

**REVIEWED**

*By SLGFD at 5:01 pm, Oct 14, 2021*

# **TOWN OF PINE KNOLL SHORES NORTH CAROLINA**



## **AUDITED FINANCIAL STATEMENTS**

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



# TOWN OF PINE KNOLL SHORES NORTH CAROLINA





# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

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

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

## **Independent Auditor's Report**

To the Honorable Mayor and  
Board of Commissioners  
Town of Pine Knoll Shores, North Carolina

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Knoll Shores, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

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

## **Change in Accounting Principle**

As discussed in note 2B to the financial statements, for fiscal year ended June 30, 2021 the Town of Pine Knoll Shores adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and the Total Pension Liability as a Percentage of Covered Payroll, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We 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 Town of Pine Knoll Shores, North Carolina's basic financial statements. The budget and actual schedules and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budget and actual schedules and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget and actual schedules and supplemental ad valorem tax schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021 on our consideration of the Town of Pine Knoll Shores, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Pine Knoll Shores' 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 Pine Knoll Shores' internal control over financial reporting and compliance.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
September 24, 2021

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

As management of the Town of Pine Knoll Shores (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2021, with comparisons to the prior year, where appropriate. 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.

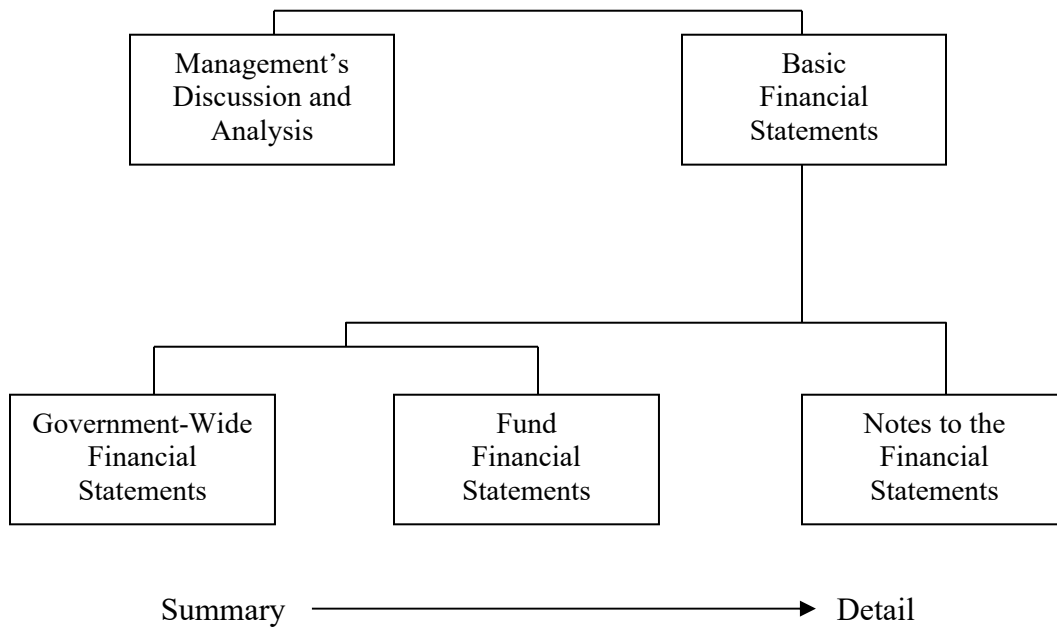
### **Financial Highlights**

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources on June 30, 2021 by \$14,518,729.
- The Town's net position increased by \$1,106,789, primarily due to the Town's accumulation of beach tax in the Capital Reserve Fund and the receipt of FEMA reimbursement for past disaster-related expenses.
- On a government-wide basis for governmental activities, the Town had expenses net of program revenues of \$2,752,906. Total program revenues were \$2,180,556, and expenses were \$4,933,462.
- On a government-wide basis for business-type activities (Water Fund), the Town had income net of program expenses of \$131,846.
- As of June 30, 2021, the Town's governmental funds reported combined ending fund balances of \$6,936,234 with a net increase of \$778,265. The net increase was primarily due to the Town's receipt of FEMA reimbursement for past disasters.
- As of June 30, 2021, expendable, available fund balance for the General Fund was \$2,469,414.

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

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise two components: 1) government-wide financial statements and 2) fund financial statements along with the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Required Components of Annual Financial Report**  
**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits C through K) 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 four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements, and 4) the fiduciary fund statement.

The next section of the basic financial statements is in 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 can also be found in this part of the statements.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, transportation, and environmental protection. The business-type activities of the Town of Pine Knoll Shores include water.

The government-wide financial statements can be found on Exhibits A and B of this report.

In accordance with the Governmental Accounting Standards Board criteria for inclusion in the reporting entity, the Town has no component units that must be included in this report.

## **Fund Financial Statements**

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

*Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

At year-end, the Town maintained three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Beach Renourishment Capital Project Fund and the Beach Capital Reserve Fund, which are major governmental funds.

The Town adopts an annual appropriated budget for its General Fund and Beach Capital Reserve Fund. A budgetary comparison statement has been provided for to demonstrate compliance with this budget. The Town adopts a project budget for the Beach Renourishment Capital Project Fund.

The basic governmental fund financial statements can be found on Exhibits C-F of this report.

*Proprietary Funds.* The Town utilizes one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The Water Fund is considered a major fund of the Town.

The basic proprietary fund financial statements can be found on Exhibits G-I of this report.

*Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Pine Knoll Shores has one fiduciary fund, which is a custodial fund.

The basic fiduciary fund financial statements can be found on Exhibit J-K of this report.

*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 can be found after Exhibit K of this report.

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

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

## Government-Wide Financial Analysis

### Town of Pine Knoll Shores' Net Position Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets and Deferred Outflows of Resources:</b>						
Current and other assets	\$ 7,284,546	\$ 12,367,716	\$ 1,013,958	\$ 1,076,856	\$ 8,298,504	\$ 13,444,572
Capital assets	7,464,812	6,929,499	3,315,830	3,284,988	10,780,642	10,214,487
Deferred outflows of resources	594,705	427,616	52,768	40,048	647,473	467,664
Total assets and deferred outflows of resources	<u>15,344,063</u>	<u>19,724,831</u>	<u>4,382,556</u>	<u>4,401,892</u>	<u>19,726,619</u>	<u>24,126,723</u>
<b>Liabilities and Deferred Inflows of Resources:</b>						
Current liabilities	474,823	6,020,384	143,606	165,083	618,429	6,185,467
Non-current liabilities	2,077,722	1,876,388	2,431,018	2,559,089	4,508,740	4,435,477
Deferred inflows of resources	78,571	89,793	2,150	4,046	80,721	93,839
Total liabilities and deferred inflows of resources	<u>2,631,116</u>	<u>7,986,565</u>	<u>2,576,774</u>	<u>2,728,218</u>	<u>5,207,890</u>	<u>10,714,783</u>
<b>Net Position:</b>						
Net investment in capital assets	6,441,786	5,782,057	908,830	723,988	7,350,616	6,506,045
Restricted	4,503,133	4,065,311	-	-	4,503,133	4,065,311
Unrestricted	1,768,028	1,890,898	896,952	949,686	2,664,980	2,840,584
Total net position	<u>\$ 12,712,947</u>	<u>\$ 11,738,266</u>	<u>\$ 1,805,782</u>	<u>\$ 1,673,674</u>	<u>\$ 14,518,729</u>	<u>\$ 13,411,940</u>

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$14,518,729 on June 30, 2021 compared to \$13,411,940 for the year ended June 30, 2020. The Town's net position increased by \$1,106,789 for the year ended June 30, 2021.

The largest portion of the Town's net position (51%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$4,503,133 of the Town's net position (31% compared to 30% on June 30, 2020) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,664,980 may be used to meet the government's ongoing obligation to citizens and creditors.

**Town of Pine Knoll Shores' Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 895,349	\$ 490,321	\$ 939,559	\$ 864,353	\$ 1,834,908	\$ 1,354,674
Operating grants and contributions	579,583	444,673	-	-	579,583	444,673
Capital grants and contributions	705,624	16,287,956	-	-	705,624	16,287,956
General revenues:						
Property taxes	2,429,113	2,030,203	-	-	2,429,113	2,030,203
Other taxes	1,289,344	1,134,479	-	-	1,289,344	1,134,479
Investment earnings	9,130	71,270	262	10,494	9,392	81,764
Total revenues	<u>5,908,143</u>	<u>20,458,902</u>	<u>939,821</u>	<u>874,847</u>	<u>6,847,964</u>	<u>21,333,749</u>
<b>Expenses:</b>						
General government	1,087,881	1,332,306	-	-	1,087,881	1,332,306
Public safety	2,669,629	2,120,482	-	-	2,669,629	2,120,482
Transportation	140,816	94,425	-	-	140,816	94,425
Environmental protection	1,008,266	16,978,643	-	-	1,008,266	16,978,643
Interest on long-term debt	26,871	33,041	-	-	26,871	33,041
Water	-	-	807,713	737,792	807,713	737,792
Total expenses	<u>4,933,462</u>	<u>20,558,897</u>	<u>807,713</u>	<u>737,792</u>	<u>5,741,175</u>	<u>21,296,689</u>
Change in net position	974,681	(99,995)	132,108	137,055	1,106,789	37,060
<b>Net Position:</b>						
Beginning of year, July 1	<u>11,738,266</u>	<u>11,838,261</u>	<u>1,673,674</u>	<u>1,536,619</u>	<u>13,411,940</u>	<u>13,374,880</u>
End of year, June 30	<u>\$ 12,712,947</u>	<u>\$ 11,738,266</u>	<u>\$ 1,805,782</u>	<u>\$ 1,673,674</u>	<u>\$ 14,518,729</u>	<u>\$ 13,411,940</u>

**Governmental Activities.** Governmental activities increased the Town's net position by \$974,681.

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

The Town's accumulation of beach tax in the Capital Reserve Fund combined with the receipt of final FEMA reimbursement for past disasters.

**Business-Type Activities.** Business-type activities increased the Town's net position by \$132,108. For the year ended June 30, 2020, business-type activities increased the Town's net position by \$137,055.

Key elements of this increase are as follows: investment in capital assets, aggressive pay down of bonded debt, and a real estate boom leading to new utility connections.

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

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

**Governmental Funds.** The focus on the Town'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's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Pine Knoll Shores' fund balance available in the General Fund was \$2,469,414 while total fund balance reached \$3,112,778. The Town currently has an available fund balance of 49% of General Fund expenditures and transfers out, while total fund balance represents 62% of that same amount.

Overall fund balance increased by \$778,265. Included in this increase in fund balance is an increase of \$628,125 for the Beach Capital Reserve Fund and an decrease of \$276,321 for the Beach Renourishment Capital Project Fund.

The significant change in fund balance levels over the prior year is primarily due Town's accumulation of beach tax in the Capital Reserve Fund combined with the receipt of final FEMA reimbursement for past disasters.

The Town appropriated \$167,000 of fund balance in the 2022 General Fund budget.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Net position of the Water Fund increased by \$132,108 at year-end.

## General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on a couple of 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 or expand services. Significant amendments to its General Fund budget included: Capital Outlay projects for the Public Safety Building which was a carry-over from the prior fiscal year, security cameras installation at both public buildings, board room audio visual upgrades, and adjustments to the appropriations for professional services.

## Capital Assets and Debt Administration

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to \$10,780,642 (net of accumulated depreciation), which is an increase of \$566,155. Net capital assets on June 30, 2020 were \$10,214,487. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and streets.

**Town of Pine Knoll Shores' Capital Assets**  
**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Land	\$ 1,824,372	\$ 1,824,372	\$ -	\$ -	\$ 1,824,372	\$ 1,824,372
Computer equipment	129,151	129,151	-	-	129,151	129,151
Equipment	952,676	871,009	166,487	153,496	1,119,163	1,024,505
Vehicles	1,866,985	1,797,056	108,679	65,922	1,975,664	1,862,978
Buildings	3,260,663	2,747,174	-	-	3,260,663	2,747,174
Infrastructure	3,733,794	3,733,794	-	-	3,733,794	3,733,794
Construction in progress	646,583	434,719	54,534	36,549	701,117	471,268
Plant and distribution system	-	-	4,962,659	4,841,146	4,962,659	4,841,146
Subtotal	12,414,224	11,537,275	5,292,359	5,097,113	17,706,583	16,634,388
Accumulated depreciation	(4,949,412)	(4,607,776)	(1,976,529)	(1,812,125)	(6,925,941)	(6,419,901)
Capital assets, net	<u>\$ 7,464,812</u>	<u>\$ 6,929,499</u>	<u>\$ 3,315,830</u>	<u>\$ 3,284,988</u>	<u>\$ 10,780,642</u>	<u>\$ 10,214,487</u>

Additional information on the Town's capital assets can be found in Note 2A.

**Long-Term Debt.** Long-term debt as of June 30, 2021 is summarized below:

**Town of Pine Knoll Shores' Outstanding Debt  
Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Notes payable	\$ 1,023,026	\$ 1,147,442	\$ -	\$ -	\$ 1,023,026	\$ 1,147,442
Net pension liability (LGERS)	989,203	708,762	97,833	70,097	1,087,036	778,859
Total pension liability (LEOSSA)	167,203	116,225	-	-	167,203	116,225
Compensated absences	102,706	88,375	14,185	13,191	116,891	101,566
General obligation bonds	-	-	2,407,000	2,561,000	2,407,000	2,561,000
Total	<u>\$ 2,282,138</u>	<u>\$ 2,060,804</u>	<u>\$ 2,519,018</u>	<u>\$ 2,644,288</u>	<u>\$ 4,801,156</u>	<u>\$ 4,705,092</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed valuation located within that government's boundaries. The legal debt margin for the Town is \$79,980,201.

Additional information on the Town's long-term debt can be found in Note 2B of this report.

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

The Town's ad valorem tax rate remains unchanged at a rate of 20.7 cents per hundred for the FY 2021-2022 budget year. With this tax rate, the Board of Commissioners was able to maintain the level of services that the citizens deserve and desire. The beach tax rate also remains unchanged for the FY 2021-2022 budget year at 5.5 cents per hundred for oceanfront property and 1.5 cents per hundred for non-oceanfront property.

There are also no changes to the Water Fund rates for the FY 2020-2021 budget year. Additionally, in the FY 2021-2022 Water Enterprise Fund budget, the Town has included an additional principal payment on its bonded debt and expenditures for several capital projects.

The COVID-19 pandemic caused the Town to close its buildings to the public and increase remote working capabilities. At various times during the fiscal year, staff members worked remotely to the greatest extent possible. As the pandemic continues into FY 2021-2022, the Town continues to provide accessibility through electronic means.

**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 financial information should be addressed to the Finance Officer, Town of Pine Knoll Shores, 100 Municipal Circle, Pine Knoll Shores, NC 28512.

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## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 6,460,039	\$ 790,283	\$ 7,250,322
Taxes receivable, net	3,797	-	3,797
Accounts receivable, net	37,919	220,148	258,067
Prepaid items	37,180	-	37,180
Due from other governments	613,330	-	613,330
Inventory	16,394	-	16,394
Restricted cash and investments	115,887	3,527	119,414
Total current assets	7,284,546	1,013,958	8,298,504
Non-current assets:			
Land and construction in progress	2,470,955	54,534	2,525,489
Other capital assets, net of depreciation	4,993,857	3,261,296	8,255,153
Capital assets, net	7,464,812	3,315,830	10,780,642
Total assets	14,749,358	4,329,788	19,079,146
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	594,705	52,768	647,473
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	140,224	20,067	160,291
Accrued expenses	87,953	15,782	103,735
Customer deposits payable from restricted assets	26,000	3,527	29,527
Prepaid lease	16,230	16,230	32,460
Current portion - compensated absences	80,000	8,000	88,000
Current portion of long-term debt	124,416	80,000	204,416
Total current liabilities	474,823	143,606	618,429
Long-term liabilities:			
Net pension liability - LGERS	989,203	97,833	1,087,036
Total pension liability - LEOSSA	167,203	-	167,203
Non-current portion of long-term debt	921,316	2,333,185	3,254,501
Total long-term liabilities	2,077,722	2,431,018	4,508,740
Total liabilities	2,552,545	2,574,624	5,127,169
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	52,490	2,150	54,640
Grant received in advance	25,000	-	25,000
Prepaid taxes	1,081	-	1,081
Total deferred inflows of resources	78,571	2,150	80,721
<b>Net Position:</b>			
Net investment in capital assets	6,441,786	908,830	7,350,616
Restricted stabilization by state statute	590,243	-	590,243
Restricted environmental protection	3,823,003	-	3,823,003
Restricted general government	41,404	-	41,404
Restricted streets	48,483	-	48,483
Unrestricted	1,768,028	896,952	2,664,980
Total net position	\$ 12,712,947	\$ 1,805,782	\$ 14,518,729

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

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,087,881	\$ 352,469	\$ -	\$ 253,772
Public safety	2,669,629	70,678	76,714	-
Transportation	140,816	-	41,346	-
Environmental protection	1,008,266	472,202	461,523	451,852
Interest on long-term debt	26,871	-	-	-
Total governmental activities	<u>4,933,462</u>	<u>895,349</u>	<u>579,583</u>	<u>705,624</u>
<b>Business-Type Activities:</b>				
Water Fund	<u>807,713</u>	<u>939,559</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,741,175</u>	<u>\$ 1,834,908</u>	<u>\$ 579,583</u>	<u>\$ 705,624</u>

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

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (481,640)	\$ -	\$ (481,640)
Public safety	(2,522,237)	-	(2,522,237)
Transportation	(99,470)	-	(99,470)
Environmental protection	377,311	-	377,311
Interest on long-term debt	(26,871)	-	(26,871)
Total governmental activities	<u>(2,752,906)</u>	<u>-</u>	<u>(2,752,906)</u>
<b>Business-Type Activities:</b>			
Water Fund	<u>-</u>	<u>131,846</u>	<u>131,846</u>
Total primary government	<u>(2,752,906)</u>	<u>131,846</u>	<u>(2,621,060)</u>
<b>General Revenues:</b>			
Ad valorem taxes	2,429,113	-	2,429,113
Local option sales taxes	1,094,074	-	1,094,074
Other taxes and licenses	195,270	-	195,270
Interest earned on investments	9,130	262	9,392
Total general revenues	<u>3,727,587</u>	<u>262</u>	<u>3,727,849</u>
Change in net position	974,681	132,108	1,106,789
<b>Net Position:</b>			
Beginning of year - July 1	<u>11,738,266</u>	<u>1,673,674</u>	<u>13,411,940</u>
End of year - June 30	<u>\$ 12,712,947</u>	<u>\$ 1,805,782</u>	<u>\$ 14,518,729</u>

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

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General Fund	Beach Capital Reserve Fund	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,637,036	\$ 3,823,003	\$ 6,460,039
Taxes receivable, net	3,518	279	3,797
Accounts receivable, net	37,919	-	37,919
Prepaid items	37,180	-	37,180
Due from other governments	612,877	453	613,330
Inventory	16,394	-	16,394
Restricted cash and cash equivalents	115,887	-	115,887
Total assets	<u>\$ 3,460,811</u>	<u>\$ 3,823,735</u>	<u>\$ 7,284,546</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 140,224	\$ -	\$ 140,224
Accrued expenses	74,974	-	74,974
Unearned revenue	16,230	-	16,230
Payable from restricted assets:			-
Customer deposits	26,000	-	26,000
Total liabilities	<u>257,428</u>	<u>-</u>	<u>257,428</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	3,518	279	3,797
Grants received in advance	25,000	-	25,000
Grant receivable	59,899	-	59,899
Prepaid taxes	1,081	-	1,081
Solid waste receivables	1,107	-	1,107
Total deferred inflows of resources	<u>90,605</u>	<u>279</u>	<u>90,884</u>
<b>Fund Balances:</b>			
Non-spendable	53,574	-	53,574
Restricted stabilization by state statute	589,790	453	590,243
Restricted other	89,887	3,823,003	3,912,890
Committed	1,003,233	-	1,003,233
Assigned	167,000	-	167,000
Unassigned	1,209,294	-	1,209,294
Total fund balances	<u>3,112,778</u>	<u>3,823,456</u>	<u>6,936,234</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,460,811</u>	<u>\$ 3,823,735</u>	<u>\$ 7,284,546</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:			
Net pension liability - LGERS			(989,203)
Total pension liability - LEO			(167,203)
Deferred outflow of resources related to pensions on the Statement of Net Position			594,705
Deferred inflow of resources related to pensions on the Statement of Net Position			(52,490)
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds.			7,464,812
Liabilities for earned revenues considered deferred inflows of resources in fund statements			64,803
Some liabilities, including bonds payable, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not included in the funds.			(1,138,711)
Net position of governmental activities per Exhibit A			<u>\$ 12,712,947</u>

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

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

	General Fund	Beach Capital Reserve Fund	Beach Renourishment Capital Project Fund	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,098,918	\$ 329,292	\$ -	\$ 2,428,210
Other taxes and licenses	1,095,161	-	-	1,095,161
Unrestricted intergovernmental revenues	194,183	-	-	194,183
Restricted intergovernmental revenues	1,075,733	-	451,852	1,527,585
Permits and fees	705,634	-	-	705,634
Investment earnings	8,168	962	-	9,130
Other	244,694	-	-	244,694
Total revenues	<u>5,422,491</u>	<u>330,254</u>	<u>451,852</u>	<u>6,204,597</u>
<b>Expenditures:</b>				
Current:				
General government	1,111,751	-	-	1,111,751
Public safety	2,454,864	-	-	2,454,864
Transportation	97,119	-	-	97,119
Environmental protection	1,117,257	-	492,302	1,609,559
Debt service:				
Principal repayments	124,416	-	-	124,416
Interest and fees	28,623	-	-	28,623
Total expenditures	<u>4,934,030</u>	<u>-</u>	<u>492,302</u>	<u>5,426,332</u>
Revenues over (under) expenditures	<u>488,461</u>	<u>330,254</u>	<u>(40,450)</u>	<u>778,265</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	297,871	-	297,871
Transfers out	(62,000)	-	(235,871)	(297,871)
Total other financing sources (uses)	<u>(62,000)</u>	<u>297,871</u>	<u>(235,871)</u>	<u>-</u>
Net change in fund balances	426,461	628,125	(276,321)	778,265
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>2,686,317</u>	<u>3,195,331</u>	<u>276,321</u>	<u>6,157,969</u>
End of year - June 30	<u>\$ 3,112,778</u>	<u>\$ 3,823,456</u>	<u>\$ -</u>	<u>\$ 6,936,234</u>

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

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 778,265
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(366,595)
Capital outlays are reported as expenditures in the governmental funds financial statement. However, in the Statement of Activities, capital items are reported as an increase in assets.	901,908
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements.	
Change in unavailable revenue for tax revenue	903
Change in unavailable revenue for solid waste disposal revenue	130
Change in unavailable revenue for grant revenue	(297,487)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	190,179
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 the governmental:	
Pension expense	(344,459)
Change in accrued vacation	(14,331)
Change in accrued interest	1,752
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	124,416
Change in net position of governmental activities per Exhibit B	<u>\$ 974,681</u>

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

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

## GENERAL FUND

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over/Under
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,081,000	\$ 2,094,500	\$ 2,098,918	\$ 4,418
Other taxes and licenses	933,000	948,100	1,095,161	147,061
Unrestricted intergovernmental revenues	223,000	198,600	194,183	(4,417)
Restricted intergovernmental revenues	342,125	1,075,625	1,075,733	108
Permits and fees	622,000	713,500	705,634	(7,866)
Investment earnings	50,000	10,000	8,168	(1,832)
Other	251,000	239,800	244,694	4,894
Total revenues	<u>4,502,125</u>	<u>5,280,125</u>	<u>5,422,491</u>	<u>142,366</u>
<b>Expenditures:</b>				
General government	936,500	1,221,000	1,111,751	109,249
Public safety	2,545,125	2,552,125	2,454,864	97,261
Transportation	110,000	116,500	97,119	19,381
Environmental protection	1,076,000	1,170,000	1,117,257	52,743
Debt service:				
Principal repayment	172,000	126,000	124,416	1,584
Interest and fees	43,000	29,000	28,623	377
Contingency	9,500	75,500	-	75,500
Total expenditures	<u>4,892,125</u>	<u>5,290,125</u>	<u>4,934,030</u>	<u>356,095</u>
Revenues over (under) expenditures	<u>(390,000)</u>	<u>(10,000)</u>	<u>488,461</u>	<u>498,461</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	260,000	-	-	-
Transfers in	35,000	35,000	-	(35,000)
Transfers out	(93,000)	(62,000)	(62,000)	-
Appropriated fund balance	188,000	37,000	-	(37,000)
Total other financing sources (uses)	<u>390,000</u>	<u>10,000</u>	<u>(62,000)</u>	<u>(72,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>426,461</u>	<u>\$ 426,461</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>2,686,317</u>	
End of year - June 30			<u>\$ 3,112,778</u>	

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

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

## STATEMENT OF NET POSITION

## PROPRIETARY FUND

JUNE 30, 2021

	<b>Business-Type Activities Water Fund</b>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 790,283
Accounts receivable, net	156,150
Due from Carteret Craven Electric Company	63,998
Restricted cash and cash equivalents	3,527
Total current assets	1,013,958
Non-current assets:	
Land and construction in progress	54,534
Other capital assets, net of depreciation	3,261,296
Total non-current assets	3,315,830
Total assets	4,329,788
<b>Deferred Outflows of Resources:</b>	
Pension deferrals	52,768
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	20,067
Accrued expenses	15,782
Accrued vacation	8,000
Prepaid fees	16,230
Current portion of long-term debt	80,000
Liabilities payable from restricted assets:	
Customer deposits	3,527
Total current liabilities	143,606
Non-current liabilities:	
Net pension liability - LGERS	97,833
Long-term debt	2,333,185
Total non-current liabilities	2,431,018
Total liabilities	2,574,624
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	2,150
<b>Net Position:</b>	
Net investment in capital assets	908,830
Unrestricted	896,952
Total net position	\$ 1,805,782

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

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Business-Type Activities Water Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 825,575
Other operating revenues	<u>32,605</u>
Total operating revenues	<u>858,180</u>
<b>Operating Expenses:</b>	
Salaries and benefits	259,146
Other operating expenses	281,533
Depreciation	<u>164,404</u>
Total operating expenses	<u>705,083</u>
Operating income (loss)	<u>153,097</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest earned on investments	262
Cell phone tower leases	81,379
Interest on long-term debt	<u>(102,630)</u>
Total non-operating revenues (expenses)	<u>(20,989)</u>
Change in net position	132,108
<b>Net Position:</b>	
Beginning of year - July 1	<u>1,673,674</u>
End of year - June 30	<u><u>\$ 1,805,782</u></u>

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

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Business-Type Activities</b>
	<b>Water Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 831,843
Cash paid for goods and services	(305,443)
Cash paid to/on behalf of employees	(245,026)
Net cash provided (used) by operating activities	<u>281,374</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Cell phone tower lease payments received	81,852
Acquisition of capital assets	(195,246)
Principal repaid on long-term debt	(154,000)
Interest paid on long-term debt	(103,146)
Net cash provided (used) by capital and related financing activities	<u>(370,540)</u>
<b>Cash Flows from Investing Activities:</b>	
Investment income received	<u>262</u>
Net increase (decrease) in cash and cash equivalents	(88,904)
<b>Cash and Cash Equivalents:</b>	
Beginning of year - July 1	<u>882,714</u>
End of year - June 30	<u>\$ 793,810</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 153,097
Depreciation	164,404
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	(26,006)
(Increase) decrease in deferred outflows for pensions	(12,720)
Increase (decrease) in net pension liability	27,736
Increase (decrease) in accounts payable	(23,910)
Increase (decrease) in deferred inflows of resources for pensions	(1,896)
Increase (decrease) in customer deposits	(331)
Increase (decrease) in accrued vacation	994
Increase (decrease) in accrued salaries	6
Net cash provided (used) by operating activities	<u>\$ 281,374</u>

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

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

## STATEMENT OF FIDUCIARY NET POSITION

### FIDUCIARY FUND

JUNE 30, 2021

	<b><u>Custodial Fund Indian Beach</u></b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 945
Receivables - Taxes for other governments, net	<u>2,800</u>
Total assets	<u>3,745</u>
 <b>Liabilities:</b>	
Due to local governments	<u>45</u>
 <b>Deferred Inflows of Resources:</b>	
Prepaid taxes	<u>900</u>
 <b>Net Position:</b>	
Restricted for:	
Other governments	<u>2,800</u>
Total net position	<u>\$ 2,800</u>

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

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Custodial Fund Indian Beach</b>
<b>Additions:</b>	
Property tax collection for other governments	\$ 1,352,242
<b>Deductions:</b>	
Payments of property tax to other governments	1,354,075
Net increase (decrease) in fiduciary net position	(1,833)
<b>Net Position:</b>	
Beginning of year - July 1	-
Restatement	4,633
Beginning of year - July 1, as restated	4,633
End of year - June 30	\$ 2,800

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

### **1. Summary of Significant Accounting Policies**

#### **A. Nature of Operations**

The Town of Pine Knoll Shores, North Carolina, (the “Town”), is a municipal corporation governed by an elected Mayor and a five-member Board of Commissioners. The Town operates under a commissioners-manager form of government and provides the following services as authorized by its charter: public safety, transportation, environmental protection, and water services.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

#### **B. Basis of Presentation**

The government-wide financial statements (Exhibit A - Statement of Net Position and Exhibit B - Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements in all material areas. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange activities. Other non-operating items, such as investment earnings, are ancillary activities.

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

The General Fund, the Beach Capital Reserve Fund, Beach Renourishment Capital Project Fund and the Water Fund are major funds of the Town for the year ended June 30, 2021.

**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, local option sales taxes, state grants, and solid waste fees. The primary expenditures are for general government, public safety, transportation, and environmental protection.

**Beach Capital Reserve Fund.** This capital project fund is used to accumulate the beach tax assessed on an ad valorem basis to retire debt and provide future resources for beach renourishment, operation of the public beach accesses, and other associated beach expenses.

**Beach Renourishment Capital Project Fund.** This capital project fund is used to account for beach renourishment.

**Water Fund.** This fund is used to account for the Town's water operations.

The Town has the following fund categories:

**Governmental Funds.** Governmental funds are those used to account for the Town's expendable financial resources and related liabilities (except those accounted for in another fund). The following are the Town's governmental fund types:

**General Fund.** The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund for fund financial statement reporting purposes.

**Capital Project Fund.** Capital project funds are used to account for multi-year budget construction projects of governmental capital assets. The Town has two capital project funds: the Beach Capital Reserve Fund and the Beach Renourishment Capital Project Fund.

**Enterprise Fund.** Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water Fund is the only enterprise fund of the Town.

**Custodial Fund.** Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment funds, or private purpose trust funds. The custodial fund is used to account for assets the Town holds on behalf of others that meet certain criteria. The Town bills and collects property taxes for the Town of Indian Beach.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

Also, as of September 1, 2013, state law altered 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 all 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 which 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 inflow of resources.

Sales taxes collected 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 Pine Knoll Shores because the tax is levied by Carteret County and then remitted to and distributed by the state. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

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

### **D. 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 Capital Reserve Fund, and the Enterprise Fund. A multi-year project budget is adopted for all other capital project 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 department level for all annually budgeted funds and for multi-year funds. The Finance Officer is authorized to transfer appropriations within a department. With the approval of the Town Manager, the Finance Officer shall be authorized to effect interdepartmental transfers in the same fund, not to exceed 10% of the appropriated monies for the department whose allocation is reduced. Consent agenda approval of all such transfers is required at the next succeeding meeting of the governing board. 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.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

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

#### **Deposits and Investments**

All deposits of the Town are made in Board-designated official depositories and are secured as required by 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) Government Portfolio, an SEC-registered (2a-7) government money market fund.

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The NCCMT's Government Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

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

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

For purposes of the Statement of Cash Flows, the Town considers all deposits and investments with an original maturity date of three months or less, which are not limited as to use, to be cash equivalents.

#### **Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. \$48,483 of Powell Bill funds in the General Fund are classified as restricted cash because it 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. \$26,000 of customer deposits in the General Fund and \$3,527 of customer deposits in the Water Fund are classified as restricted because they are held by the Town before any services are supplied are restricted to the service for which the deposit was collected. \$41,404 of donations received by the Town in the General Fund are restricted for the purpose specified by the donor.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

### **Ad Valorem Taxes Receivable**

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

### **Allowances for Doubtful Accounts**

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

### **Prepaid Items**

Prepaid items represent cash payments for goods and services that were not received by June 30, 2021. These items will be recognized as expenditures in the subsequent year.

### **Inventories**

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Inventories of the Town's funds consist primarily of fuel.

### **Capital Assets**

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold of \$2,500 will be reported as capital assets in the Statement of Net Position. General governmental infrastructure assets acquired prior to July 1, 2003, were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003. 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. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical value.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

Capital assets are depreciated on the straight-line basis, applying the following useful lives to the cost of the assets:

<b>Assets</b>	<b>Estimated Useful Lives</b>
Buildings and improvements	40 years
Infrastructure	40 years
Plant and Distribution Systems	40 years
Furniture	10 years
Equipment and fixtures	7 years
Vehicles (excluding fire trucks and ambulances)	5 years
Fire trucks and ambulances	10 years
Computer equipment	3 years

### **Compensated Absences**

The vacation policies of the Town provide for the accumulation of up to 240 hours of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide presentation, an expense and a liability are recorded as vacation leave is earned. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. 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. Accrued vacation for governmental activities and business-type activities was \$102,706 and \$14,185, respectively, at June 30, 2021.

### **Long-Term Obligations**

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

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

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

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

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

### **Net Position**

Net position in government-wide and proprietary fund financial statements are classified as net invested in capital assets; restricted and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statutes.

### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

*Inventories and Prepaid Items* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories and prepaid items, which are not spendable resources. Non-spendable fund balance at June 30, 2021 was \$53,574.

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

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

	<b>General Fund</b>	<b>Beach Capital Reserve Fund</b>	<b>Total Governmental Funds</b>
<i>Restricted for Stabilization by State Statute</i> – portion of fund balance that is restricted by state statute [G.S. 159-8(a)]	\$ 589,790	\$ 453	\$ 590,243
<i>Restricted for Streets – Powell Bill</i> – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures	48,483	-	48,483
<i>Restricted for General Government</i> – donations restricted for the purpose specified by the donor	41,404	-	41,404
<i>Restricted for Environmental Protection</i> – Beach Capital Reserve Fund balance that is restricted by revenue source for beach renourishment expenditures	<u>-</u>	<u>3,823,003</u>	<u>3,823,003</u>
Total restricted fund balances/net position	<u>\$ 679,677</u>	<u>\$ 3,823,456</u>	<u>\$ 4,503,133</u>

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

**Committed Fund Balance:** This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that 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 the limitation. A summary, by purpose, of the committed fund balances of the governmental funds are as follows:

Storm emergency	\$ 254,598
Beach	144,226
Key employee	41,816
Building	54,294
Fire vehicle	293,252
EMS vehicle	68,006
Streets	125,027
Police separation	1,134
Unemployment benefits	<u>20,880</u>
Total Board of Commissioners' commitments	<u>\$ 1,003,233</u>

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

*Subsequent Year's Expenditures* – \$167,000 of fund balance that is appropriated in next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

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

The Town has adopted a financial policy to maintain the total of committed, assigned, and unassigned fund balance of the General Fund to 50% of the general operating budget. A portion of the balance will be committed for long-term purposes. The Town has established a Beach Capital Reserve Fund.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

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

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

Total fund balance - General Fund	\$ 3,112,778
<b>Less:</b>	
Inventories and prepaid items	(53,574)
Stabilization by state statute	<u>(589,790)</u>
Fund balance available for appropriation	<u><u>\$ 2,469,414</u></u>

### **Defined Benefit Cost-Sharing Plan**

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

### **Interfund Transactions**

Interfund services provided are accounted for as revenues or expenses in the government-wide financial statements since they would be treated as such if they involved organizations external to the Town. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

### **Use of Estimates**

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

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

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

#### **A. Assets**

##### **Deposits**

The Town deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with the securities held by the Town's agent 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 agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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 \$1,316,467 and a bank balance of \$1,379,616. The Town only has deposits in institutions that collateralize under the Pooling Method. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remainder was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Town had \$2,150 cash on hand at June 30, 2021.

##### **Investments**

At June 30, 2021, the Town had \$6,052,064 invested with North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAA by Standard and Poor's and AAA-mf by Moody's Investor Service. The Town has no policy regarding credit risk.

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

### Receivables

Disaggregation information and allowance for doubtful accounts related to receivables reported in the exhibits are as follows:

	<u>Accounts</u>	<u>Due From Other Governments</u>	<u>Taxes</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 49,013	\$ 613,330	\$ 5,014	\$ 667,357
Allowance for doubtful accounts	<u>(11,094)</u>	<u>-</u>	<u>(1,217)</u>	<u>(12,311)</u>
Total governmental activities	<u>\$ 37,919</u>	<u>\$ 613,330</u>	<u>\$ 3,797</u>	<u>\$ 655,046</u>
<b>Business-Type Activities:</b>				
Water utility billing	\$ 86,091	\$ -	\$ -	\$ 86,091
Cell tower lease receivable	19,262	-	-	19,262
Due from Carteret Craven Electric Company	63,998	-	-	63,998
Unbilled revenue - water	<u>50,797</u>	<u>-</u>	<u>-</u>	<u>50,797</u>
Total business-type activities	<u>\$ 220,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,148</u>

Due from other governments consisted of the following:

<b>Governmental Activities:</b>	
Local option sales tax	\$ 310,000
Franchise tax	41,000
Grant	208,974
Other intergovernmental amounts	19,070
Sales tax refund receivable	<u>34,286</u>
Total	<u>\$ 613,330</u>

The Town's water services are billed and collected by Carteret Craven Electric Company.

At June 30, 2021, taxes for other governments in the Custodial Fund are net of an allowance for doubtful accounts of \$6,361.

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

### Capital Assets

#### Governmental Capital Assets

A summary of changes in the Town's capital assets used in governmental activities follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
<b>By Asset Type:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 1,824,372	\$ -	\$ -	\$ 1,824,372
Construction in progress	434,719	722,497	(510,633)	646,583
Total non-depreciable assets	<u>2,259,091</u>	<u>722,497</u>	<u>(510,633)</u>	<u>2,470,955</u>
<b>Depreciable Assets:</b>				
Computer equipment	129,151	-	-	129,151
Equipment	871,009	96,626	(14,959)	952,676
Vehicles	1,797,056	79,929	(10,000)	1,866,985
Buildings	2,747,174	513,489	-	3,260,663
Infrastructure	3,733,794	-	-	3,733,794
Total depreciable assets	<u>9,278,184</u>	<u>690,044</u>	<u>(24,959)</u>	<u>9,943,269</u>
<b>Less Accumulated Depreciation:</b>				
Computer equipment	120,217	5,162	-	125,379
Equipment	692,887	55,516	(14,959)	733,444
Vehicles	1,245,275	116,121	(10,000)	1,351,396
Buildings	1,600,498	75,675	-	1,676,173
Infrastructure	948,899	114,121	-	1,063,020
Total accumulated depreciation	<u>4,607,776</u>	<u>\$ 366,595</u>	<u>\$ (24,959)</u>	<u>4,949,412</u>
Depreciable capital assets, net	<u>4,670,408</u>			<u>4,993,857</u>
Total capital assets, net	<u>\$ 6,929,499</u>			<u>\$ 7,464,812</u>

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

#### Governmental Activities:

General government	\$ 127,885
Public safety	151,108
Environmental protection	41,719
Transportation	45,883
Total	<u>\$ 366,595</u>

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

### Enterprise Fund Capital Assets

The capital assets for the Enterprise Fund of the Town at June 30, 2021 are as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
<b>By Asset Type:</b>				
<b>Non-Depreciable Assets:</b>				
Construction in progress	\$ 36,549	\$ 17,985	\$ -	\$ 54,534
Total non-depreciable assets	<u>36,549</u>	<u>17,985</u>	<u>-</u>	<u>54,534</u>
<b>Depreciable Assets:</b>				
Equipment	153,496	12,991	-	166,487
Vehicles	65,922	42,757	-	108,679
Plant and distribution system	4,841,146	121,513	-	4,962,659
Total depreciable assets	<u>5,060,564</u>	<u>177,261</u>	<u>-</u>	<u>5,237,825</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	121,757	6,218	-	127,975
Vehicles	65,922	3,970	-	69,892
Plant and distribution system	1,624,446	154,216	-	1,778,662
Total accumulated depreciation	<u>1,812,125</u>	<u>\$ 164,404</u>	<u>\$ -</u>	<u>1,976,529</u>
Depreciable capital assets, net	<u>3,248,439</u>			<u>3,261,296</u>
Total capital assets, net	<u>\$ 3,284,988</u>			<u>\$ 3,315,830</u>

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 7,464,812	\$ 3,315,830
Long-term debt	<u>(1,023,026)</u>	<u>(2,407,000)</u>
Net investment in capital assets	<u>\$ 6,441,786</u>	<u>\$ 908,830</u>

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

### B. Liabilities

#### Long-Term Obligations

The Town records long-term debt of the governmental funds at face value in the government-wide Statement of Net Position. All general obligation bonds serviced by the Town's General Fund are collateralized by the full-faith credit and taxing power of the Town. Principal and interest payments are appropriated when due.

#### Changes in Long-Term Debt

The following is a summary of changes in the Town's governmental activities long-term debt:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Maturities</u>
Notes from direct borrowings and direct placements	\$ 1,147,442	\$ -	\$ (124,416)	\$ 1,023,026	\$ 124,416
Net pension liability (LGERS)	708,762	280,441	-	989,203	-
Total pension liability (LEOSSA)	116,225	50,978	-	167,203	-
Compensated absences	88,375	93,207	(78,876)	102,706	80,000
Total	<u>\$ 2,060,804</u>	<u>\$ 424,626</u>	<u>\$ (203,292)</u>	<u>\$ 2,282,138</u>	<u>\$ 204,416</u>

Compensated absences and pension obligations typically have been liquidated in the General Fund and are accounted for on a first-in, first-out basis.

The following is a summary of changes in the Town's business-type activities long-term debt:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Maturities</u>
General obligation bonds-direct placement	\$ 2,561,000	\$ -	\$ (154,000)	\$ 2,407,000	\$ 80,000
Net pension liability (LGERS)	70,097	27,736	-	97,833	-
Compensated absences	13,191	9,051	(8,057)	14,185	8,000
Total	<u>\$ 2,644,288</u>	<u>\$ 36,787</u>	<u>\$ (162,057)</u>	<u>\$ 2,519,018</u>	<u>\$ 88,000</u>

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

### Installment Loans – Governmental

0% NCDEQ Water Quality Grant & Loan, payable in twenty annual installments of \$15,770, beginning May 2015 through 2034 for stormwater project \$ 205,004

2.90% note, payable in annual installments of \$35,633 the first year and \$89,479 thereafter, plus interest, beginning December 2014 through December 2027, secured by building 626,356

3.73% note, payable in annual installments of \$19,167, including interest, beginning April 2005 through 2031, secured by an ambulance 191,666

Total notes payable - governmental \$ 1,023,026

Annual debt service requirements to maturity for the Direct Borrowings and Direct Placements – Governmental are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 124,416	\$ 25,313	\$ 149,729
2023	124,416	22,003	146,419
2024	124,416	18,694	143,110
2025	124,416	15,384	139,800
2026	124,416	12,075	136,491
2027-2031	353,638	18,508	372,146
2032-2034	47,308	-	47,308
Total	<u>\$ 1,023,026</u>	<u>\$ 111,977</u>	<u>\$ 1,135,003</u>

The Town's outstanding notes from direct placement related to governmental activities of \$205,004 is secured with collateral of an ambulance. This borrowing contain provisions that an event of default would result in (a) the unpaid principal components of the installment payments would become immediately due and payable (b) proceed by appropriate court action to enforce the Town's performance of the applicable covenants or the recover for the breach thereof (c) proceed to execute upon the equipment including recovery of attorneys' fees and other expenses.

The Town's outstanding notes from direct placement related to governmental activities of \$626,356 is secured with collateral of a building. This borrowing contain provisions that an event of default would result in (a) the unpaid principal components of the installment payments would become immediately due and payable (b) proceed by appropriate court action to enforce the

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

Town's performance of the applicable covenants or the recover for the breach thereof (c) proceed to execute upon the property including recovery of attorneys' fees and other expenses.

The Town's outstanding notes from direct borrowing related to governmental activities of \$191,666 contain provisions that the Town may be required to prepay the note if the Town fails to adopt on or before completion of Project, place into effect, and agree to maintain until the principal sum is paid, a schedule of fees, charges and other available funds, that will adequately provide for proper operation, maintenance, and administration of the project and for repayment of all principal and interest on the loan.

### General Obligation Bonds – Enterprise Fund

#### Serviced by Water Fund:

The 2005 direct placement Water Bond was issued in September 2005 for \$4 million to finance the purchase of the water system that serves the Town. The bond requires annual installments through June 2045 of between \$191,500 and \$211,131; including principal and interest at 4.125%, and is collateralized by the full-faith credit and taxing power of the Town.

\$2,407,000

In the event of default, the Town agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreements.

Annual debt service requirements to maturity for the direct placement general obligation bonds are as follows:

Year Ending June 30	Serviced by Water Fund		
	Principal	Interest	Total
2022	\$ 80,000	\$ 102,465	\$ 182,465
2023	84,000	99,165	183,165
2024	87,000	95,700	182,700
2025	91,000	92,111	183,111
2026	94,000	88,358	182,358
2027-2031	534,000	380,202	914,202
2032-2036	654,000	260,577	914,577
2037-2041	783,000	110,839	893,839
Total	<u>\$ 2,407,000</u>	<u>\$ 1,229,417</u>	<u>\$ 3,636,417</u>

### Statutory Debt Limitation

The Town is subject to the Municipal Finance Law of North Carolina, which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the Town may have outstanding to 8% of the appraised value of property subject to taxation. At June 30, 2021, the Town's debt margin was \$79,980,201.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

### **Pension Plan and Post-Employment Obligations**

#### **Local Governmental Employees' Retirement System**

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

**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.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Pine Knoll Shores 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 Pine Knoll Shores' contractually required contribution rate for the year ended June 30, 2021, was 10.9% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pine Knoll Shores were \$208,988 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$1,087,036 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 asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportion was 0.03042% (measured as of June 30, 2020), which was an increase of 0.00190% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

For the year ended June 30, 2021, the Town recognized pension expense of \$355,470. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 137,274	\$ -
Changes of assumptions	80,897	-
Net difference between projected and actual earnings on pension plan investments	152,971	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,474	23,886
Town contributions subsequent to the measurement date	<u>208,988</u>	<u>-</u>
Total	<u><u>\$ 585,604</u></u>	<u><u>\$ 23,886</u></u>

\$208,988 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 93,848
2023	129,963
2024	83,647
2025	<u>45,272</u>
Total	<u><u>\$ 352,730</u></u>

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

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

Inflation	3.0 percent
Salary increase	3.50 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 rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table that vary by age, gender, employee group (i.e. general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons.

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

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:

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

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

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

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 2,205,478	\$ 1,087,036	\$ 157,532

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

### **Pension Plan Obligations**

#### **Law Enforcement Officers' Special Separation Allowance**

**Plan Description.** The Town administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% 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 currently receiving benefits and and terminated employees entitled to, but not yet receiving, benefits	-
Active plan members	7
Total	7

A separate report was not issued for the plan.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

**Summary of Significant Accounting Policies.** 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.

### **Actuarial Assumptions**

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

Inflation	2.5 percent
Salary increase	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent, per annum, compounded annually

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

**Mortality Assumption:** All mortality rates use Pub-2010 amount-weighted tables.

**Mortality Projection:** All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

**Deaths After Retirement (Healthy):** Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

**Deaths Before Retirement:** Mortality rates are based on the Safety Mortality Table for Employees.

**Deaths After Retirement (Disabled):** Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

**Deaths After Retirement (Survivors of Deceased Members):** Mortality rates are based on the Below-Median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward three-years. Rates for female members are set forward one-year. Because the contingent survivor tables have no rates prior to age 45, the Below-Median Teachers Mortality Table for Employees are used for ages less than 45.

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

**Contributions.** The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments through appropriations made in the General Fund operating budget. The Town's obligation to contribute to the plan is established and may be amended by the North Carolina General Assembly. The Town paid no benefits 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 \$167,203. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$20,920.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,275	\$ 27,155
Changes of assumptions	53,594	3,599
Total	<u>\$ 61,869</u>	<u>\$ 30,754</u>

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2022	\$ 5,680
2023	6,004
2024	5,671
2025	4,602
2026	4,602
Thereafter	<u>4,556</u>
Total	<u>\$ 31,115</u>

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

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

	1% Decrease <u>(0.93%)</u>	1% Rate <u>(1.93%)</u>	1% Increase <u>(2.93%)</u>
Total pension liability	\$ 194,003	\$ 167,203	\$ 143,705

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

	<u>2021</u>
Beginning balance	\$ 116,225
Service cost	11,451
Interest on the total pension liability	3,789
Differences between expected and actual experience in the measurement of the total pension liability	(16,386)
Changes of assumptions or other inputs	<u>52,124</u>
Ending balance of the total pension liability	<u>\$ 167,203</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.26% at December 31, 2019 (measurement date) to 1.93% at December 31, 2020 (measurement date).

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 experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 355,470	\$ 20,920	\$ 376,390
Pension liability	1,087,036	167,203	1,254,239
Proportionate share of net pension liability	0.03042%	N/A	-

#### **Deferred Outflows of Resources:**

Differences between expected and actual experience	\$ 137,274	\$ 8,275	\$ 145,549
Changes of assumptions	80,897	53,594	134,491
Net difference between projected and actual earnings on pension plan investments	152,971	-	152,971
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,474	-	5,474
Town contributions subsequent to the measurement date	208,988	-	208,988

#### **Deferred Inflows of Resources:**

Differences between expected and actual experience	\$ -	\$ 27,155	\$ 27,155
Changes of assumptions	-	3,599	3,599
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,886	-	23,886

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% 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 \$30,464, which consisted of \$24,698 from the Town and \$5,766 from the law enforcement officers. No amounts were forfeited.

### **Supplemental Retirement Income Plan for Non-Law Enforcement Employees**

All non-law enforcement employees employed by the Town participate in the Supplemental Retirement Income Plan, a defined contribution pension plan. Participation begins after the completion of at least three (3) months continuous employment with the Town. The Town has no requirement or obligation under state statutes to contribute to this plan; however, the Town has adopted the Supplemental Retirement Plan of North Carolina 401(k) for its non-law enforcement employees. The Town contributes 5% of each employee's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021, were \$139,608, which consisted of \$76,547 from the Town and \$63,061 from the non-law enforcement employees. No amounts were forfeited.

### **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. 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 his/her death, but the benefit may not be less than \$25,000 and no more than \$50,000. 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 Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

### Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>	<u>Fund Balance Sheet</u>
<b>General Fund:</b>		
<b>Deferred Inflows of Resources:</b>		
Taxes receivable, net	\$ -	\$ 3,518
Solid waste receivables, net	-	1,107
Grants receivable	-	59,899
Grants received in advance	25,000	25,000
Prepaid taxes	1,081	1,081
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,886	-
Differences between expected and actual experience	27,155	-
Changes of assumptions	3,599	-
<b>Deferred Outflows of Resources:</b>		
Differences between expected and actual experience	145,549	-
Changes of assumptions	134,491	-
Net difference between projected and actual earnings on pension plan investments	152,971	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,474	-
Town contributions subsequent to the measurement date	208,988	-
<b>Beach Capital Reserve Fund:</b>		
<b>Deferred Inflows of Resources:</b>		
Taxes receivable, net	-	279

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

### **Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains coverage up to \$5 million general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the statutory limits, and employee health coverage up to \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$500,000, up to \$500,000 for property, and \$250,000 up to \$5 million for workers' compensation. The Town also has flood coverage of \$5 million per occurrence with a \$5 million annual aggregate limit.

The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit of \$1,000,000 for the aggregate losses in a single year. After the property pool has paid out \$1,000,000, then the pool will be liable for a \$10,000 per claim maintenance deductible on future property losses for that year. The remainder of each claim will be borne by the reinsurer. Settlements have not exceeded insurance coverage during any of the past three years. There were no significant reductions in insurance coverage during the year.

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

### **On-Behalf Payments for Fringe Benefits and Salaries**

The Town has recognized as a revenue and expenditure, on-behalf payments for fringe benefits and salaries of \$6,125 for the salary supplement and stipend benefits paid to eligible firemen by the local Board of Trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2021. Under state law, the local Board of Trustees for the fund receives an amount each year, which the Board may use at its own discretion for eligible firemen or their departments.

### **Contingencies**

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 monies to the grantor agencies. Management believes that any amounts to be refunded to be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

# TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

### Transfers From/To Other Funds

In fiscal year 2021, the Town made the following transfers within its fund structure:

<u>Fund Name</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund (Beach Expense Reserve Fund)	\$ 62,000	\$ -	Funding source for capital reserve
Beach Capital Reserve Fund	-	62,000	
Beach Renourishment Capital Project Fund	235,871	-	Reimburse the Beach Capital Reserve Fund for the initial engineering invoices paid prior to FEMA reimbursement
Beach Capital Reserve Fund	-	235,871	

### Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the state. The state passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the Board of Trustees. During the fiscal year ended June 30, 2021, the Town reported revenues and expenditures for the payments of \$6,125 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2021. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

### Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 84, Fiduciary Activities, in the fiscal year ended June 30, 2021. The implementation required the Town to report a fund previously reported as an agency fund in a custodial fund. As a result, net position for the custodial fund increased \$4,633.

### Summary Disclosure of Significant Commitments and Contingencies

In March, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to impact Town operations and financial results. At the current time, we are unable to quantify the potential effects of this pandemic.

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

### **Subsequent Events**

Town of Pine Knoll Shores was awarded \$422,912 in American Rescue Plan Funding. Subsequent to year end the Town has received \$211,456.

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**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**LAST FIVE FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 116,225	\$ 105,096	\$ 84,544	\$ 77,959	\$ 79,357
Service cost	11,451	11,429	10,437	9,811	8,517
Interest on the total pension liability	3,789	3,825	2,618	2,944	2,655
Differences between expected and actual experience in the measurement of the total pension liability	(16,386)	(10,931)	17,401	(12,633)	-
Changes of assumptions or other inputs	52,124	6,806	(6,509)	9,858	(2,574)
Benefit payments	-	-	(3,395)	(3,395)	(9,996)
Ending balance of the total pension liability	<u>\$ 167,203</u>	<u>\$ 116,225</u>	<u>\$ 105,096</u>	<u>\$ 84,544</u>	<u>\$ 77,959</u>

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

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

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA****SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST FIVE FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 167,203	\$ 116,225	\$ 105,096	\$ 84,544	\$ 77,959
Covered payroll	353,176	345,413	310,845	344,151	328,731
Total pension liability as a percentage of covered payroll	47.34%	33.65%	33.81%	24.57%	23.72%

**Notes to the Schedules:**

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

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

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**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

	<b>Local Governmental Employees' Retirement System</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Town's proportion of the net pension liability (asset) (%)	0.0304%	0.0285%	0.0265%	0.0311%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,087,036	\$ 778,859	\$ 629,146	\$ 475,733
Town's covered payroll	\$ 1,792,477	\$ 1,668,686	\$ 1,510,524	\$ 1,415,293
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	60.64%	46.67%	41.65%	33.61%
Plan fiduciary net position as a percentage of the total pension liability **	88.61%	90.86%	91.63%	94.18%

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

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

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

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

	<b>Local Governmental Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.0274%	0.0311%	0.0318%	0.0315%
Town's proportion of the net pension liability (asset) (\$)	\$ 581,944	\$ 139,485	\$ (187,657)	\$ 379,696
Town's covered payroll	\$ 1,341,156	\$ 1,314,816	\$ 1,260,398	\$ 1,125,535
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.39%	10.61%	( 14.89%)	33.73%
Plan fiduciary net position as a percentage of the total pension liability **	91.47%	98.09%	102.64%	94.35%

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA****CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS**

	<b>Local Government Employees' Retirement System</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 208,988	\$ 164,085	\$ 132,573	\$ 116,100
Contributions in relation to the contractually required contribution	<u>208,988</u>	<u>164,085</u>	<u>132,573</u>	<u>116,100</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,017,906	\$ 1,792,477	\$ 1,668,686	\$ 1,510,524
Contributions as a percentage of covered payroll	10.36%	9.15%	7.94%	7.69%

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

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA****CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS**

	<b>Local Government Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 105,621	\$ 91,396	\$ 93,946	\$ 89,711
Contributions in relation to the contractually required contribution	<u>105,621</u>	<u>91,396</u>	<u>93,946</u>	<u>89,711</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,415,293	\$ 1,341,156	\$ 1,314,816	\$ 1,260,398
Contributions as a percentage of covered payroll	7.46%	6.81%	7.15%	7.12%

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**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

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

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

	<b>2021</b>			<b>2020</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Town-wide levy/current year	\$ 2,090,000	\$ 2,092,976	\$ 2,976	\$ 1,728,558
Town-wide levy/prior years	1,000	1,901	901	1,217
Penalties and interest	3,500	4,041	541	3,404
Total ad valorem taxes	<u>2,094,500</u>	<u>2,098,918</u>	<u>4,418</u>	<u>1,733,179</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	947,000	1,094,074	147,074	923,507
Solid waste tax	1,000	997	(3)	1,020
Privilege licenses	100	90	(10)	-
Total other taxes and licenses	<u>948,100</u>	<u>1,095,161</u>	<u>147,061</u>	<u>924,527</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Beer and wine tax	6,600	5,912	(688)	6,018
Utilities franchise tax	192,000	188,271	(3,729)	203,934
Total unrestricted intergovernmental revenues	<u>198,600</u>	<u>194,183</u>	<u>(4,417)</u>	<u>209,952</u>
<b>Restricted Intergovernmental Revenues:</b>				
CAMA Grant	1,000	955	(45)	490
FEMA grants	758,000	758,055	55	300,793
Fire/EMS Grant	-	-	-	2,699
State Firemen's Relief Fund contribution	6,125	6,125	-	9,660
Police Grant	26,500	26,500	-	25,000
Powell Bill	41,500	41,346	(154)	44,067
Other grants	242,500	242,752	252	23,853
Total restricted intergovernmental revenues	<u>1,075,625</u>	<u>1,075,733</u>	<u>108</u>	<u>406,562</u>
<b>Permits and Fees:</b>				
Building permits	126,000	128,792	2,792	82,985
Cable franchise fee	20,000	19,798	(202)	20,500
Public safety fees	102,000	90,159	(11,841)	108,914
Trash collection fees	465,500	466,885	1,385	436,870
Total permits and fees	<u>713,500</u>	<u>705,634</u>	<u>(7,866)</u>	<u>649,269</u>

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

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

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

	<b>2021</b>			<b>2020</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Investment Earnings:</b>				
Interest	10,000	8,168	(1,832)	36,275
Total investment earnings	10,000	8,168	(1,832)	36,275
<b>Other Revenues:</b>				
Insurance claims	-	-	-	9,969
Cell tower lease	81,000	81,379	379	80,010
Miscellaneous	61,000	78,832	17,832	49,759
Donations	79,800	66,208	(13,592)	14,402
Sale of capital assets	18,000	18,275	275	5,802
Total other revenues	239,800	244,694	4,894	159,942
 Total revenues	 5,280,125	 5,422,491	 142,366	 4,119,706
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
<b>Governing Board:</b>				
Governing board fees and benefits	23,500	22,098	1,402	22,140
Operating expenses	127,000	119,344	7,656	110,715
Total governing board	150,500	141,442	9,058	132,855
<b>Administration:</b>				
Salaries and benefits	334,000	320,421	13,579	303,623
Operating expenses	192,500	163,423	29,077	175,510
Capital outlay	38,000	37,725	275	5,859
Total administration	564,500	521,569	42,931	484,992
<b>Public Buildings:</b>				
Salaries and benefits	203,500	174,673	28,827	144,963
Operating expenses	126,500	125,710	790	121,095
Capital outlay	176,000	148,357	27,643	301,878
Total public buildings	506,000	448,740	57,260	567,936
 Total general government	 1,221,000	 1,111,751	 109,249	 1,185,783

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

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

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

	<b>2021</b>			<b>2020</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and benefits	704,450	675,705	28,745	543,699
Operating expenses	135,550	121,450	14,100	133,233
Capital outlay	46,000	45,851	149	75,736
Total police	886,000	843,006	42,994	752,668
<b>Fire/EMS:</b>				
Salaries and benefits	1,155,000	1,151,388	3,612	1,014,995
Operating expenses	145,000	127,087	17,913	129,724
Firemen's Relief Fund on-behalf-of payments	6,125	6,125	-	9,660
Capital outlay	30,000	22,275	7,725	-
Total fire/EMS	1,336,125	1,306,875	29,250	1,154,379
<b>Emergency Management:</b>				
Salaries and benefits	67,000	67,194	(194)	56,613
Operating expenses	45,000	41,229	3,771	41,688
Total emergency management	112,000	108,423	3,577	98,301
<b>Planning and Inspections:</b>				
Salaries and benefits	197,500	182,694	14,806	184,275
Operating expenses	15,000	10,103	4,897	12,515
Capital outlay	5,500	3,763	1,737	-
Total planning and inspections	218,000	196,560	21,440	196,790
Total public safety	2,552,125	2,454,864	97,261	2,202,138
<b>Transportation:</b>				
<b>Streets and Waterways:</b>				
Salaries and benefits	12,500	8,383	4,117	9,891
Operating expenses	4,000	1,899	2,101	2,074
Street lights	20,000	19,705	295	19,921
Street maintenance	80,000	67,132	12,868	73,793
Total transportation	116,500	97,119	19,381	105,679

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

## GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2021

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
<b>Environmental Protection:</b>				
Beach maintenance	70,800	64,890	5,910	62,076
Other operating expenses	30,200	15,511	14,689	347,035
Capital outlay	681,000	647,696	33,304	206,560
Garbage trash collection	388,000	389,160	(1,160)	366,342
Total environmental protection	1,170,000	1,117,257	52,743	982,013
<b>Debt Service:</b>				
Principal	126,000	124,416	1,584	124,416
Interest	29,000	28,623	377	31,933
Total debt service	155,000	153,039	1,961	156,349
Contingency	75,500	-	75,500	-
Total expenditures	5,290,125	4,934,030	356,095	4,631,962
Revenue over (under) expenditures	(10,000)	488,461	498,461	(512,256)
<b>Other Financing Sources (Uses):</b>				
Transfers in	35,000	-	(35,000)	-
Transfers out	(62,000)	(62,000)	-	(59,000)
Appropriated fund balance	37,000	-	(37,000)	-
Total other financing sources (uses)	10,000	(62,000)	(72,000)	(59,000)
Net change in fund balance	\$ -	426,461	\$ 426,461	(571,256)
<b>Fund Balance:</b>				
Beginning of year - July 1		2,686,317		3,257,573
End of year - June 30		\$ 3,112,778		\$ 2,686,317

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA****BEACH CAPITAL RESERVE FUND - MAJOR CAPITAL PROJECT FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Budgeted Amounts</b>		<b>Variance with Final Budget Over/Under</b>
	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>			
Beach tax	\$ 326,500	\$ 329,292	\$ 2,792
Investment earnings	36,500	962	(35,538)
Total revenues	<u>363,000</u>	<u>330,254</u>	<u>(32,746)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(661,000)	-	661,000
Transfers in	298,000	297,871	(129)
Total other financing sources (uses)	<u>(363,000)</u>	<u>297,871</u>	<u>660,871</u>
Net change in fund balance	<u>\$ -</u>	628,125	<u>\$ 628,125</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>3,195,331</u>	
End of year - June 30		<u>\$ 3,823,456</u>	

**TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

		<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Federal grant	\$ 9,800,000	\$ 7,112,359	\$ 173,240	\$ 7,285,599
County contribution	8,236,000	9,151,744	278,612	9,430,356
Total revenues	<u>18,036,000</u>	<u>16,264,103</u>	<u>451,852</u>	<u>16,715,955</u>
<b>Expenditures:</b>				
Engineering	1,300,000	805,328	57,206	862,534
MOB/DMOBE	3,500,000	3,002,450	-	3,002,450
Dune planting	450,000	-	336,350	336,350
Pump and placement	12,750,000	12,380,004	98,746	12,478,750
Total expenditures	<u>18,000,000</u>	<u>16,187,782</u>	<u>492,302</u>	<u>16,680,084</u>
Revenues over (under) expenditures	<u>36,000</u>	<u>76,321</u>	<u>(40,450)</u>	<u>35,871</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	200,000	200,000	-	200,000
Transfers out	(236,000)	-	(235,871)	(235,871)
Total other financing sources (uses)	<u>(36,000)</u>	<u>200,000</u>	<u>(235,871)</u>	<u>(35,871)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 276,321</u>	<u>\$ (276,321)</u>	<u>\$ -</u>

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Net fees from water operations	\$ 765,000	\$ 825,575	\$ 60,575
Other operating revenues	31,000	32,605	1,605
Total operating revenues	<u>796,000</u>	<u>858,180</u>	<u>62,180</u>
Non-operating revenues:			
Interest earned on investments	14,000	262	(13,738)
Cell phone tower rental	81,000	81,379	379
Total non-operating revenues	<u>95,000</u>	<u>81,641</u>	<u>(13,359)</u>
Total revenues	<u>891,000</u>	<u>939,821</u>	<u>48,821</u>
<b>Expenditures:</b>			
Salaries and benefits	257,500	219,586	37,914
Operating expenses	184,850	160,642	24,208
Repairs and maintenance	125,650	118,143	7,507
Capital outlay	230,000	197,994	32,006
Total operating expenses	<u>798,000</u>	<u>696,365</u>	<u>101,635</u>
<b>Debt Service:</b>			
Principal repayment	154,000	154,000	-
Interest	106,000	103,146	2,854
Total debt service	<u>260,000</u>	<u>257,146</u>	<u>2,854</u>
Total expenditures	<u>1,058,000</u>	<u>953,511</u>	<u>104,489</u>
Revenues over (under) expenditures	(167,000)	(13,690)	153,310
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>167,000</u>	<u>-</u>	<u>(167,000)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(13,690)</u>	<u>\$ (13,690)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
Depreciation		(164,404)	
Capitalized items		195,246	
Pension benefit (expense)		(38,560)	
Change in accrued interest		516	
Change in accrued salaries		(6)	
Change in accrued vacation		(994)	
Repayment of long-term debt principal		<u>154,000</u>	
Change in net position		<u>\$ 132,108</u>	

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

## SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2021

Fiscal Year	General Fund and Beach Renourishment Special Revenue Fund			
	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 2,425,093	\$ 2,421,698	\$ 3,395
2019-2020	1,886	-	1,781	105
2018-2019	812	-	515	297
2017-2018	195	-	7	188
2016-2017	146	-	-	146
2015-2016	186	-	-	186
2014-2015	74	-	-	74
2013-2014	174	-	-	174
2012-2013	169	-	-	169
2011-2012	280	-	-	280
2010-2011	187	-	187	-
Total	<u>\$ 4,109</u>	<u>\$ 2,425,093</u>	<u>\$ 2,424,188</u>	5,014
Less allowance for uncollectible ad valorem taxes receivable:				<u>(1,217)</u>
Ad valorem taxes receivable, net				<u>\$ 3,797</u>
<b>Ad Valorem Taxes Receivable, Net Reported In:</b>				
General Fund				\$ 3,518
Beach Capital Reserve Fund				279
				<u>\$ 3,797</u>
<b>Reconciliation of Collections and Credits with Revenues:</b>				
Taxes, ad valorem, General Fund				\$ 2,098,918
Taxes, ad valorem, Beach Capital Reserve Fund				329,292
Penalties and interest				(4,222)
Taxes written off				187
Miscellaneous adjustments and releases of prior year taxes				<u>13</u>
Total collections and credits				<u>\$ 2,424,188</u>

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY - GENERAL FUND PROPERTY TAX  
FOR THE YEAR ENDED JUNE 30, 2021

				Total Levy	
	Town-Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
<b>Original Levy</b>	\$ 1,013,239,972	\$ 0.207	\$ 2,097,407	\$ 2,043,772	\$ 53,635
<b>Discoveries</b>	933,000	0.207	1,931	1,931	-
<b>Abatements</b>	<u>(1,632,639)</u>	0.207	<u>(3,380)</u>	<u>(3,380)</u>	<u>-</u>
Total property valuation	<u>\$ 1,012,540,333</u>				
<b>Net Levy</b>			2,095,958	2,042,323	53,635
Less uncollected taxes at June 30, 2021			<u>(3,146)</u>	<u>(2,889)</u>	<u>(257)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 2,092,812</u>	<u>\$ 2,039,434</u>	<u>\$ 53,378</u>
<b>Current Levy Collection Percentage</b>			<u>99.85%</u>	<u>99.86%</u>	<u>99.52%</u>
<b>Prior Year's Collection Percentage</b>			<u>99.91%</u>	<u>99.91%</u>	<u>99.77%</u>

## TOWN OF PINE KNOLL SHORES, NORTH CAROLINA

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

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Non-oceanfront	\$ 498,783,818	\$ 0.0150	\$ 81,305	\$ 81,305	\$ -
Oceanfront	355,724,764	0.0550	243,128	243,128	-
Motor vehicles	21,473,056	0.0186	4,814	-	4,814
Total	<u>875,981,638</u>		<u>329,247</u>	<u>324,433</u>	<u>4,814</u>
<b>Discoveries:</b>					
Non-oceanfront	1,089,223	0.0150	140	140	-
Total	<u>1,089,223</u>		<u>140</u>	<u>140</u>	<u>-</u>
<b>Abateements:</b>					
Non-oceanfront	(1,679,374)	0.0150	(243)	(243)	-
Oceanfront	(382,876)	0.0550	(9)	(9)	-
Total	<u>(2,062,250)</u>		<u>(252)</u>	<u>(252)</u>	<u>-</u>
Total property valuation	<u>\$ 875,008,611</u>				
<b>Net Levy</b>			329,135	324,321	4,814
Less uncollected taxes at June 30, 2021			<u>(249)</u>	<u>(224)</u>	<u>(25)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 328,886</u>	<u>\$ 324,097</u>	<u>\$ 4,789</u>
<b>Current Levy Collection Percentage</b>			<u>99.92%</u>	<u>99.93%</u>	<u>99.48%</u>
<b>Prior Year's Collection Percentage</b>			<u>99.91%</u>	<u>99.91%</u>	<u>99.80%</u>

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

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

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

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

To the Honorable Mayor and  
Board of Commissioners  
Town of Pine Knoll Shores, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Knoll Shores, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 24, 2021.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

### **Town of Pine Knoll Shores' Response to Finding**

The Town of Pine Knoll Shores' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town of Pine Knoll Shores' 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.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
September 24, 2021

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

### **1. Summary of Auditor's Results**

#### **Financial Statements**

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?

No

- Significant deficiency identified?

Yes

Non-compliance material to financial statements noted?

No

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

### **2. Financial Statements Findings**

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

##### **Significant Deficiency**

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

**Condition:** Due to the limited number of personnel in the Town office, there are inherent limitations to segregation of duties. Presently, the same individual can open the mail, prepare deposits, and post cash receipts. Bank reconciliations and journal entries are prepared by an individual that has full access to the accounting software. Bank reconciliations are not reviewed; however, the Town Manager reviews a monthly report of all general ledger journal entries.

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

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

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

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

**Views of Responsible Officials and Planned Corrective Action:** The Town agrees with this finding and will adhere to the Correction Action Plan in this audit report.



# The Town of Pine Knoll Shores

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

### **Financial Statement Findings**

#### **Significant Deficiency**

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

**Name of Contact Person:** Brian J. Kramer, Town Manager

**Corrective Action:** The Town of Pine Knoll Shores employs only 33 people on a full-time basis with over two-thirds of those employees in a police, fire, or public works capacity. The Town's ability to segregate duties in the Finance Department is limited by staffing levels with adequate knowledge or expertise of the subject matter. However, because the town continues to seek ways to provide strong internal controls and segregation of duties, the Town Clerk will now be trained on accepting some payments in place of the Tax Collector.

**Proposed Completion Date:** Immediately

Brian J. Kramer  
Town Manager

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fax: 252-247-4355 ♦ e-mail: [manager@townofpks.com](mailto:manager@townofpks.com) ♦ website: [www.townofpks.co](http://www.townofpks.co)

# **TOWN OF PINE KNOLL SHORES, NORTH CAROLINA**

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

### **Finding 2020-001**

#### **Status:**

Finding was repeated as 2021-001.