcare Benefits

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

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****d. Other Post-Employment Benefits (Continued)**

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

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

Total OPEB Liability

The Town's total OPEB liability of \$723,663 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

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

Inflation	2.50 percent
Salary increases	3.50 - 7.75 percent, average, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	7.00 percent for Pre-Medicare Medical & Prescription Drugs 5.00 percent for Medicare Medical & Prescription Drugs

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

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****d. Other Post-Employment Benefits (Continued)****Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at July 1, 2020	\$ 480,607
Changes for the year	
Service Cost	49,183
Interest	18,542
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	175,331
Benefit payments	-
Net Changes	<u>243,056</u>
Balance at June 30, 2021	<u>\$ 723,663</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Board, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 908,881	\$ 723,663	\$ 582,732

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

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 548,982	\$ 723,663	\$ 967,838

TOWN OF CAROLINA SHORES, 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)****d. Other Post-Employment Benefits (Continued)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the Town recognized OPEB expense of \$87,522. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,699	\$ 1,232
Changes of assumptions	159,644	11,765
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 199,343</u>	<u>\$ 12,997</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2022	\$ 19,797
2023	19,797
2024	19,797
2025	19,797
2026	19,797
Thereafter	87,361
	<u>\$ 186,346</u>

TOWN OF CAROLINA SHORES, 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)****2. Other Employment Benefits**

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

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$	73,200
Differences between expected and actual experience		85,592
Changes of assumptions		186,689
Net difference between projected and actual		51,141
Changes in proportion and differences between employer contributions and proportionate share of contributions		25,705
Total	\$	<u>422,327</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 6,434
Changes in assumptions	11,765	-
Difference between expected and actual experience	1,232	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	\$ 12,997	\$ 6,434

TOWN OF CAROLINA SHORES, 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 of \$2 million per occurrence and auto liability of \$1 million per occurrence, property coverage up to total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$5 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

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

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

5. Claims, Judgements and Contingent Liabilities

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

6. Contracts

The Town has entered a contract with the County of Brunswick for the billing and collection of ad valorem taxes. The County maintains all records and forwards all checks for vehicle taxes and penalties collected and .75% for Town property taxes and penalties collected. For the year ended June 30, 2021, the fee totaled \$4,064.

TOWN OF CAROLINA SHORES, 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)****7. Long-Term Obligations**

At June 30, 2021, the Town had no authorized or unissued bonds and had a legal debt margin of \$46,963,741.

a. Changes in Long-Term Liabilities

	Beginning Balance 7/1/2020	Increases	Decrease	Ending Balance 6/30/2021	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ -	\$ -	\$ -	\$ -	-
Net pension liability (LGERS)	255,614	107,803	-	363,417	-
Total OPEB liability	480,607	243,056	-	723,663	-
Compensated absences	24,012	16,360	-	40,372	-
Governmental activity long-term liabilities	\$ 760,233	\$ 367,219	\$ -	\$ 1,127,452	\$ -

C. Net Investment in Capital Assets

	Governmental
Capital Assets	\$ 4,086,906
less: long-term debt	-
Add: unexpended debt proceeds	-
Net Investment in Capital Assets	\$ 4,086,906

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>	\$ 3,526,029
Less:	
Stabilization by State Statute	258,330
Streets	-
Appropriated Fund Balance in 2021-2022 budget	159,700
Remaining Fund Balance	3,107,999

The Town does not use encumbrances and therefore, does not have any outstanding encumbrances at June 30, 2021.

TOWN OF CAROLINA SHORES, 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. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 19, 2022, which is the date the financial statements were available to be issued.

***Required Supplementary
Financial Data***

TOWN OF CAROLINA SHORES, 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
Carolina Shores' proportion of the net pension liability (asset) (%)	0.01017%	0.00936%	0.00938%	0.00730%	0.00663%	0.00438%	0.00250%	0.00230%
Carolina Shores' proportion of the net pension liability (asset) (\$)	\$ 363,417	\$ 255,614	\$ 222,526	\$ 111,524	\$ 140,711	\$ 19,657	\$ (13,270)	\$ 27,724
Carolina Shores' covered-employee payroll	\$ 744,089	\$ 722,225	\$ 630,155	\$ 475,939	\$ 394,828	\$ 339,374	\$ 310,994	\$ 357,309
Carolina Shores' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.84%	35.39%	35.31%	23.43%	35.64%	5.79%	(4.27%)	7.76%
Plan fiduciary net position as a percentage of the total pension liability**	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 CAROLINA SHORES, NORTH CAROLINA

Town of Carolina Shores' Contributions

Required Supplementary Information

Last Eight Fiscal Years

	Local Government Employees' Retirement System							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 73,200	\$ 66,596	\$ 55,973	\$ 47,262	\$ 34,404	\$ 26,325	\$ 21,060	\$ 19,042
Contributions in relation to the contractually required contribution	73,200	66,596	55,973	47,262	34,404	26,325	21,060	19,042
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Carolina Shores' covered employee payroll	\$ 721,180	\$ 744,089	\$ 722,225	\$ 630,155	\$ 475,939	\$ 394,828	\$ 339,374	\$ 310,994
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	7.50%	7.23%	6.67%	6.21%	6.12%

TOWN OF CAROLINA SHORES, NORTH CAROLINA
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2021

Total OPEB Liability	2021	2020	2019	2018
Service Cost	\$ 49,183	\$ 16,130	\$ 16,577	\$ 17,742
Interest	18,542	6,816	5,749	4,581
Changes of benefit terms	-	231,217	-	-
Differences between expect and actual experience	-	49,369	(1,040)	(965)
Changes of assumptions	175,331	1,847	(7,548)	(12,058)
Benefit payments	-	-	-	-
Net changes in Total OPEB Liability	243,056	305,379	13,738	9,300
Total OPEB Liability - Beginning	480,607	175,228	161,490	152,190
Total OPEB Liability - Ending	\$ 723,663	\$ 480,607	\$ 175,228	\$ 161,490
Covered Payroll	\$ 688,040	\$ 688,040	\$ 433,762	\$ 433,762
Total OPEB Liability as a percentage of covered payroll	105.18%	69.85%	40.40%	37.23%

Notes to Schedule

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

Fiscal Year	Rate
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Major Governmental Funds

General Fund

TOWN OF CAROLINA SHORES, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 595,614	
Penalties and Interest		22	
Total Ad Valorem Taxes	\$ 550,000	595,636	\$ 45,636
Other Taxes and Licenses			
Privilege Licenses		3,350	
Total Other Taxes and Licenses	3,000	3,350	350
Unrestricted Intergovernmental			
Local Option Sales Tax		1,317,829	
Utility Sales Tax		142,043	
Telecommunications Tax		20,609	
Video Franchise Tax		5,481	
Fire District Tax		-	
Beer and Wine Tax		16,673	
Total Unrestricted Intergovernmental	1,147,500	1,502,635	355,135
Restricted Intergovernmental			
Powell Bill Allocation		110,031	
Federal Grants		136,910	
Solid Waste Disposal Tax		2,939	
Total Restricted Intergovernmental	117,000	249,880	132,880
Permits and Fees			
Building Permits		696,875	
Sales of Service (FastTrack)		5,000	
Inspection Fees		17,700	
Zoning Permits		28,550	
Total Permits and Fees	283,000	748,125	465,125
Investment Earnings			
General		3,486	
Total Investment Earnings	25,000	3,486	(21,514)
Miscellaneous			
Other		181,758	
Total Miscellaneous	100,000	181,758	81,758
Total Revenues	2,225,500	3,284,870	1,059,370

TOWN OF CAROLINA SHORES, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Governing Body			
Salaries and Employee Benefits		16,470	
Other Expenditures		240	
Total Governing Body	17,700	16,710	990
Administration			
Salaries and Employee Benefits		370,840	
Other Expenditures		150,353	
Total Administration	568,500	521,193	47,307
Elections			
Other Expenditures		-	
Total Elections	-	-	-
Public Buildings			
Salaries and Employee Benefits		29,886	
Other Expenditures		44,225	
Capital Outlay		-	
Total Public Buildings	86,000	74,111	11,889
Public Safety			
Salaries and Employee Benefits		30,992	
Other Expenditures		60,872	
Capital Outlay		-	
Total Public Safety	129,000	91,864	37,136
Inspections			
Salaries and Employee Benefits		290,481	
Other Expenditures		26,806	
Capital Outlay		-	
Total Inspections	369,000	317,287	51,713
Street Department			
Salaries and Employee Benefits		450,862	
Other Expenditures		186,645	
Capital Outlay		-	
Total Street Department	731,000	637,507	93,493
Powell Bill Funds			
Other Expenditures		109,480	
Total Powell Bill Funds	115,000	109,480	5,520
Sanitation			
Salaries and Employee Benefits		26,710	
Other Expenditures		40,923	
Total Sanitation	72,000	67,633	4,367

TOWN OF CAROLINA SHORES, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Drainage			
Other Expenditures		32,133	
Total Drainage	37,000	32,133	4,867
Planning and Zoning			
Salaries and Employee Benefits		1,938	
Other Expenditures		10,482	
Total Planning and Zoning	15,800	12,420	3,380
Economic Development			
Salaries and Employee Benefits		-	
Other Expenditures		5,280	
Total Economic Development	9,500	5,280	4,220
Capital Projects			
Other Expenditures		35,869	
Capital Outlay		89,783	
Total Capital Projects	218,300	125,652	92,648
Cultural and Recreation			
Salaries and Employee Benefits		-	
Other Expenditures		1,999	
Capital Outlay		-	
Total Cultural and Recreation	6,700	1,999	4,701
Contingency	100,000	-	100,000
Total Expenditures	2,475,500	2,013,269	462,231
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,000)	1,271,601	1,521,601
Other Financing Sources (Uses)			
Installment Purchase Obligations Issued	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Fund Balance Appropriated	250,000	-	(250,000)
Net Change in Fund Balance	<u>\$ -</u>	1,271,601	<u>\$ 1,271,601</u>
Fund Balance - Beginning of Year		<u>2,254,428</u>	
Fund Balance - End of Year		<u><u>\$ 3,526,029</u></u>	

Other Schedules

TOWN OF CAROLINA SHORES, 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	\$ -	\$ 596,468	\$ 591,730	\$ 4,738
2019-20	3,649	-	2,695	954
2018-19	1,531	-	872	659
2017-18	167	-	152	15
2016-17	199	-	88	111
2015-16	24	-	4	20
2014-15	48	-	12	36
2013-14	243	-	12	231
2012-13	197	-	12	185
2011-12	197	-	12	185
2010-11	176	-	176	-
	<u>\$ 6,431</u>	<u>\$ 596,468</u>	<u>\$ 595,765</u>	<u>7,134</u>

Less: Allowance for Uncollectible Accounts:

General Fund

700

Ad Valorem Taxes Receivable - Net

\$ 6,434Reconciliation with Revenues

Ad Valorem Taxes - General Fund

595,636

Reconciling Items:

Interest and Penalties Collected

(22)

Taxes Released

-

Taxes Written Off

151

Total Collections and Credits

\$ 595,765

TOWN OF CAROLINA SHORES, 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	\$ 586,203,219	0.1016	\$ 595,582	\$ 539,913	\$ 55,669
Penalties			29	29	-
	<u>586,203,219</u>		<u>595,611</u>	<u>539,942</u>	<u>55,669</u>
Discoveries:					
Current Year Taxes	1,052,785	0.1016	1,070	1,070	-
Penalties	-		-	-	-
	<u>1,052,785</u>		<u>1,070</u>	<u>1,070</u>	<u>-</u>
Abatements:					
Property Taxes -					
Current Year's Rate	(209,242)	0.1016	\$ (213)	(213)	-
	<u>(209,242)</u>		<u>(213)</u>	<u>(213)</u>	<u>-</u>
Total Property Valuations	<u>\$ 587,046,762</u>				
Net Levy			596,468	540,799	55,669
Uncollected Taxes at June 30, 2021			4,738	4,738	-
Current Year's Taxes Collected			<u>\$ 591,730</u>	<u>\$ 536,061</u>	<u>\$ 55,669</u>
Current Levy Collection Percentage			<u>99.21%</u>	<u>99.12%</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 the Board of Commissioners
Town of Carolina Shores, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Carolina Shores, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Carolina Shores' basic financial statements, and have issued our report thereon dated January 19, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

W Greene, PLLC

Whiteville, North Carolina
January 19, 2022

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Significant deficiency(s)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2021

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported

TOWN OF CAROLINA SHORES NORTH CAROLINA

200 Persimmon Road
Carolina Shores, NC 28467



Phone: 910-575-4877
Fax: 910-575-4812

Town of Carolina Shores, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2021

SECTION II. FINANCIAL STATEMENT FINDINGS
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None Reported.

TOWN OF CAROLINA SHORES, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2021

None Reported.

