

REVIEWED

By SLGFD at 8:35 am, Dec 02, 2021

Town of Caswell Beach, North Carolina
Caswell Beach, North Carolina
Financial Statements
June 30, 2021

Town of Caswell Beach, North Carolina
Financial Statements
June 30, 2021

Mayor
Deborah Ahlers

Town Council

| | |
|-------------------|-------------------|
| Ken Hudson | Martha J. Hardy |
| Daniel J. O'Neill | George F. Kassler |
| Martyn Clarke | |

Town Administrator / Finance Officer / Town Clerk

Jeff Griffin

Assistant Finance Officer

Christy L. Fox

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Financial Section



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Alan W. Thompson, CPA
R. Byron Scott, CPA
Gregory S. Adams, CPA

Independent Auditors' Report

To the Honorable Mayor and
Members of the Town Council
Caswell Beach, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Caswell Beach, 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.

Auditors' 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. 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 Caswell Beach, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, the Accommodations Tax Fund, and the Beach Renourishment Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members
American Institute of CPAs – N.C. Association of CPAs – AICPA Division of Firms

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9, the Local Government Employees' Retirement Systems' Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability and Schedule of Pension Liability as a percentage of covered payroll on pages 38 through 41 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 Caswell Beach, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2021 on our consideration of the Town of Hope Mills' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Hope Mills' internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co, P.A.
October 29, 2021

Management Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Caswell Beach (the "Town"), we offer readers of the Town of Caswell Beach financial statements this narrative overview and analysis of the financial activities of the Town of Caswell Beach 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

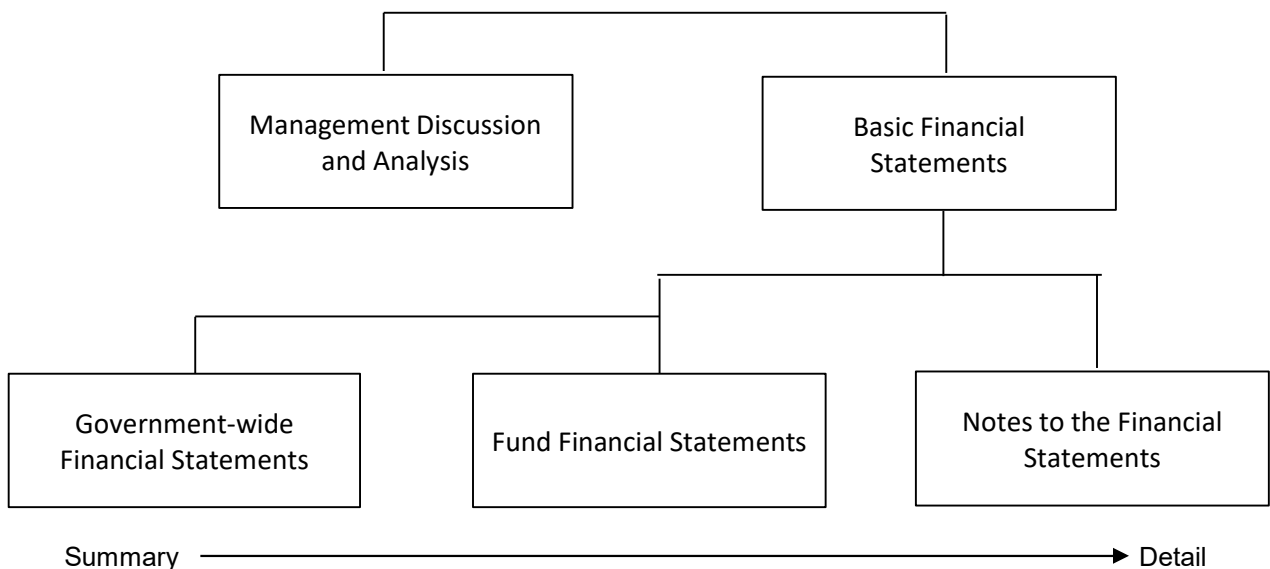
- The assets and deferred outflows of resources of the Town of Caswell Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,612,706 (net position).
- The government's total net position increased by \$462,972.
- As of the close of the current fiscal year, the Town of Caswell Beach's governmental funds reported combined ending fund balances of \$3,344,040, an increase of \$483,427 in comparison with the prior year. Approximately 15 percent of this total amount, or \$498,741, is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$360,350 or approximately 20.92 percent of total general fund expenditures and transfers out for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 5) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds. Budgetary information required by the 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 they have 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 gage the Town's financial condition.

The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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

Fund Financial Statements

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

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

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

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 follow directly behind the basic financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Caswell Beach's progress in funding its obligation to provide pension benefits to its employees.

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 Caswell Beach's Net Position

Figure 2

| | Governmental Activities | |
|-----------------------------------|----------------------------|--------------|
| | 2021 | 2020 |
| Current and other assets | \$ 3,417,954 | \$ 2,927,645 |
| Capital assets | 5,811,371 | 5,878,092 |
| Total assets | 9,229,325 | 8,805,737 |
| Deferred outflows of resources | 209,311 | 113,074 |
| Long-term liabilities outstanding | 667,149 | 609,086 |
| Other liabilities | 155,017 | 152,046 |
| Total liabilities | 822,165 | 761,132 |
| Deferred inflows of resources | 3,765 | 7,945 |
| Net position: | | |
| Net investment in capital assets | 5,475,172 | 5,462,777 |
| Restricted | 498,741 | 43,668 |
| Unrestricted | 2,638,793 | 2,643,289 |
| Total net position | \$ 8,612,706 | \$ 8,149,734 |

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 Caswell Beach exceeded liabilities and deferred inflows by \$8,612,706 as of June 30, 2021. The Town's net position increased by \$462,972 for the fiscal year ended June 30, 2021. However, the largest portion, \$5,475,172, reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment). The Town of Caswell Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Caswell Beach's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Caswell Beach's net position, \$498,741, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,638,793 is unrestricted.

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 99.74%.

Town of Caswell Beach's Changes in Net Position

Figure 3

| | Governmental Activities | |
|-------------------------------------|----------------------------|--------------|
| | 2021 | 2020 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 12,370 | \$ 31,672 |
| Operating grants and contributions | 9,489 | 256,352 |
| General revenues: | | |
| Property taxes | 775,434 | 684,770 |
| Other taxes | 757,049 | 531,577 |
| Other | 99,860 | 9,519 |
| Total revenues | 2,267,663 | 1,513,890 |
| Expenses: | | |
| General government | 730,977 | 712,493 |
| Public safety | 439,384 | 428,027 |
| Transportation | 8,146 | 8,146 |
| Economic development | 6,575 | 5,753 |
| Environmental protection | 615,277 | 222,830 |
| Culture and recreation | 4,332 | 51,429 |
| Total expenses | 1,804,691 | 1,428,678 |
| Increase (decrease) in net position | 462,972 | 85,212 |
| Net position, July 1 | 7,999,763 | 7,914,551 |
| Net position, June 30 | \$ 8,462,735 | \$ 7,999,763 |

Governmental Activities. Governmental activities increased the Town's net position by \$462,972, thereby accounting for 100% of the total increase in the net position of the Town of Caswell Beach. Key elements of this increase are as follows:

- The Town maintained a very high collection rate for property taxes assessed.
- Increase in property tax revenue

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Caswell Beach. At the end of the current fiscal year, Town of Caswell Beach's fund balance available in the General Fund was \$360,350 while total fund balance reached \$858,436. The Town currently has an available fund balance of 20.92% of general fund expenditures, while total fund balance represents 49.83% of the same amount.

At June 30, 2021, the governmental funds of the Town of Caswell Beach reported a combined fund balance of \$3,344,040 with a net increase in fund balance of \$483,427. Included in this change in fund balance are an increase in the General fund, Accommodations Tax and Beach Renourishment fund balances.

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.

The budgetary amendments for FY 20-21 were due to necessary increases in appropriations in order to meet and maintain service needs of the Town's departments.

Capital Assets and Debt Administration

Capital Assets. The Town of Caswell Beach's investment in capital assets for its governmental activities as of June 30, 2021, totals \$5,811,371 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions:

- Solar powered message sign and speed radar

Town of Caswell Beach's Capital Assets
(net of depreciation)
Figure 4

| | Governmental Activities | |
|---------------------------------------|----------------------------|---------------------|
| | 2021 | 2020 |
| Land, including easements | \$ 3,563,803 | \$ 3,563,803 |
| Construction in progress | - | - |
| Buildings and systems | 1,800,556 | 1,847,221 |
| Infrastructure and other improvements | 364,382 | 378,489 |
| Equipment | 26,366 | 16,969 |
| Vehicles and motorized equipment | 56,264 | 71,610 |
| Total | <u>\$ 5,811,371</u> | <u>\$ 5,878,092</u> |

Additional information on the Town's capital assets can be found in note III.A.4. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town of Caswell Beach had debt of \$336,199, which is an installment purchase agreement.

| | Governmental Activities | |
|---|----------------------------|-------------------|
| | 2021 | 2020 |
| Direct placement installment purchase | \$ 336,199 | \$ 415,315 |
| Net pension liability (LGERS) | 222,267 | 171,502 |
| Total pension liability (LEO) | 171,606 | 76,368 |
| Compensated absences | 18,377 | 28,540 |
| Accrued payroll on Compensated Absences | 3,213 | 4,816 |
| Total | <u>\$ 751,662</u> | <u>\$ 696,541</u> |

Town of Caswell Beach's Outstanding Debt. The Town of Caswell Beach's total debt increased by \$56,724 during the current fiscal year. The key factors in this increase were an increase of \$50,765 in the net pension liability for the Local Government Employees Retirement System (LGERS) and increase in the total pension liability (LEO) \$95,238. Increases were offset by planned debt service principal payments of \$79,116, and a decrease in compensated absences of \$10,163.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Caswell Beach is \$25,519,068.

Additional information regarding the Town of Caswell Beach can be found in Note III. B. 6.

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2022

The Town of Caswell Beach is small municipality with a year-round population of around 400. Of the citizens that live within the municipal boundaries, the population is mostly retired or working remotely. The remaining property owners tend to rent their homes through several of the local property management companies or Airbnb-type arrangements.

Economic Outlook. The Town of Caswell Beach, located in Brunswick County, is a small community with a year-round population of 400. Most residential properties belong to first home retirees or second homes for persons living within North Carolina. Proportionally, ad valorem revenue makes up most of the funding for Town operations. Other significant sources of income are derived from seasonal rental properties through accommodation taxes. There is one commercial (business) consisting of a golf course and clubhouse that hosts a full-service restaurant/ bar.

Many of the parcels zoned for residential construction have been developed. However, there are a few lots remaining that are undeveloped, or have structures that have been demolished to allow for the construction of larger, more modern structures. Currently, the Town has six homes under construction which is consistent with the rate of construction in prior years. Residential Construction historically increases ad valorem taxes approximately \$15,000 annually. In the current economic climate, it is believed the rate of new housing starts will continue for the foreseeable future, however inflation, rising interest rates and supply shortages are a concern.

Due to the increasing acceptance of “work from home,” the Town has seen an overall increase in rental property activity. The increase last year (FY 20-21), was drastic and the amount of accommodation tax received was underestimated. This was primarily due to the extension of the “tourist season” and the desire to “isolate” away from home. Due to the complex nature of the pandemic, it is difficult to forecast if this trend will continue.

The Town’s Board of Commissioners have worked hard to keep property taxes low, while maintaining services valued by the community. In conjunction, the general fund has remained strong, and expenditures have remained conservative. One of the keys to achieving this goal, is through grant funding for infrastructure projects. During the past fiscal year, the Town was able to complete two storm water mitigation projects using alternative funding sources and will continue to explore grant opportunities.

Fund Balance. General Fund – Fund balance remains strong.

Revenue projections are responsibly conservative and strict budgetary control can limit spending below budgeted levels.

Requests for Information

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Caswell Beach, 1100 Caswell Beach Road, Caswell Beach, NC 28465. You can also call (910)-278-5471, visit our website www.caswellbeach.org or send an email to jgriffin@caswellbeach.org for more information.

Basic Financial Statements

Town of Caswell Beach, North Carolina
Statement of Net Position
June 30, 2021

| | Governmental Activities | Total Primary Government |
|---|------------------------------------|-------------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 2,820,598 | \$ 2,820,598 |
| Restricted Cash and Cash Equivalents | 655 | 655 |
| Taxes Receivable (Net) | 35,146 | 35,146 |
| Accounts Receivable | 493,375 | 493,375 |
| Due From County | 64,866 | 64,866 |
| Due From Other Governments | 3,314 | 3,314 |
| Total Current Assets | <u>3,417,954</u> | <u>3,417,954</u> |
| Non-Current Assets: | | |
| Capital Assets: | | |
| Land, Non-Depreciable Improvements, and | | |
| Construction in Progress | 3,563,803 | 3,563,803 |
| Other Capital Assets, Net of Depreciation | <u>2,247,568</u> | <u>2,247,568</u> |
| Total Capital Assets | <u>5,811,371</u> | <u>5,811,371</u> |
| Total Assets | <u>9,229,325</u> | <u>9,229,325</u> |
| Deferred Outflows of Resources | | |
| Pension Deferrals | <u>209,311</u> | <u>209,311</u> |
| Total Deferred Outflows of Resources | <u>209,311</u> | <u>209,311</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 65,983 | 65,983 |
| Clean-up Bonds | 4,520 | 4,520 |
| Current Portion of Long-Term Liabilities | <u>84,514</u> | <u>84,514</u> |
| Total Current Liabilities | <u>155,017</u> | <u>155,017</u> |
| Long-Term Liabilities: | | |
| Due in More Than One Year | 273,276 | 273,276 |
| Total Pension Liability | 171,606 | 171,606 |
| Net Pension Liability | <u>222,267</u> | <u>222,267</u> |
| Total Long-Term Liabilities | <u>667,149</u> | <u>667,149</u> |
| Total Liabilities | <u>822,165</u> | <u>822,165</u> |
| Deferred Inflows of Resources | | |
| Pension Deferrals | <u>3,765</u> | <u>3,765</u> |
| Total Deferred Inflows of Resources | <u>3,765</u> | <u>3,765</u> |
| Net Position | | |
| Net Investment in Capital Assets | 5,475,172 | 5,475,172 |
| Restricted For: | | |
| Stabilization by State Statute | 498,086 | 498,086 |
| Streets | 655 | 655 |
| Unrestricted | <u>2,638,793</u> | <u>2,638,793</u> |
| Total Net Position | <u>\$ 8,612,706</u> | <u>\$ 8,612,706</u> |

Town of Caswell Beach, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--|--------------|-------------------------|--|--|--|--------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | |
| | | | | | Governmental Activities | Total |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 730,977 | \$ - | \$ - | \$ - | \$ (730,977) | \$ (730,977) |
| Cultural and Recreation | 4,332 | - | - | - | (4,332) | (4,332) |
| Public Safety | 439,384 | 12,370 | 9,114 | - | (417,900) | (417,900) |
| Development | 6,575 | - | - | - | (6,575) | (6,575) |
| Environmental Protection | 615,277 | - | 375 | 613,461 | (1,441) | (1,441) |
| Transportation | 8,146 | - | - | - | (8,146) | (8,146) |
| Total Governmental Activities | 1,804,691 | 12,370 | 9,489 | 613,461 | (1,169,371) | (1,169,371) |
| Total Primary Government | \$ 1,804,691 | \$ 12,370 | \$ 9,489 | \$ 613,461 | (1,169,371) | (1,169,371) |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes, Levied For General Purpose | | | | | 775,434 | 775,434 |
| Other Taxes | | | | | 757,049 | 757,049 |
| Unrestricted Investment Earnings | | | | | 1,491 | 1,491 |
| Miscellaneous | | | | | 98,369 | 98,369 |
| Total General Revenues | | | | | 1,632,343 | 1,632,343 |
| Change in Net Position | | | | | 462,972 | 462,972 |
| Net Position: | | | | | | |
| Beginning of the Year - July 1 | | | | | 8,149,734 | 8,149,734 |
| End of the Year - June 30 | | | | | \$ 8,612,706 | \$ 8,612,706 |

Town of Caswell Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

| | Major Funds | | | | |
|---|--------------|--------------------------------|----------------------------|---------------------------|--------------------------------|
| | General Fund | Beach Renourishment Fund | Accommodations Tax Fund | Total Non- Major Funds | Total Governmental Funds |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 915,224 | \$ 1,600,604 | \$ 273,480 | \$ 31,290 | \$ 2,820,598 |
| Restricted Cash | - | - | - | 655 | 655 |
| Receivables, Net: | | | | | |
| Taxes | 3,411 | 31,735 | - | - | 35,146 |
| Accounts | 493,375 | - | - | - | 493,375 |
| Due From County | 1,397 | - | 63,469 | - | 64,866 |
| Due From Other Governments | 3,314 | - | - | - | 3,314 |
| Due From Other Funds | - | 500,000 | - | - | 500,000 |
| Total Assets | 1,416,721 | 2,132,339 | 336,949 | 31,945 | 3,917,954 |
| LIABILITIES | | | | | |
| Accounts Payable and Accrued | | | | | |
| Liabilities | 50,354 | - | 15,629 | - | 65,983 |
| Clean-up Bonds | 4,520 | - | - | - | 4,520 |
| Due To Other Funds | 500,000 | - | - | - | 500,000 |
| Total Liabilities | 554,874 | - | 15,629 | - | 570,503 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property Taxes Receivable | 3,411 | - | - | - | 3,411 |
| Total Deferred Inflows of Resources | 3,411 | - | - | - | 3,411 |
| FUND BALANCES | | | | | |
| Non Spendable | | | | | |
| Restricted | | | | | |
| Stabilization by State Statute | 498,086 | - | - | - | 498,086 |
| Streets | - | - | - | 655 | 655 |
| Committed | | | | | |
| Community Projects and Future Capital Projects | - | - | - | 31,290 | 31,290 |
| Assigned | | | | | |
| Beach Renourishment | - | 2,132,339 | - | - | 2,132,339 |
| Tourism | - | - | 305,691 | - | 305,691 |
| Subsequent Year's Expenditures | - | - | 15,629 | - | 15,629 |
| Unassigned | 360,350 | - | - | - | 360,350 |
| Total Fund Balances | 858,436 | 2,132,339 | 321,320 | 31,945 | 3,344,040 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1,416,721 | \$ 2,132,339 | \$ 336,949 | \$ 31,945 | \$ 3,917,954 |

Town of Caswell Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

| | |
|--|----------------------------|
| Total Fund Balance, Governmental Funds | \$ 3,344,040 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Gross capital assets at historical costs | \$ 6,852,657 |
| Accumulated depreciation | <u>(1,041,286)</u> |
| | 5,811,371 |
| Deferred outflows of resources related to pensions are not reported in the funds | 157,232 |
| Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position | 52,079 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | |
| Ad valorem taxes | 3,411 |
| Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.) | |
| Installment purchase obligations | (336,199) |
| Net pension liability | (222,267) |
| Total pension liability | (171,606) |
| Compensated absences | (21,590) |
| Pension related deferrals | <u>(3,765)</u> |
| Net position of governmental activities | <u><u>\$ 8,612,706</u></u> |

Town of Caswell Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

| | Major Funds | | | | |
|---|---------------|----------------|------------|------------|--------------|
| | Beach | | | Total Non- | Total |
| | Renourishment | Accommodations | | Major | Governmental |
| | General Fund | Fund | Tax Fund | Funds | Funds |
| REVENUES | | | | | |
| Ad Valorem Taxes | \$ 774,465 | \$ - | \$ - | \$ - | \$ 774,465 |
| Other Taxes and Licenses | - | 175,855 | 343,434 | - | 519,289 |
| Unrestricted Intergovernmental | 237,404 | - | - | - | 237,404 |
| Restricted Intergovernmental | 614,192 | - | - | 9,114 | 623,306 |
| Permits and Fees | 12,370 | - | - | - | 12,370 |
| Investment Earnings | 495 | 990 | 5 | 1 | 1,491 |
| Other Revenue | 98,369 | - | - | - | 98,369 |
| Total Revenues | 1,737,295 | 176,845 | 343,439 | 9,115 | 2,266,694 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 692,039 | - | - | - | 692,039 |
| Public Safety | 391,672 | - | - | - | 391,672 |
| Environmental Protection | 525,766 | - | 85,377 | - | 611,143 |
| Economic and Physical Development | 5,855 | - | - | - | 5,855 |
| Cultural and Recreational | 3,442 | - | - | - | 3,442 |
| Debt Service: | | | | | |
| Principal | 79,116 | - | - | - | 79,116 |
| Total Expenditures | 1,697,890 | - | 85,377 | - | 1,783,267 |
| Excess (Deficiency) of Revenues Over Expenditures | 39,405 | 176,845 | 258,062 | 9,115 | 483,427 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers From Other Funds | 149,000 | - | (140,000) | (9,000) | - |
| Transfers To Other Funds | (24,750) | - | - | 24,750 | - |
| Total Other Financing Sources (Uses) | 124,250 | - | (140,000) | 15,750 | - |
| Net Change in Fund Balance | 163,655 | 176,845 | 118,062 | 24,865 | 483,427 |
| Fund Balances, Beginning | 694,781 | 1,955,494 | 203,258 | 7,080 | 2,860,613 |
| Fund Balances, Ending | \$ 858,436 | \$ 2,132,339 | \$ 321,320 | \$ 31,945 | \$ 3,344,040 |

Town of Caswell Beach, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal 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 | \$ | 483,427 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p> | | |
| Capital outlay expenditures which were capitalized | 16,204 | |
| Depreciation expense for governmental assets | (82,925) | |
| Disposal of assets (net) | - | (66,721) |
| Contributions to the pension plan in the current fiscal year are not included on the statement of activities | | 52,079 |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Change in unavailable revenue for tax revenues | | 969 |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> | | |
| Principal payments on long-term debt | 79,116 | 79,116 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | | |
| Pension expense | | (97,664) |
| Compensated absences & related liabilities | | 11,766 |
| Total changes in net position of governmental activities | \$ | 462,972 |

Town of Caswell Beach, North Carolina
General and Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|--------------|------------|-------------------|---|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad Valorem Taxes | \$ 757,350 | \$ 757,350 | \$ 774,465 | \$ 17,115 |
| Other Taxes and Licenses | - | - | - | - |
| Unrestricted Intergovernmental | 238,200 | 173,200 | 237,404 | 64,204 |
| Restricted Intergovernmental | - | 1,067,050 | 614,192 | (452,858) |
| Permits and Fees | 32,000 | 32,000 | 12,370 | (19,630) |
| Investment Earnings | 2,000 | 2,000 | 495 | (1,505) |
| Other Revenue | 1,200 | 84,200 | 98,369 | 14,169 |
| Sales & Service | 33,000 | - | - | - |
| Total Revenues | 1,063,750 | 2,115,800 | 1,737,295 | (378,505) |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 650,445 | 713,425 | 692,039 | 21,386 |
| Public Safety | 412,650 | 408,050 | 391,672 | 16,378 |
| Environmental Protection | 87,000 | 1,007,550 | 525,766 | 481,784 |
| Economic and Physical Development | 3,550 | 6,250 | 5,855 | 395 |
| Cultural and Recreational | 4,500 | 4,500 | 3,442 | 1,058 |
| Debt Service: | | | | |
| Principal Retirement | - | 79,120 | 79,116 | 4 |
| Total Expenditures | 1,158,145 | 2,218,895 | 1,697,890 | 521,005 |
| Revenues Over (Under) Expenditures | (94,395) | (103,095) | 39,405 | 142,500 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 156,150 | 156,150 | 149,000 | (7,150) |
| Transfers Out | (61,755) | (24,750) | (24,750) | - |
| Fund Balance Appropriated | - | (28,305) | - | 28,305 |
| Total Other Financing Sources (Uses) | 94,395 | 103,095 | 124,250 | 21,155 |
| Net Change in Fund Balance | \$ - | \$ - | 163,655 | \$ 163,655 |
| Fund Balances, Beginning | | | 694,781 | |
| Fund Balances, Ending | | | \$ 858,436 | |

Town of Caswell Beach, North Carolina
General and Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fical Year Ended June 30, 2021

| | Special Revenue-Beach Renourishment Fund | | | Variance with |
|--------------------------------------|--|----------|-------------------|--|
| | Original | Final | Actual Amounts | Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Ad Valorem Taxes | \$ - | \$ - | \$ - | \$ - |
| Other Taxes and Licenses | 98,000 | 98,000 | 175,855 | 77,855 |
| Unrestricted Intergovernmental | - | - | - | - |
| Restricted Intergovernmental | - | - | - | - |
| Permits and Fees | - | - | - | - |
| Investment Earnings | 500 | 500 | 990 | 490 |
| Other Revenue | - | - | - | - |
| Sales & Service | - | - | - | - |
| Total Revenues | 98,500 | 98,500 | 176,845 | 78,345 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Environmental Protection | - | - | - | - |
| Economic and Physical Development | - | - | - | - |
| Cultural and Recreational | - | - | - | - |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Revenues Over (Under) Expenditures | 98,500 | 98,500 | 176,845 | 78,345 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Fund Balance Appropriated | (98,500) | (98,500) | - | 98,500 |
| Total Other Financing Sources (Uses) | (98,500) | (98,500) | - | 98,500 |
| Net Change in Fund Balance | \$ - | \$ - | 176,845 | \$ 176,845 |
| Fund Balances, Beginning | | | 1,955,494 | |
| Fund Balances, Ending | | | \$ 2,132,339 | |

Town of Caswell Beach, North Carolina
General and Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | Special Revenue-Accommodations Tax Fund | | | Variance with |
|--|--|------------------|-------------------|-----------------------|
| | | | | Final Budget - |
| | Original | Final | Actual | Positive |
| | | | Amounts | (Negative) |
| Revenues: | | | | |
| Ad Valorem Taxes | \$ - | \$ - | \$ - | \$ - |
| Other Taxes and Licenses | 196,000 | 227,000 | 343,434 | 116,434 |
| Unrestricted Intergovernmental | - | - | - | - |
| Restricted Intergovernmental | - | - | - | - |
| Permits and Fees | - | - | - | - |
| Investment Earnings | - | - | 5 | 5 |
| Other Revenue | - | - | - | - |
| Sales & Service | - | - | - | - |
| Total Revenues | <u>196,000</u> | <u>227,000</u> | <u>343,439</u> | <u>116,439</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 49,000 | 87,000 | 85,377 | 1,623 |
| Public Safety | - | - | - | - |
| Environmental Protection | - | - | - | - |
| Economic and Physical Development | - | - | - | - |
| Cultural and Recreational | - | - | - | - |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | - |
| Total Expenditures | <u>49,000</u> | <u>87,000</u> | <u>85,377</u> | <u>1,623</u> |
| Revenues Over (Under) Expenditures | <u>147,000</u> | <u>140,000</u> | <u>258,062</u> | <u>118,062</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | (147,000) | (140,000) | (140,000) | - |
| Fund Balance Appropriated | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>(147,000)</u> | <u>(140,000)</u> | <u>(140,000)</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>118,062</u> | <u>\$ 118,062</u> |
| Fund Balances, Beginning | | | <u>203,258</u> | |
| Fund Balances, Ending | | | <u>\$ 321,320</u> | |

Notes to Financial Statements

Town of Caswell Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Caswell Beach is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town. The Town does not have any component units that should be presented.

B. Basis of Presentation

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

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

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

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those 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 and general government.

Accommodations Tax Fund. This fund is used to account for occupancy taxes collected which are used to promote tourism.

Beach Renourishment Fund. This fund is used to provide beach renourishment.

The Town reports the following non-major governmental funds:

Neighbors Fund. This fund is used to account for various community projects.

Capital Reserve Fund. This fund is used to accumulate resources for future capital projects and purchases.

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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine 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 Caswell Beach 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 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, the Beach Renourishment Special Revenue Fund, the Accommodations Tax Special Revenue Fund, all other non-major Special Revenue Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer may transfer amounts between objects of expenditures within a department without limitation. This transfer shall be recorded as a budget adjustment. The Budget Officer may transfer amounts up to \$10,000 between departments within the same fund. This transfer shall be recorded as a budget adjustment and shall be reported to the board of commissioners at the next regularly scheduled meeting following such a budget adjustment. The Budget Officer may also amend the line items within any department budget by adding new line item amounts so long as the department total does not increase or decrease. The Budget Officer may not transfer any amounts between funds, except as approved by the Board by a budget ordinance amendment. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured 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 Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Caswell Beach Restricted Cash

| | |
|-------------------------------|--------|
| Governmental Activities | |
| Capital Reserve Fund | |
| Streets | \$ 655 |
| Total Governmental Activities | 655 |
| Total Restricted Cash | \$ 655 |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The Town currently has no funds with inventory.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. In July 2003, the Town formally accepted a capitalization policy that defines capital assets as assets with an individual cost of \$5,000 or more. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| Asset Class | Estimated Useful Lives |
|-----------------------------|---------------------------|
| Buildings | 50 Years |
| Other Improvements | 25 Years |
| Equipment | 10 Years |
| Furniture and Fixtures | 10 Years |
| Computer Software/Equipment | 3 Years |
| Vehicles | 6 Years |
| Miscellaneous | 3 Years |

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

In the fund financial statements, 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 withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The Town also provides that administrative employees earn vacation leave at the rate of one day per month during the first four years of employment. For years five through nine of employment, employees earn one and one quarter days per month. For years ten through fourteen of employment, employees earn one and a half days per month. After fifteen years of employment, employees earn vacation leave at the rate of twenty days per year. Existing police employees earn vacation leave at a per shift rate, or twelve hours per month. New hires earn vacation leave on a prorated basis, that is, vacation is based on their shift/work week. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. 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 represent 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 comprised 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.

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

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

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

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

Assigned Fund Balance - portion of fund balance that Town of Caswell Beach intends to use for specific purposes.

Assigned for Beach Renourishment and Dunes Protection- portion of fund balance available for appropriation but legally segregated for expenditures that are for beach renourishment and protection.

Assigned for Tourism - portion of fund balance available for appropriation but legally segregated for expenditures that are for tourism purposes.

Assigned for 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.

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

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance With North Carolina General Statutes

None

2. Contractual Violations

None

B. Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Year's Budget Ordinance

None.

C. Excess of Expenditures over Appropriations

None.

III. 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 the 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 \$2,598,479 and a bank balance of \$2,637,647. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$300.

2. Investments

At June 30, 2021, the Town's investment balances were as follows:

| Investments by Type | Valuation Measurement Method | Book Value at 6/30/2021 | Maturity | Rating |
|--|---|------------------------------------|-----------------|---------------|
| NC Capital Management Trust- Government Portfolio | Fair Value Level 1 | \$ 222,474 | N/A | AAAm |
| Total | | \$ 222,474 | | |

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. The Town does not have a formal investment policy.

Credit risk. The Town has no formal policy regarding credit risk. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2021.

3. Receivables- Allowances for Doubtful Accounts

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

| | |
|------------------|---------------|
| General Fund: | |
| Taxes Receivable | <u>\$ 590</u> |

4. 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 | \$ 3,563,803 | \$ - | \$ - | \$ 3,563,803 |
| Construction in Progress | - | - | - | - |
| Total capital assets not being depreciated | 3,563,803 | - | - | 3,563,803 |
| Capital assets being depreciated: | | | | |
| Buildings | 2,333,240 | - | - | 2,333,240 |
| Other Improvements | 440,328 | - | - | 440,328 |
| Infrastructure | 121,400 | - | - | 121,400 |
| Equipment | 140,096 | 16,204 | - | 156,300 |
| Vehicles and motorized equipment | 237,586 | - | - | 237,586 |
| Total capital assets being depreciated | 3,272,650 | 16,204 | - | 3,288,854 |
| Less accumulated depreciation for: | | | | |
| Buildings | 486,019 | 46,665 | - | 532,684 |
| Other Improvements | 66,695 | 9,251 | - | 75,946 |
| Infrastructure | 116,544 | 4,856 | - | 121,400 |
| Equipment | 123,127 | 6,807 | - | 129,934 |
| Vehicles and motorized equipment | 165,976 | 15,346 | - | 181,322 |
| Total accumulated depreciation | 958,361 | \$ 82,925 | \$ - | 1,041,286 |
| Total capital assets being depreciated, net | 2,314,289 | | | 2,247,568 |
| Governmental activity capital assets, net | <u>\$ 5,878,092</u> | | | <u>\$ 5,811,371</u> |

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

| | |
|-------------------------------------|------------------|
| General Government | \$ 56,224 |
| Public Safety | 12,811 |
| Transportation | 8,146 |
| Environmental Protection/Stormwater | 4,134 |
| Parks and Recreation | 890 |
| Economic and Physical Development | 720 |
| Total Depreciation Expense | <u>\$ 82,925</u> |

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Caswell Beach is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

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 Caswell Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Caswell Beach's contractually required contribution rate for the year ended June 30, 2021 was 10.840% of compensation for law enforcement officers and 10.150% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by the employees during the year. Contributions to the pension plan from the Town of Caswell Beach were \$52,079 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 benefits 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 \$222,267 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 position 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 0.00622%, which was a decrease of 0.00006% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$73,757. 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 | \$ 28,068 | \$ - |
| Change of assumptions | 16,541 | - |
| Net difference between projected and actual earnings on pension plan investments | 31,278 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 2,678 | 2,438 |
| Town contributions subsequent to the measurement date | 52,079 | - |
| | <u>\$ 130,644</u> | <u>\$ 2,438</u> |

\$52,079 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 inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|------------------|
| 2021 | \$ 20,510 |
| 2022 | 29,205 |
| 2023 | 17,156 |
| 2024 | 9,257 |
| 2025 | - |
| Thereafter | - |
| | <u>\$ 76,128</u> |

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

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

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 health mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|--------------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | 100.0% | |

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.

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 the 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 asset 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) | \$ 450,956 | \$ 222,267 | \$ 32,211 |

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 (ACFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Caswell Beach administers a public employee retirement system (*the Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits:

| | |
|--|----------|
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | 4 |
| Total | <u>4</u> |

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 1.93 percent |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity factor |
| Discount rate | 2.50 percent |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

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

4. Contributions

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

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

At June 30, 2021, the Town reported a total pension liability of \$171,606. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$23,907.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 14,612 | \$ 393 |
| Changes of assumptions | 64,055 | 934 |
| Town benefit payments and plan administrative expense made subsequent to the measurement date | - | - |
| | <u>\$ 78,667</u> | <u>\$ 1,327</u> |

No amount was paid as benefits came due subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|-----------|
| 2022 | \$ 17,156 |
| 2023 | 17,103 |
| 2024 | 15,697 |
| 2025 | 15,212 |
| 2026 | 12,172 |
| Thereafter | - |

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

| | 1% Decrease (0.93%) | Discount Rate (1.93%) | 1% Increase (2.93%) |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 180,952 | \$ 171,606 | \$ 162,533 |

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

| | <u>2021</u> |
|--|--------------------------|
| Beginning balance | \$ 76,368 |
| Service Cost | 4,516 |
| Interest on the total pension liability | 2,490 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 12,534 |
| Changes of assumptions or other inputs | 75,698 |
| Benefit payments | - |
| Other changes | - |
| Ending balance of the total pension liability | <u><u>\$ 171,606</u></u> |

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

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

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

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

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Pension Expense | \$ 73,757 | \$ 23,907 | \$ 97,664 |
| Pension Liability | 222,267 | 171,606 | 393,873 |
| Proportionate share of the net position liability | 0.0062% | n/a | |
| Deferred of Outflows of Resources | | | |
| Differences between expected and actual experience | 28,068 | 14,612 | 42,680 |
| Changes of assumptions | 16,541 | 64,055 | 80,596 |
| Net difference between projected and actual earnings on plan investments | 31,278 | - | 31,278 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,678 | - | 2,678 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 52,079 | - | 52,079 |
| Deferred of Inflows of Resources | | | |
| Differences between expected and actual experience | - | 393 | 393 |
| Changes of assumptions | - | 934 | 934 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,438 | - | 2,438 |

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 (ACFR) for the State of North Carolina. The State's ACFR 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. Contributions for the year ended June 30, 2021 were \$15,465, which consisted of \$11,365 from the Town and \$4,100 from the law enforcement officers.

d. All Other Employees

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

Funding Policy. The Town contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. The employees may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 equaled \$32,895, which consisted of \$13,420 from the Town and \$19,475 from the employees.

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

| Source | Amount |
|---|-------------------|
| Contributions to pension plan in current fiscal year | \$ 52,079 |
| Benefit payments made and administrative expenses for | - |
| Differences between expected and actual experience | 42,680 |
| Changes of assumptions | 80,596 |
| Net difference between projected and actual | 31,278 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,678 |
| Total | <u>\$ 209,311</u> |

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

| | Statement of Net Position | General Fund Balance Sheet |
|---|------------------------------|-------------------------------|
| Taxes Receivable, less penalties (General Fund) | \$ - | \$ 3,411 |
| Changes in assumptions | 934 | - |
| Differences between expected and actual experience | 393 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,438 | - |
| Total | <u>\$ 3,765</u> | <u>\$ 3,411</u> |

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 a self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are annually audited by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. 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 is considered to be in an "X" flood plain and carries commercial flood insurance through The Hartford for a total coverage of \$398,800. This includes both structure and contents coverage.

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

5. Claims, Judgments and Contingent Liabilities

As of the date of the audit report, there were no complaints or lawsuits against the Town.

6. Long-Term Obligations

a. Installment Purchase

In October 2015, the Town entered into a direct placement contract with Brunswick Electric Membership Corporation for \$712,000 to finance the public safety and works building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments beginning October 23, 2016 of \$6,593 per month with no required interest payments.

Annual debt service payments of the installment purchase as of June 30, 2021 are as follows:

| Year Ending June 30 | Governmental Activities | |
|------------------------|-------------------------|-------------|
| | Principal | Interest |
| 2022 | \$ 79,116 | \$ - |
| 2023 | 79,116 | - |
| 2024 | 79,116 | - |
| 2025 | 79,116 | - |
| 2026 | 19,735 | - |
| 2027-2031 | - | - |
| | <u>\$ 336,199</u> | <u>\$ -</u> |

b. General Obligation Indebtedness

There were no general obligation bonds financed by the governmental funds at June 30, 2021.

At June 30, 2021, the Town of Caswell Beach had no bonds authorized or unissued and had a legal debt margin of \$25,519,068.

c. Changes in Long-Term Liabilities

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

| Governmental activities: | Balance | | | Balance June 30, 2021 | Current Portion of Balance |
|--|-------------------|-------------------|------------------|--------------------------|-------------------------------|
| | July 1, 2021 | Increases | Decreases | | |
| Direct purchase installment purchase proceeds | \$ 415,315 | \$ - | \$ 79,116 | \$ 336,199 | \$ 79,116 |
| Compensated absences | 28,540 | - | 10,163 | 18,377 | 4,594 |
| Accrued payroll expenses on compensated absences | 4,816 | - | 1,603 | 3,213 | 803 |
| Net pension Liability (LGRS) | 171,502 | 50,765 | - | 222,267 | - |
| Total pension liability (LEO) | 76,368 | 95,238 | - | 171,606 | - |
| Governmental activity long-term liabilities | <u>\$ 696,541</u> | <u>\$ 146,003</u> | <u>\$ 90,882</u> | <u>\$ 751,662</u> | <u>\$ 84,514</u> |

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2021, consist of the following:

| | |
|--|-------------------|
| From the General Fund to the Capital Reserve Fund for street expenditures | \$ 24,750 |
| From the Accommodations Fund to the General Fund to transfer reserved funds | 140,000 |
| From the Powell Bill Fund to the General Fund to cover paving-related expenditures | 9,000 |
| Total Transfers | <u>\$ 173,750</u> |

D. Fund Balance

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

| | |
|---|--------------------------|
| <i>Total Fund Balance - General Fund</i> | <i>\$ 858,436</i> |
| Less: | |
| Stabilization by State Statute | 498,086 |
| Remaining Fund Balance | <u>\$ 360,350</u> |

IV. Jointly Governed Organization

The Town, in conjunction with twenty or more other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing boards. The Town paid membership fees of \$383 to the Council during the fiscal year ended June 30, 2021.

V. 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.

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

VI. Significant Effects of Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 29, 2021, the date the financial statements were available to be issued.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance

Town of Caswell Beach, North Carolina
Town of Caswell Beach's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*

| Local Government Employees' Retirement System | | | | |
|---|-------------|-------------|-------------|-------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| Caswell Beach's proportion of the net pension liability (asset) (%) | 0.00622% | 0.00628% | 0.00680% | 0.00664% |
| Caswell Beach's proportion of the net pension liability (asset) (\$) | \$ 222,267 | \$ 171,502 | \$ 161,319 | \$ 101,441 |
| Caswell Beach's covered-employee payroll | \$ 461,148 | \$ 464,444 | \$ 426,901 | \$ 408,615 |
| Caswell Beach's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 48.20% | 36.93% | 37.79% | 24.83% |
| Plan fiduciary net position as a percentage of the total pension liability** | 88.61% | 90.86% | 91.63% | 94.18% |
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Caswell Beach's proportion of the net pension liability (asset) (%) | 0.00766% | 0.00814% | 0.00794% | 0.00840% |
| Caswell Beach's proportion of the net pension liability (asset) (\$) | \$ 162,571 | \$ 36,532 | \$ (46,825) | \$ 101,252 |
| Caswell Beach's covered-employee payroll | \$ 467,319 | \$ 496,545 | \$ 498,654 | \$ 476,065 |
| Caswell Beach's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 34.79% | 7.36% | -9.39% | 21.27% |
| Plan fiduciary net position as a percentage of the total pension liability** | 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 Caswell Beach, North Carolina
Schedule of Town's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

| | 2021 | 2020 | 2019 | 2018 |
|--|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 52,079 | \$ 41,595 | \$ 36,237 | \$ 33,597 |
| Contributions in relation to the contractually required contribution | 52,079 | 41,595 | 36,237 | 33,597 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Caswell Beach's covered payroll | \$ 497,827 | \$ 461,148 | \$ 464,444 | \$ 426,901 |
| Contributions as a percentage of covered payroll | 10.46% | 9.02% | 7.80% | 7.87% |
| | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 31,322 | \$ 32,171 | \$ 35,801 | \$ 35,657 |
| Contributions in relation to the contractually required contribution | 31,322 | 32,171 | 35,801 | 35,657 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Caswell Beach's covered payroll | \$ 408,615 | \$ 467,319 | \$ 496,545 | \$ 498,654 |
| Contributions as a percentage of covered-payroll | 7.67% | 6.88% | 7.21% | 7.15% |

Town of Caswell Beach, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------------------|------------------|------------------|------------------|------------------|
| Beginning Balance | \$ 76,368 | \$ 67,392 | \$ 58,836 | \$ 60,736 | \$ 64,046 |
| Service Cost | 4,516 | 3,746 | 3,737 | 2,915 | 2,833 |
| Interest on the total pension liability | 2,490 | 2,453 | 1,799 | 2,212 | 2,159 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 12,534 | 1,023 | 9,233 | (4,633) | - |
| Changes of assumptions or other inputs | 75,698 | 1,754 | (2,371) | 4,466 | (1,168) |
| Benefit payments | - | - | (3,842) | (6,860) | (7,134) |
| Other changes | - | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 171,606</u> | <u>\$ 76,368</u> | <u>\$ 67,392</u> | <u>\$ 58,836</u> | <u>\$ 60,736</u> |

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

Town of Caswell Beach, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total pension liability | \$ 171,606 | \$ 76,368 | \$ 67,392 | \$ 58,836 | \$ 60,736 |
| Covered payroll | 238,812 | 237,933 | 233,955 | 229,225 | 186,892 |
| Total pension liability as a percentage of covered payroll | 71.86% | 32.10% | 28.81% | 25.67% | 32.50% |

Note to the schedules:

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

Individual Fund Statements and Schedules

Town of Caswell Beach
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | |
| Ad Valorem Taxes | | | |
| Current Year | \$ 755,000 | \$ 772,267 | \$ 17,267 |
| Prior Year | 1,800 | 1,185 | (615) |
| Penalties and Interest | 550 | 1,013 | 463 |
| Total Ad Valorem Taxes | <u>757,350</u> | <u>774,465</u> | <u>17,115</u> |
| Unrestricted Intergovernmental | | | |
| Local Option Sales Tax | 110,000 | 162,157 | 52,157 |
| Utilities Sales Tax | 59,000 | 72,138 | 13,138 |
| Beer and Wine Tax | 1,200 | 1,984 | 784 |
| Cable TV Franchise Tax | 3,000 | 1,125 | (1,875) |
| Total Unrestricted Intergovernmental | <u>173,200</u> | <u>237,404</u> | <u>64,204</u> |
| Restricted Intergovernmental | | | |
| Solid Waste Disposal Tax | 64,500 | 356 | (64,144) |
| Mosquito Grant | 500 | 375 | (125) |
| Golden Leaf Foundation Grant | 124,000 | 59,592 | (64,408) |
| FEMA - Hurricane Isaias | 115,000 | 109,670 | (5,330) |
| Cleanwater Management Grant | 263,050 | - | (263,050) |
| Stormwater -CAMA Reimbursement | 500,000 | 444,199 | (55,801) |
| Total Restricted Intergovernmental | <u>1,067,050</u> | <u>614,192</u> | <u>(452,858)</u> |
| Licenses and Permits | | | |
| Building Permits and Inspection Fees | 32,000 | 12,370 | (19,630) |
| Total Licenses and Permits | <u>32,000</u> | <u>12,370</u> | <u>(19,630)</u> |
| Investment Earnings | <u>2,000</u> | <u>495</u> | <u>(1,505)</u> |
| Other Revenues | | | |
| Stormwater Fees | 33,000 | 33,345 | 345 |
| Recycling Fees | 50,000 | 55,200 | 5,200 |
| Donations | - | 50 | 50 |
| Miscellaneous Revenues | 1,200 | 9,774 | 8,574 |
| Total Other Revenues | <u>84,200</u> | <u>98,369</u> | <u>14,169</u> |
| Total Revenues | <u>\$ 2,115,800</u> | <u>\$ 1,737,295</u> | <u>\$ (378,505)</u> |

Town of Caswell Beach
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------|------------|------------|------------------------------------|
| Expenditures | | | |
| General Government | | | |
| Governing Board | | | |
| Salaries and Employee Benefits | \$ 3,750 | \$ 3,693 | \$ 57 |
| Insurance | 75 | - | 75 |
| Other Operating Expenses | 6,150 | 3,321 | 2,829 |
| Total Governing Board | 9,975 | 7,014 | 2,961 |
| Administration | | | |
| Salaries and Employee Benefits | 342,000 | 338,875 | 3,125 |
| Bank Charges | 2,800 | 1,073 | 1,727 |
| Dues & Donations | 1,250 | 991 | 259 |
| Collection Fees | 5,800 | 5,669 | 131 |
| Insurance | 31,700 | 31,676 | 24 |
| Municipal Codification | 3,050 | 3,024 | 26 |
| Office Supplies | 2,700 | 2,618 | 82 |
| Professional Services | 16,500 | 14,238 | 2,262 |
| Other Operating Expenditures | 9,550 | 7,368 | 2,182 |
| Total Administration | 415,350 | 405,532 | 9,818 |
| Communications | | | |
| Other Operating Expenditures | 29,600 | 28,529 | 1,071 |
| Total Communications | 29,600 | 28,529 | 1,071 |
| Travel and Training | | | |
| Travel/Training/Schools | 1,500 | 113 | 1,387 |
| Total Travel & Training | 1,500 | 113 | 1,387 |
| Public Works | | | |
| Salaries and Employee Benefits | 78,950 | 77,517 | 1,433 |
| Other Operating Expenses | 161,750 | 157,130 | 4,620 |
| Capital Outlay | 16,300 | 16,204 | 96 |
| Total Public Works | 257,000 | 250,851 | 6,149 |
| Total General Government | \$ 713,425 | \$ 692,039 | \$ 21,386 |

Town of Caswell Beach
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|---|--------------|--------------|------------------------------------|
| Expenditures (continued) | | | |
| Public Safety | | | |
| Police Department | | | |
| Salaries and Employee Benefits | \$ 341,100 | \$ 340,481 | \$ 619 |
| Other Operating Expenditures | 32,950 | 28,866 | 4,084 |
| Total Police Department | 374,050 | 369,347 | 4,703 |
| Inspections | | | |
| Salaries and Employee Benefits | 15,300 | 6,330 | 8,970 |
| Other Operating Expenditures | 18,700 | 15,995 | 2,705 |
| Total Inspections | 34,000 | 22,325 | 11,675 |
| Total Public Safety | \$ 408,050 | \$ 391,672 | \$ 16,378 |
| Environmental Protection | | | |
| Solid Waste | | | |
| Recycling | \$ 59,900 | \$ 60,889 | \$ (989) |
| Summer Pickup | 30,100 | 21,254 | 8,846 |
| Stormwater | | | |
| Stormwater | 917,550 | 443,623 | 473,927 |
| Total Environmental Protection | \$ 1,007,550 | \$ 525,766 | \$ 481,784 |
| Economic and Physical Development | | | |
| Beach Maintenance | \$ 6,250 | \$ 5,855 | \$ 395 |
| Total Economic and Physical Development | \$ 6,250 | \$ 5,855 | \$ 395 |
| Parks and Recreation | | | |
| Park Maintenance | \$ 4,500 | \$ 3,442 | \$ 1,058 |
| Total Parks and Recreation | \$ 4,500 | \$ 3,442 | \$ 1,058 |
| Debt Service | | | |
| Principal Retirement | \$ 79,120 | \$ 79,116 | \$ 4 |
| Total Debt Service | \$ 79,120 | \$ 79,116 | \$ 4 |
| Total Expenditures | \$ 2,218,895 | \$ 1,697,890 | \$ 521,005 |
| Revenues Over (Under) Expenditures | \$ (103,095) | \$ 39,405 | \$ 142,500 |

Town of Caswell Beach
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|-------------------|-------------------|------------------------------------|
| Other Financing Sources (Uses): | | | |
| Appropriated Fund Balance | \$ (28,305) | \$ - | \$ 28,305 |
| Transfer to Capital Reserve Fund | (24,750) | (24,750) | - |
| Transfer from Special Revenue Fund | 147,000 | 140,000 | (7,000) |
| Transfer from Capital Reserve Fund | 9,150 | 9,000 | (150) |
| Total Other Financing Sources (Uses) | <u>\$ 103,095</u> | <u>\$ 124,250</u> | <u>\$ 21,155</u> |
| Net Change in Fund Balance | <u>\$ -</u> | 163,655 | <u>\$ 163,655</u> |
| Fund Balances, Beginning | | <u>694,781</u> | |
| Fund Balances, Ending | | <u>\$ 858,436</u> | |

**Town of Caswell Beach
Beach Renourishment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021**

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|-----------------|---------------------|------------------------------------|
| Revenues | | | |
| Accommodations Tax | \$ 98,000 | \$ 175,855 | \$ 77,855 |
| Interest Earned | 500 | 990 | 490 |
| Total Revenues | <u>98,500</u> | <u>176,845</u> | <u>78,345</u> |
| Expenditures | | | |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues Over (Under) Expenditures | <u>98,500</u> | <u>176,845</u> | <u>78,345</u> |
| Other Financing Sources (Uses) | | | |
| Undesignated Fund Balance | <u>(98,500)</u> | <u>-</u> | <u>98,500</u> |
| Total Other Financing Sources (Uses) | <u>(98,500)</u> | <u>-</u> | <u>98,500</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>176,845</u> | <u>\$ 176,845</u> |
| Fund Balance, Beginning | | <u>1,955,494</u> | |
| Fund Balance, Ending | | <u>\$ 2,132,339</u> | |

**Town of Caswell Beach
Accommodations Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021**

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|------------------|-------------------|------------------------------------|
| Revenues: | | | |
| Accommodations Tax | \$ 227,000 | \$ 343,434 | \$ 116,434 |
| Interest Earned | - | 5 | 5 |
| Total Revenues | <u>227,000</u> | <u>343,439</u> | <u>116,439</u> |
| Expenditures: | | | |
| Brunswick County Accommodations Tax | <u>87,000</u> | <u>85,377</u> | <u>1,623</u> |
| Total Expenditures | <u>87,000</u> | <u>85,377</u> | <u>1,623</u> |
| Revenue Over (Under) Expenditures | <u>140,000</u> | <u>258,062</u> | <u>118,062</u> |
| Other Financing Sources (Uses): | | | |
| Transfer to General Fund | <u>(140,000)</u> | <u>(140,000)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(140,000)</u> | <u>(140,000)</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>118,062</u> | <u>\$ 118,062</u> |
| Fund Balance, Beginning | | <u>203,258</u> | |
| Fund Balance, Ending | | <u>\$ 321,320</u> | |

Town of Caswell Beach
Non-Major Governmental Funds
Combining Balance Sheet
For the Year Ended June 30, 2021

| | Neighbors Fund | Capital Reserve Fund | Total Non-Major Governmental Funds |
|---|-------------------|----------------------------|--|
| Assets | | | |
| Cash and Cash Equivalents | \$ 1,207 | \$ 30,083 | \$ 31,290 |
| Restricted Cash | - | 655 | 655 |
| Total Assets | <u>\$ 1,207</u> | <u>\$ 30,738</u> | <u>\$ 31,945</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Due to General Fund | \$ - | \$ - | \$ - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | |
| Restricted: | | | |
| Streets | - | 655 | 655 |
| Committed: | | | |
| Community Projects and Future Capital Projects | <u>1,207</u> | <u>30,083</u> | <u>31,290</u> |
| Total Fund Balances | <u>1,207</u> | <u>30,738</u> | <u>31,945</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,207</u> | <u>\$ 30,738</u> | <u>\$ 31,945</u> |

Town of Caswell Beach
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

| | Neighbors Fund | Capital Reserve Fund | Total Non-Major Governmental Funds |
|--------------------------------------|-------------------|----------------------------|--|
| Revenues: | | | |
| Powell Bill Receipts | \$ - | \$ 9,114 | \$ 9,114 |
| Interest Income | 1 | - | 1 |
| Total Revenues | <u>1</u> | <u>9,114</u> | <u>9,115</u> |
| Expenditures | | | |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues Over (Under) Expenditures | <u>1</u> | <u>9,114</u> | <u>9,115</u> |
| Other Financing Sources (Uses) | | | |
| Transfer to General Fund | - | (9,000) | (9,000) |
| Transfer From General Fund | - | 24,750 | 24,750 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>15,750</u> | <u>15,750</u> |
| Net Change in Fund Balance | <u>1</u> | <u>24,864</u> | <u>24,865</u> |
| Fund Balance, Beginning | <u>1,206</u> | <u>5,874</u> | <u>7,080</u> |
| Fund Balance, Ending | <u>\$ 1,207</u> | <u>\$ 30,738</u> | <u>\$ 31,945</u> |

Town of Caswell Beach
Neighbors Fund
Schedule of Revenues and Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|-------------|-----------------|------------------------------------|
| Revenues: | | | |
| Interest Income | \$ - | \$ 1 | \$ 1 |
| Total Revenues | - | 1 | 1 |
| Expenditures: | | | |
| Total Expenditures | - | - | - |
| Revenue Over (Under) Expenditures | - | 1 | 1 |
| Other Financing Sources (Uses) | | | |
| Total Other Financing Sources (Uses) | - | - | - |
| Net Change in Fund Balance | <u>\$ -</u> | <u>1</u> | <u>\$ 1</u> |
| Fund Balance, Beginning | | <u>1,206</u> | |
| Fund Balance, Ending | | <u>\$ 1,207</u> | |

**Town of Caswell Beach
Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021**

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|----------------|------------------|------------------------------------|
| Revenues: | | | |
| Powell Bill Receipts | \$ 9,150 | \$ 9,114 | \$ (36) |
| Interest Earned | - | - | - |
| Total Revenues | <u>9,150</u> | <u>9,114</u> | <u>(36)</u> |
| Expenditures: | | | |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues Over (Under) Expenditures | <u>9,150</u> | <u>9,114</u> | <u>(36)</u> |
| Other Financing Sources (Uses) | | | |
| Appropriated (Reserved) Fund Balance | (27,750) | - | 27,750 |
| Transfer to General Fund | (9,150) | (9,000) | 150 |
| Transfer From General Fund | 27,750 | 24,750 | (3,000) |
| Total Other Financing Sources (Uses) | <u>(9,150)</u> | <u>15,750</u> | <u>24,900</u> |
| Net Change in Fund Balance | <u>\$ -</u> | 24,864 | <u>\$ 24,864</u> |
| Fund Balance, Beginning | | <u>5,874</u> | |
| Fund Balance, Ending | | <u>\$ 30,738</u> | |

Other Schedules

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Caswell Beach
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2020</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2021</u> |
|--------------------------------------|--|-------------------|------------------------------------|--|
| 2020-2021 | \$ - | \$ 775,658 | \$ 773,639 | \$ 2,019 |
| 2019-2020 | 1,959 | - | 992 | 967 |
| 2018-2019 | 1 | - | - | 1 |
| 2017-2018 | 50 | - | 40 | 10 |
| 2016-2017 | 34 | - | 11 | 23 |
| 2015-2016 | 808 | - | 64 | 744 |
| 2014-2015 | 47 | - | 47 | - |
| 2013-2014 | 118 | - | 30 | 88 |
| 2012-2013 | 149 | - | - | 149 |
| 2011-2012 | 37 | - | 37 | - |
| Totals | <u>\$ 3,203</u> | <u>\$ 775,658</u> | <u>\$ 774,860</u> | <u>\$ 4,001</u> |
| Less Allowance for Doubtful Accounts | | | | <u>590</u> |
| Net Taxes Receivable | | | | <u>\$ 3,411</u> |
| <u>Reconcilement with revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 774,465 |
| Reconciling Items | | | | |
| Taxes Released/Written Off | | | | 37 |
| Adjustments | | | | 1,371 |
| Penalties and Interest Collected | | | | <u>(1,013)</u> |
| Total Collections and Credits | | | | <u>\$ 774,860</u> |

**Town of Caswell Beach
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2021**

| | Town - Wide | | | Total Levy | |
|-------------------------------------|-----------------------|------|-------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 323,190,833 | 0.24 | \$ 775,658 | \$ 756,171 | \$ 19,487 |
| Discoveries-current and prior years | - | | - | - | - |
| Totals | <u>\$ 323,190,833</u> | | <u>\$ 775,658</u> | <u>\$ 756,171</u> | <u>\$ 19,487</u> |
| Less: | | | | | |
| Uncollected taxes at June 30, 2021 | | | <u>2,019</u> | <u>2,019</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 773,639</u> | <u>\$ 754,152</u> | <u>\$ 19,487</u> |
| Current levy collection percentage | | | <u>99.74%</u> | <u>99.73%</u> | <u>100.00%</u> |

Compliance Section



THOMPSON, PRICE, SCOTT, ADAMS & CO, P.A.

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Alan W. Thompson, CPA
R. Byron Scott, CPA
Gregory S. Adams, CPA

Report on Internal Control Over Financial Reporting and on Compliance and Other Matter
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Independent Auditors' Report

To the Honorable Mayor and
Members of the Town Council
Caswell Beach, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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 Caswell Beach, 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 Caswell Beach's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Caswell Beach's internal control over financial reporting (internal control) to determine the 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 Caswell Beach's 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, 2021-01, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Caswell Beach's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 test disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2021-01.

Town of Caswell Beach's Response to Findings

The Town of Caswell Beach's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co, P.A.
October 29, 2021

Town of Caswell Beach
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I. Summary of Auditors' 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? | <u> X </u> | yes | <u> </u> | no |
|-----------------------------------|--------------|-----|-------------------|----|

| | | | | |
|--|-------------------|-----|--------------|---------------|
| Significant Deficiency(s) identified that are not considered to be material weaknesses | <u> </u> | yes | <u> X </u> | none reported |
|--|-------------------|-----|--------------|---------------|

| | | | | |
|--|-------------------|-----|--------------|----|
| Noncompliance material to financial statements noted | <u> </u> | yes | <u> X </u> | no |
|--|-------------------|-----|--------------|----|

**Town of Caswell Beach
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Section II. Financial Statement Findings

MATERIAL WEAKNESS

FINDING: 2021-01 Lack of Segregation of Duties

| | |
|-----------------|---|
| Criteria: | Internal controls are enhanced when the responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals. |
| Condition: | In reviewing internal control procedures within the Finance Department, we noticed a lack of segregation of duties due to the small number of employees. Internal controls are enhanced when responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals. |
| Effect: | While it may be convenient to have one person authorized to handle multiple phases of a transaction, it does not provide the ideal internal control structure. |
| Cause: | The small number of employees within the Finance Department makes it difficult to achieve an adequate segregation of duties. |
| Recommendation: | The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls. |

Views of responsible officials and planned corrective actions: The Town agrees with this finding.



Town of Caswell Beach

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Corrective Action Plan For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS

2021-01 Segregation of Duties

Name of Contact Person: Jeff Griffin, Finance Officer

Corrective Action: The Town has placed an emphasis on refining the solution(s) for this deficiency over the last few years. We have one member of our staff that is responsible for accounts payable, updating cash collections, and making bank deposits. A different member of our staff handles the bank reconciliation. The Town has also instituted a policy in which all purchases of over \$100.00 are to be approved by the Town Administrator. The Town Administrator approves all timesheets and paid time off. Additionally, the Town uses the two-signatory process for all checks. The Town has an extremely small staff that limits our ability to segregate duties like that of a large municipality.

Proposed Completion Date: The Board has implemented the above and will continue evaluation of the effectiveness of increased controls and determine additional methods for improving segregation of duties.

Town of Caswell Beach
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

No findings noted in prior year.