

REVIEWED

By SLGFD at 3:30 pm, Dec 20, 2021

**Town of Surf City
Surf City, North Carolina**

Audited Financial Statements

Year Ended June 30, 2021



Town of Surf City, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2021

TOWN COUNCIL

Donald R. Helms

Teresa B. Batts

Jeremy Shugarts

William J. Fowler

OFFICIALS

Mayor

Douglas C. Medlin

Mayor Pro-Tem

William J. Fowler

Town Manager

Kyle Breuer

Finance Director

David McCole

Town Clerk

Stephanie Hobbs

Town of Surf City, North Carolina
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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of Town Council
Surf City, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 52 and 53 respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 54 and 55 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

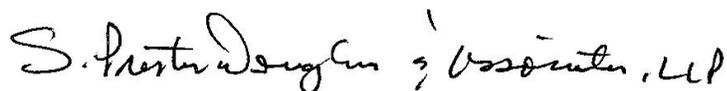
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Surf City, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021 on our consideration of the Town of Surf City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Surf City's internal control over financial reporting and compliance.



Lumberton, North Carolina
November 30, 2021

Management's Discussion and Analysis

Town of Surf City, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Management's Discussion and Analysis

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

Financial Highlights

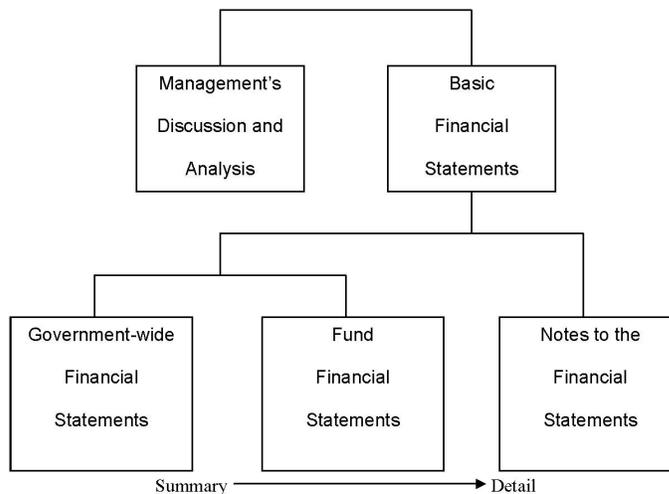
- The assets and deferred outflows of the Town of Surf City exceeded its liabilities and deferred inflows at the close of the fiscal year by \$87,214,720 (net position).
- The government's total net position increased by \$23,427,560. This is due to grant awards in the Beach Renourishment Fund of \$8,684,580 for beach and strand activities and impact fee revenues in the Water and Wastewater Fund of \$6,289,300.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,046,886 or approximately 28.01% of total General Fund expenditures for the year.
- As of the close of the current fiscal year, the Town of Surf City's governmental funds reported combined ending fund balances of \$25,515,915, an increase of \$8,548,925. This increase was driven by the Beach Renourishment Fund's grant awards as mentioned above.
- The Town's Water and Wastewater Fund net position increased by \$7,337,038. This is due to a large increase in operating revenues totaling \$5,578,441. Cash flows from operations for the Water and Wastewater Fund was \$10,101,066.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Town of Surf City, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Basic Financial Statements

The first two statements 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 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; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show additional details about the Town's individual funds. Budgetary information required by the North Carolina 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 the reader with a broad overview of the Town's finances, in a manner similar to the private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, general administration, streets and highways, and sanitation. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and wastewater services offered by the Town of Surf City.

The government-wide financial statements are found on pages 11 and 12 of this report.

Fund Financial Statements. The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Surf City, like all other state and local governments, 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 Surf City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The Town of Surf City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities.

Town of Surf City, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental Funds (continued). The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. Town of Surf City has 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 of Surf City uses enterprise funds to account for its water and wastewater activity. This fund is the same as those functions shown in business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Surf City has one fiduciary fund, which is the agency fund.

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 on pages 24-51 of this report.

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

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

Town of Surf City, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis

The Town of Surf City's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 26,305,516	\$ 17,379,221	\$ 15,017,922	\$ 6,335,292	\$ 41,323,438	\$ 23,714,513
Capital assets	22,365,691	14,980,499	41,927,108	41,768,932	64,292,799	56,749,431
Deferred outflows of resources	1,534,586	973,208	212,378	167,321	1,746,964	1,140,529
Total assets and deferred outflows of resources	50,205,793	33,332,928	57,157,408	48,271,545	107,363,201	81,604,473
Long-term liabilities outstanding	3,332,223	2,673,559	12,601,574	11,737,539	15,933,797	14,411,098
Other liabilities	956,029	787,825	3,138,324	2,449,334	4,094,353	3,237,159
Deferred inflows of resources	110,519	155,014	9,812	14,012	120,331	169,026
Total liabilities and deferred inflows of resources	4,398,771	3,616,398	15,749,710	14,200,885	20,148,481	17,817,283
Net position						
Net investment in capital assets	21,902,281	13,915,626	27,892,687	28,578,611	49,794,968	42,494,237
Restricted	9,226,718	4,189,015	-	-	9,226,718	4,189,015
Unrestricted	14,678,023	11,611,889	13,515,011	5,492,049	28,193,034	17,103,938
Total net position	\$ 45,807,022	\$ 29,716,530	\$ 41,407,698	\$ 34,070,660	\$ 87,214,720	\$ 63,787,190

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$87,214,720 at the close of the current fiscal year. The Town's net position increased by \$23,427,530 for the fiscal year ended June 30, 2021. By far the largest portion of the Town's net position, 57.09%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should note 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.

The restricted portion of net position, 10.58%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$28,193,034 or 32.33% of the total. One aspect of the Town's financial operations influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.37%.

Town of Surf City, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis (continued)

The Town of Surf City's Changes in Net Position
Figure 3

	Governmental		Business-type		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,750,940	\$ 1,634,080	\$ 11,751,722	\$ 6,173,281	\$ 13,502,662	\$ 7,807,361
Operating grants and contributions	12,921,020	2,420,424	-	-	12,921,020	2,420,424
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	6,379,308	6,536,409	-	-	6,379,308	6,536,409
Other taxes	5,630,875	4,261,352	-	-	5,630,875	4,261,352
Other	604,567	575,316	273,114	382,845	877,681	958,161
Total revenues	27,286,710	15,427,581	12,024,836	6,556,126	39,311,546	21,983,707
Expenses:						
Governing body	90,743	80,999	-	-	90,743	80,999
Administration	536,259	544,324	-	-	536,259	544,324
Elections	-	8,254	-	-	-	8,254
Finance	433,342	379,388	-	-	433,342	379,388
Insurance	373,069	406,367	-	-	373,069	406,367
Legal	44,532	46,174	-	-	44,532	46,174
Public buildings	608,670	634,538	-	-	608,670	634,538
Public works	36,986	22,993	-	-	36,986	22,993
Police	2,529,555	2,416,670	-	-	2,529,555	2,416,670
Fire	1,848,656	1,743,433	-	-	1,848,656	1,743,433
Community development	472,362	385,137	-	-	472,362	385,137
Street department	203,052	1,490,902	-	-	203,052	1,490,902
Sanitation	686,899	1,124,152	-	-	686,899	1,124,152
Parks and recreation	950,353	742,311	-	-	950,353	742,311
Emergency management	94,575	103,739	-	-	94,575	103,739
Beach and strand	1,686,134	8,118,210	-	-	1,686,134	8,118,210
Tourism	113,163	240,371	-	-	113,163	240,371
Parking	385,261	-	-	-	385,261	-
Interest on long-term debt	102,606	97,249	-	-	102,606	97,249
Water and wastewater	-	-	4,687,798	3,928,300	4,687,798	3,928,300
Total expenses	11,196,218	18,585,211	4,687,798	3,928,300	15,884,016	22,513,511
Increase (decrease) in net position before transfers	16,090,492	(3,157,630)	7,337,038	2,627,826	23,427,530	(529,804)
Transfers	-	-	-	-	-	-
Change in net position	16,090,492	(3,157,630)	7,337,038	2,627,826	23,427,530	(529,804)
Net position, beginning	29,716,530	32,874,160	34,070,660	31,442,834	63,787,190	52,325,875
Net position - ending	\$ 45,807,022	\$ 29,716,530	\$ 41,407,698	\$ 34,070,660	\$ 87,214,720	\$ 63,787,190

Town of Surf City, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis (continued)

Governmental activities. Governmental activities increased the Town's net position by \$16,090,492, primarily due to a gain of \$9,376,687 in the Beach Renourishment Fund.

Business-type activities. Business-type activities increased the Town's net position by \$7,337,038. Business-type operating revenues increased by \$5,578,441 from prior year primarily due to an increase in impact fee revenue in the Towns Water and Wastewater Capital Reserve Funds.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of 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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the Town of Surf City. At the end of the fiscal year, unassigned fund balance for the General Fund was \$3,046,886 with a total fund balance of \$8,741,670. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28.01% of total General Fund expenditures.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

1. Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available;
2. Amendments made to recognize new funding from external sources, such as federal and State grants.
3. Increases in appropriations that become necessary to maintain services and obligations from prior years not completed.

At June 30, 2021, the governmental funds of Town of Surf City reported a combined fund balance of \$25,515,915; an 50.36% increase over last year. Included in this change in fund balance are increases in fund balance in the General, Accommodation Tax Fund and the Beach Renourishment Fund.

In the General Fund, the Town had a positive variance of \$1,556,132 between the final budget and the actual amounts reported in restricted intergovernmental revenue. This variance was mostly due to \$1,506,936 received in FEMA reimbursements during the year. The Town also had a positive variance of \$636,023 between the final budget and the actual expenditure amounts for the fire department. This was largely due to budgeted capital outlay amounts for a fire truck not being spent in the current year.

Proprietary Funds. The Town of Surf City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$13,515,011. The total change in net position for the Water and Wastewater Fund was an increase of \$7,337,038.

Capital Assets and Debt Administration

The Town of Surf City's investments in capital assets as of June 30, 2021, totals \$64,292,799 (net of accumulated depreciation). The investments in capital assets includes land, vehicles, infrastructure, and equipment.

Town of Surf City, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

The Town of Surf City's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 10,434,742	\$ 9,460,532	\$ 5,245,933	\$ 5,245,933	\$ 15,680,675	\$ 14,706,465
Construction in progress	-	119,504	1,142,658	4,324,623	1,142,658	4,444,127
Buildings	9,755,213	3,501,942	-	-	9,755,213	3,501,942
Infrastructure	810,847	860,147	-	-	810,847	860,147
Vehicles	171,726	155,440	61,865	83,911	233,591	239,351
Plant and distribution	-	-	35,253,083	31,878,876	35,253,083	31,878,876
Equipment	1,193,163	882,934	223,569	235,589	1,416,732	1,118,523
Total capital assets, net	\$ 22,365,691	\$ 14,980,499	\$ 41,927,108	\$ 41,768,932	\$ 64,292,799	\$ 56,749,431

Additional information on the Town's capital assets can be found in the notes on page 33 of this report.

Long-term debt. As of June 30, 2021, the Town of Surf City had total installment purchase debt outstanding of \$10,923,421. The installment debt is backed by security interest in the property for which it was issued.

The Town of Surf City's Outstanding Liabilities
Figure 5

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Direct placement installment	\$ 330,000	\$ 818,962	\$ 10,593,421	\$ 9,701,321	\$ 10,923,421	\$ 10,520,283
Revenue bond	-	-	3,441,000	3,489,000	3,441,000	3,489,000
Capital leases	133,410	245,911	-	-	133,410	245,911
Compensated absences	338,790	314,100	44,943	35,403	383,733	349,503
Net pension liability (LEO)	773,011	399,197	-	-	773,011	399,197
Total pension liability (LGRS)	2,164,012	1,510,827	380,982	274,650	2,544,994	1,785,477
Total outstanding debt	\$ 3,739,223	\$ 3,288,997	\$ 14,460,346	\$ 13,500,374	\$ 18,199,569	\$ 16,789,371

Town of Surf City Outstanding Debt

The Town of Surf City total debt increased by \$1,410,198 during the past fiscal year, primarily due to issuance of new debt and increases in pension related liabilities.

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Surf City is presently at \$122,449,132 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Surf City's long-term debt can be found in the notes on page 45 of this report.

Town of Surf City, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Economic Factors and Next Year's Budgets and Rates

- Tourism. The Town's economy depends heavily on beach tourism. The Town has collected \$995,927 year over year. The amount of income in the Accommodations Tax Fund for FY 2020-21 was \$2,364,029. The Town collected \$1,109,420 more than budgeted for FY 2020-21.
- The following General Fund revenues have increased over the last fiscal year. Property tax revenue collected is up \$68,347 over FY 2019-20; sales taxes are up over FY 2019-20 by \$277,553; community development fees are higher than FY 2019-20 in the amount of \$54,880.
- Motor vehicle taxes are \$39,213 lower than FY 2019-20
- The Town moved into a new facility this past April. The total cost of the project was \$6.6 million. The administrative side of the building cost \$3.5 million. FEMA and Golden Leaf covered \$3.3 million of the cost to construct the administrative side of the New Townhall. The police portion of New Townhall cost \$3.1 million. The cost of construction is to be paid from the sale of the old police building on the island and an adjacent lot at an estimated value of \$3.7 million. To date, the lots have not been sold.
- The Town implemented paid parking on the island that took effect March of 2021. The Town contracted with Pivot Parking to administer the paid parking program. The revenue will be committed to help fund the Beach Renourishment project of the Army Corp of Engineers.
- The Town was still able to increase General Fund balance in the amount of \$1.9 million.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: General Fund budget increased over FY 2020-21 in the amount of \$2.5 million. The projected revenues increased in the following areas: Property Taxes \$148,449, Sales Tax \$670,956, Transfer from Accommodation Fund \$200,000, Paid Parking \$1.3 million. Most of the increases in revenue are due to the implementation of Paid Parking for a full beach season.

The projected expenditures increased in the following areas: Paid Parking \$451,166, Transfer of net parking revenue \$851,132. The remaining increases are in capital outlay and personnel.

Business-Type Activities: The rates will remain the same in FY 2021-22. Prior to the rate change that occurred in July 2021, the utility rates did not increase since 2015. This resulted in capital reserve funds being used to supplement operating cost for four out of that five-year window. This prompted the utility department to begin a rate study. The initial proposed rate was designed to allow water and sewer to profit individually of each other. The second proposed rate took the national inflation rate over that period from the Consumer Price Index and added an escalating conservatory signal. The intent is to use this conservatory signal to rebuild the capital reserves and pay for reinvestments of the system from those who use more water dramatically more than the national average. The second proposal was ultimately chosen. The Town continues to follow its plan that was developed in FY 2020-21.

Request for Information

This financial report is designed to provide a general overview of the Town of Surf City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Surf City, 214 N. New River Drive, Surf City, NC 28445.

Basic Financial Statements

Town of Surf City, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 20,006,358	\$ 11,981,147	\$ 31,987,505
Restricted cash and cash equivalents	4,407,562	2,623,847	7,031,409
Receivables, net:			
Ad valorem taxes	227,943	-	227,943
Accommodations tax	66,333	-	66,333
Accounts	213,348	508,303	721,651
Internal balances	95,375	(95,375)	-
Prepays	596,006	-	596,006
Due from other governments	692,591	-	692,591
Total current assets	26,305,516	15,017,922	41,323,438
Noncurrent assets:			
Capital assets (Note 3):			
Land, non-depreciable improvements, and construction in progress	10,434,742	6,388,591	16,823,333
Other capital assets, net of depreciation	11,930,949	35,538,517	47,469,466
Total capital assets	22,365,691	41,927,108	64,292,799
Total assets	48,671,207	56,945,030	105,616,237
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension deferrals	1,534,586	212,378	1,746,964
Total deferred outflows of resources	1,534,586	212,378	1,746,964
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	512,130	739,690	1,251,820
Customer deposits	-	523,847	523,847
Deferred revenue	36,899	16,015	52,914
Current portion of long-term liabilities	407,000	1,858,772	2,265,772
Total current liabilities	956,029	3,138,324	4,094,353
Long-term liabilities:			
Net pension liability	2,164,012	380,982	2,544,994
Total pension liability	773,011	-	773,011
Due in more than one year	395,200	12,220,592	12,615,792
Total liabilities	4,288,252	15,739,898	20,028,150
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	110,519	9,812	120,331
Total deferred inflows of resources	110,519	9,812	120,331
<u>NET POSITION</u>			
Net investment in capital assets	21,902,281	27,892,687	49,794,968
Restricted for:			
Streets	279,622	-	279,622
Stabilization by State Statute	4,819,156	-	4,819,156
Tourism	4,127,940	-	4,127,940
Unrestricted	14,678,023	13,515,011	28,193,034
Total net position	\$ 45,807,022	\$ 41,407,698	\$ 87,214,720

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

Town of Surf City, North Carolina
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Governing body	\$ 90,743	\$ -	\$ -	\$ -	\$ (90,743)	\$ -	\$ (90,743)
Administration	536,259	-	2,574,307	-	2,038,048	-	2,038,048
Finance	433,342	-	-	-	(433,342)	-	(433,342)
Insurance	373,069	-	-	-	(373,069)	-	(373,069)
Legal	44,532	-	-	-	(44,532)	-	(44,532)
Public buildings	608,670	-	-	-	(608,670)	-	(608,670)
Public works	36,986	-	-	-	(36,986)	-	(36,986)
Police	2,529,555	-	1,071	-	(2,528,484)	-	(2,528,484)
Fire	1,848,656	-	-	-	(1,848,656)	-	(1,848,656)
Community development	472,362	441,994	-	-	(30,368)	-	(30,368)
Street department	203,052	-	73,747	-	(129,305)	-	(129,305)
Sanitation	686,899	1,308,946	13,050	-	635,097	-	635,097
Parks and recreation	950,353	-	-	-	(950,353)	-	(950,353)
Emergency management	94,575	-	-	-	(94,575)	-	(94,575)
Beach and strand	1,686,134	-	10,258,845	-	8,572,711	-	8,572,711
Tourism	113,163	-	-	-	(113,163)	-	(113,163)
Parking	385,261	-	-	-	(385,261)	-	(385,261)
Interest on long-term debt	102,606	-	-	-	(102,606)	-	(102,606)
Total governmental activities	<u>11,196,218</u>	<u>1,750,940</u>	<u>12,921,020</u>	<u>-</u>	<u>3,475,742</u>	<u>-</u>	<u>3,475,742</u>
Business-type activities:							
Water and Wastewater	4,687,798	11,751,722	-	-	-	7,063,924	7,063,924
Total business-type activities	<u>4,687,798</u>	<u>11,751,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,063,924</u>	<u>7,063,924</u>
Total primary government	<u>\$ 15,884,016</u>	<u>\$ 13,502,662</u>	<u>\$ 12,921,020</u>	<u>\$ -</u>	<u>3,475,742</u>	<u>7,063,924</u>	<u>10,539,666</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					6,379,308	-	6,379,308
Other taxes and licenses					5,630,875	-	5,630,875
Investment earnings, unrestricted					1,915	1,284	3,199
Miscellaneous, unrestricted					602,652	271,830	874,482
Total general revenues not including transfers					<u>12,614,750</u>	<u>7,337,038</u>	<u>19,951,788</u>
Transfers					-	-	-
Total general revenues					<u>12,614,750</u>	<u>7,337,038</u>	<u>19,951,788</u>
Change in net position					<u>16,090,492</u>	<u>7,337,038</u>	<u>23,427,530</u>
Net position, beginning					<u>29,716,530</u>	<u>34,070,660</u>	<u>63,787,190</u>
Net position, ending					<u>\$ 45,807,022</u>	<u>\$ 41,407,698</u>	<u>\$ 87,214,720</u>

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

Town of Surf City, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds				Total Nonmajor Funds	Total Governmental Funds
	General Fund	Beach Renourishment Fund	Accommodation Tax Fund	Town Hall Capital Project Fund		
ASSETS						
Cash and cash equivalents	\$ 4,201,217	\$ 14,740,667	\$ -	\$ -	\$ 1,064,474	\$ 20,006,358
Restricted cash	279,622	-	4,127,940	-	-	4,407,562
Receivables, net:						
Ad valorem taxes	227,943	-	-	-	-	227,943
Accommodations tax	-	-	66,333	-	-	66,333
Accounts	213,348	-	-	-	-	213,348
Due from other funds	3,918,977	1,044,130	-	-	224,239	5,187,346
Due from other governments	686,831	41	-	5,719	-	692,591
Prepays	596,006	-	-	-	-	596,006
Total assets	\$ 10,123,944	\$ 15,784,838	\$ 4,194,273	\$ 5,719	\$ 1,288,713	\$ 31,397,487
LIABILITIES						
Accounts payable	\$ 209,063	\$ 1,644	\$ 26,998	\$ 10,622	\$ 276,432	\$ 524,759
Deferred revenue	36,899	-	-	-	-	36,899
Due to other funds	908,369	-	485,000	3,698,602	-	5,091,971
Total liabilities	1,154,331	1,644	511,998	3,709,224	276,432	5,653,629
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	227,943	-	-	-	-	227,943
Total deferred inflows of resources	227,943	-	-	-	-	227,943
FUND BALANCES						
Non spendable:						
Prepaid items	596,006	-	-	-	-	596,006
Restricted:						
Stabilization by State Statute	4,819,156	-	-	-	-	4,819,156
Streets - Powell Bill	279,622	-	-	-	-	279,622
Tourism	-	-	3,682,275	-	-	3,682,275
Assigned:						
Beach and strand	-	15,783,194	-	-	969,684	16,752,878
Public buildings	-	-	-	-	22,597	22,597
Street department	-	-	-	-	20,000	20,000
Unassigned	3,046,886	-	-	(3,703,505)	-	(656,619)
Total fund balances	8,741,670	15,783,194	3,682,275	(3,703,505)	1,012,281	25,515,915
Total liabilities, deferred inflows of resources and fund balances	\$ 10,123,944	\$ 15,784,838	\$ 4,194,273	\$ 5,719	\$ 1,288,713	\$ 31,397,487

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

Town of Surf City, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2021

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

Total Fund Balance, Governmental Funds		\$ 25,515,915
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 30,391,392	
Accumulated depreciation	<u>(8,025,701)</u>	22,365,691
Deferred outflows of resources related to pensions are not reported in the fund statements.		
		1,534,586
Earned revenues are considered deferred inflows of resources in fund statements.		
		227,943
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Gross long-term debt beginning	(1,064,873)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	601,463	
Compensated absences	(338,790)	
Total pension liability	(773,011)	
Net pension liability	<u>(2,164,012)</u>	(3,739,223)
Deferred inflows of resources related to pensions are not reported in the funds.		
		(110,519)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		
		<u>12,629</u>
Net position of governmental activities		<u><u>\$ 45,807,022</u></u>

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

Town of Surf City, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds				Total Non-Major Funds	Total Governmental Funds
	General Fund	Beach Renourishment Fund	Accommodation Tax Fund	Town Hall Capital Project Fund		
Revenues:						
Ad valorem taxes	\$ 6,393,759	\$ -	\$ -	\$ -	\$ -	\$ 6,393,759
Other taxes and licenses	201	-	2,361,902	-	-	2,362,103
Unrestricted intergovernmental	3,268,772	-	-	-	-	3,268,772
Restricted intergovernmental	1,662,132	8,684,580	-	2,574,307	-	12,921,019
Permits and fees	441,994	-	-	-	-	441,994
Sales and services	1,308,946	-	-	-	-	1,308,946
Investment earnings	1,915	-	-	-	-	1,915
Miscellaneous	584,141	6,385	2,127	-	-	592,653
Total revenues	<u>13,661,860</u>	<u>8,690,965</u>	<u>2,364,029</u>	<u>2,574,307</u>	<u>-</u>	<u>27,291,161</u>
Expenditures:						
Governing body	87,305	-	-	-	-	87,305
Administration	515,943	-	-	-	-	515,943
Finance	416,925	-	-	-	-	416,925
Insurance	358,935	-	-	-	-	358,935
Legal	42,845	-	-	-	-	42,845
Public buildings	584,128	-	-	-	-	584,128
Public works	35,585	-	-	-	-	35,585
Police	2,037,907	-	-	-	-	2,037,907
Fire	1,734,358	-	-	-	-	1,734,358
Community development	453,969	-	-	-	-	453,969
Street department	185,502	-	-	-	-	185,502
Sanitation	660,876	-	-	-	-	660,876
Parks and recreation	904,407	-	-	-	-	904,407
Emergency management	90,254	-	-	-	-	90,254
Beach and strand	-	2,311	268,515	-	-	270,826
Tourism	-	-	107,425	-	-	107,425
Parking	370,666	-	-	-	-	370,666
Non-departmental	1,375,056	-	-	-	-	1,375,056
Debt service:						
Principal retirement	372,463	139,690	89,310	-	-	601,463
Interest and other charges	96,183	3,903	2,520	-	-	102,606
Capital outlay	553,234	697,777	-	6,287,812	276,432	7,815,255
Total expenditures	<u>10,876,541</u>	<u>843,681</u>	<u>467,770</u>	<u>6,287,812</u>	<u>276,432</u>	<u>18,752,236</u>
Excess (deficiency) of revenues over expenditures	<u>2,785,319</u>	<u>7,847,284</u>	<u>1,896,259</u>	<u>(3,713,505)</u>	<u>(276,432)</u>	<u>8,538,925</u>
Other financing sources (uses):						
Transfers (to) from other funds	(884,531)	1,529,403	(654,872)	10,000	10,000	10,000
Total other financing sources (uses)	<u>(884,531)</u>	<u>1,529,403</u>	<u>(654,872)</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Net change in fund balances	1,900,788	9,376,687	1,241,387	(3,703,505)	(266,432)	8,548,925
Fund balances, beginning	6,840,882	6,406,507	2,440,888	-	1,288,713	16,976,990
Fund balances, ending	<u>\$ 8,741,670</u>	<u>\$ 15,783,194</u>	<u>\$ 3,682,275</u>	<u>\$ (3,703,505)</u>	<u>\$ 1,022,281</u>	<u>\$ 25,525,915</u>

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

Town of Surf City, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	8,548,925
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 7,815,255	
Depreciation expense for governmental assets	<u>(439,021)</u>	7,376,234
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		391,737
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(14,451)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt	<u>601,463</u>	601,463
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences	(24,690)	
Pension revenue (expense)	<u>(788,726)</u>	<u>(813,416)</u>
Total changes in net position of governmental activities		<u><u>\$ 16,090,492</u></u>

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

Town of Surf City, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 6,261,972	\$ 6,261,972	\$ 6,393,759	\$ 131,787
Other taxes and licenses	650	650	201	(449)
Unrestricted intergovernmental	2,521,099	2,521,099	3,268,772	747,673
Restricted intergovernmental	106,000	106,000	1,662,132	1,556,132
Permits and fees	135,400	135,400	441,994	306,594
Sales and services	1,235,000	1,235,000	1,308,946	73,946
Investment earnings	100,000	100,000	1,915	(98,085)
Miscellaneous	293,116	293,116	584,141	291,025
Total revenues	<u>10,653,237</u>	<u>10,653,237</u>	<u>13,661,860</u>	<u>3,008,623</u>
Expenditures:				
Current:				
Governing body	90,000	90,000	87,305	2,695
Administration	536,579	536,579	515,943	20,636
Finance	421,666	421,666	416,925	4,741
Insurance	440,437	440,437	358,935	81,502
Legal	70,000	70,000	42,845	27,155
Public buildings	900,589	900,589	749,720	150,869
Public works	51,400	51,400	35,585	15,815
Police	2,567,545	2,567,545	2,490,082	77,463
Fire	2,622,572	2,622,572	1,986,549	636,023
Community development	490,396	490,396	459,898	30,498
Street department	188,941	188,941	185,502	3,439
Sanitation	817,082	817,082	660,876	156,206
Parks and recreation	1,050,177	1,050,177	992,227	57,950
Emergency management	123,705	123,705	113,427	10,278
Parking	440,505	440,505	405,666	34,839
Nondepartmental	1,375,056	1,375,056	1,375,056	-
Total expenditures	<u>12,186,650</u>	<u>12,186,650</u>	<u>10,876,541</u>	<u>1,310,109</u>
Revenues over (under) expenditures	<u>(1,533,413)</u>	<u>(1,533,413)</u>	<u>2,785,319</u>	<u>4,318,732</u>
Other financing sources (uses):				
Transfers to other funds	(1,546,066)	(1,546,066)	(1,539,403)	6,663
Transfers from other funds	654,872	654,872	654,872	-
Total other financing sources (uses)	<u>(891,194)</u>	<u>(891,194)</u>	<u>(884,531)</u>	<u>(6,663)</u>
Fund balance appropriated	<u>2,424,607</u>	<u>2,424,607</u>	<u>-</u>	<u>2,424,607</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,900,788</u>	<u>\$ 1,900,788</u>
Fund balance, beginning			<u>6,840,882</u>	
Fund balance, ending			<u>\$ 8,741,670</u>	

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

Town of Surf City, North Carolina
Accommodations Tax Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other taxes and licenses	\$ 1,200,000	\$ 1,200,000	\$ 2,361,902	\$ 1,161,902
Miscellaneous	-	-	2,127	2,127
Total revenues	<u>1,200,000</u>	<u>1,200,000</u>	<u>2,364,029</u>	<u>1,164,029</u>
Expenditures:				
Beach and strand	247,400	362,009	268,515	93,494
Tourism	282,237	237,728	199,255	38,473
Total expenditures	<u>529,637</u>	<u>599,737</u>	<u>467,770</u>	<u>131,967</u>
Revenues over (under) expenditures	<u>670,363</u>	<u>600,263</u>	<u>1,896,259</u>	<u>1,295,996</u>
Other financing sources (uses):				
Transfers to other funds	(670,363)	(654,872)	(654,872)	-
Total other financing sources (uses)	<u>(670,363)</u>	<u>(654,872)</u>	<u>(654,872)</u>	<u>-</u>
Fund balance appropriated	<u>-</u>	<u>54,609</u>	<u>-</u>	<u>54,609</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,241,387</u>	<u>\$ 1,241,387</u>
Fund balance, beginning			<u>2,440,888</u>	
Fund balance, ending			<u>\$ 3,682,275</u>	

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

Town of Surf City, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

	Water and Wastewater Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 11,981,147
Restricted cash and cash equivalents	2,623,847
Accounts receivable, net	508,303
Total current assets	15,113,297
Noncurrent assets:	
Capital assets:	
Land, nondepreciable improvements, and construction in progress	6,388,591
Other capital assets, net of depreciation	35,538,517
Total capital assets	41,927,108
Total noncurrent assets	41,927,108
Total assets	57,040,405
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	212,378
Total deferred outflows of resources	212,378
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued liabilities	739,690
Due to other funds	95,375
Customer deposits	523,847
Deferred revenues	16,015
Installment purchase obligations payable	1,858,772
Total current liabilities	3,233,699
Noncurrent liabilities:	
Net pension liability	380,982
Installment purchase obligations payable	12,175,649
Compensated absences payable	44,943
Total noncurrent liabilities	12,601,574
Total liabilities	15,835,273
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension deferrals	9,812
Total deferred inflows of resources	9,812
<u>NET POSITION</u>	
Net investment in capital assets	27,892,687
Unrestricted	13,515,011
Total net position	\$ 41,407,698

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

Town of Surf City, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Water and Wastewater Fund
Operating revenues:	
Water charges	\$ 2,266,785
Wastewater charges	2,736,275
Tap fees	459,362
Impact fees	6,289,300
Total operating revenues	11,751,722
 Operating expenses:	
Administration	857,193
Insurance	16,285
Water operations	282,889
Wastewater collection	959,401
Wastewater treatment	772,719
Depreciation	1,131,611
Total operating expenses	4,020,098
 Operating income (loss)	7,731,624
 Nonoperating revenues (expenses):	
Investment earnings	1,284
Miscellaneous income	271,830
Interest expense	(667,700)
Total nonoperating revenues (expenses)	(394,586)
 Change in net position	7,337,038
 Total net position, beginning	34,070,660
Total net position, ending	\$ 41,407,698

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

Town of Surf City, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	Water and Wastewater Fund
Cash flows from operating activities:	
Cash received from customers	\$ 12,058,355
Cash paid for goods and services	(878,475)
Cash paid to employees for services	(1,350,644)
Miscellaneous income	271,830
Net cash provided (used) by operating activities	10,101,066
 Cash flows from noncapital financing activities:	
Change in due to other funds	30,899
Net cash provided (used) by noncapital financing activities	30,899
 Cash flows from capital and related financing activities:	
Proceeds from loan issuance	2,100,000
Acquisition of capital assets	(1,289,486)
Interest paid on debt	(667,700)
Principal paid on debt	(1,255,901)
Net cash provided (used) by capital and related financing activities	(1,113,087)
 Cash flows from investing activities:	
Interest on investments	1,284
Net cash provided (used) by investing activities	1,284
Net increase (decrease) in cash and cash equivalents	9,020,162
Cash and cash equivalents-beginning of year	5,584,832
Cash and cash equivalents-end of year	\$ 14,604,994

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

Town of Surf City, North Carolina
Statement of Cash Flows (continued)
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Water and Wastewater Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 7,731,624</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,131,611
Miscellaneous income	271,830
Change in assets, deferred outflows and inflows of resources, and liabilities:	
(Increase) decrease in accounts receivable	306,633
(Increase) decrease in deferred outflows of resources - pensions	(45,057)
Increase (decrease) in net pension liability	106,332
Increase (decrease) in deferred inflows of resources - pensions	(4,500)
Increase (decrease) in accounts payable and accrued liabilities	509,626
Increase (decrease) in customer deposits	83,427
Increase (decrease) in compensated absences	9,540
Total adjustments	<u>2,369,442</u>
Net cash provided (used) by operating activities	<u><u>\$ 10,101,066</u></u>

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

Town of Surf City, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Agency Fund
<u>Assets:</u>	
Cash and cash equivalents	\$ 4,681
Total assets	\$ 4,681
<u>Liabilities:</u>	
Accounts payable	\$ 1,450
Total liabilities	1,450
<u>Net position:</u>	
Assets held in trust (Fiduciary net position)	3,231
Total net position	\$ 3,231

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

Notes to the Financial Statements

Town of Surf City, North Carolina
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Surf City, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A - Reporting Entity

The Town of Surf City is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

B - Basis of Presentation

Government-wide Statements: The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major 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, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation (continued)

Beach Renourishment Fund - This fund is used to account for the renourishment of the Town's beachfront.

Accommodations Tax Fund - This fund is used to account for tourism related projects.

Town Hall Capital Project Fund - This fund is used to account for costs of a new town hall.

The Town reports the following non-major governmental funds:

Disaster Recovery Fund - This fund is used to account for costs in relation to a natural disaster.

Capital Reserve Fund - This fund is to accumulate resources to acquire fixed assets.

Community Center Fund - This fund is used to account for construction of a community center.

Sidewalk Capital Project Fund - This fund is used to account for construction of sidewalks.

Town Hall Renovation Project Fund - This fund is used to account for costs of renovating the town hall.

Mainland Park Project Fund - This fund is used to account for costs of land and other capital outlay for a new park.

The Town reports the following major enterprise fund:

Water and Wastewater Fund - This fund is used to account for the Town's water and wastewater operations.

The Town reports the following fiduciary fund types:

Agency Fund - Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains a Benefit Fund – fundraising for the Pretty in Pink Foundation. The Pretty in Pink Foundation is committed to raising funds for breast cancer research.

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

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

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Surf City because the tax is levied by Pender County and then remitted to and distributed by the State. Most intergovernmental revenue 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-reimbursed grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Beach Renourishment Fund, Accommodations Tax Fund, Town Hall Capital Project Fund, Capital Reserve Fund, Sidewalk Capital Fund Project, and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Fund. The Enterprise Fund projects are consolidated into the Water and Wastewater Enterprise Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits and Investments

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

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

All deposits of the Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because 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. Unexpended accommodation taxes are classified as restricted cash because it can be expended only for the purpose of promoting tourism and development. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

<u>Town of Surf City's Restricted Cash</u>	
Governmental Activities:	
General Fund	
Powell Bill	\$ 279,622
Accommodation Tax Fund	
Tourism	4,127,940
Total Governmental Activities	4,407,562
Business-type Activities:	
Water and Wastewater Fund	
Unspent debt proceeds	2,100,000
Customer deposits	523,847
Total Business-type Activities	2,623,847
Total Restricted Cash	\$ 7,031,409

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

4. Ad Valorem Taxes Receivable

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

5. Allowance for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land, \$100,000; buildings, improvements, \$100,000; infrastructure, \$100,000; furniture and equipment, \$5,000; and vehicles, \$5,000. 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 purchases or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and Fixtures	10
Equipment	10
Computer Equipment	3
Software	3

7. Deferred Outflows/Inflows of Resources

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

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

8. 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. In fund financial statements, governmental fund types show types show the face amount of debt issued as other financing sources.

9. Compensated Absences

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

The Town's sick leave policies provide 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.

10. Net Position / Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid items –portion of fund balance that is not an available resource because it represents items that have already been paid for in advance.

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

10. Net Position / Fund Balances (continued)

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

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

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

Restricted for Tourism – Portion of fund balance that is restricted for the purpose of promoting tourism and development. Restricted balance represents unexpended accommodation taxes collected and receivable.

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

Assigned fund balance – Portion of fund balance that the Town intends to use for specific purposes.

Assigned for Beach and Strand – Portion of fund balance that has been budgeted by the Board for Beach and Strand improvements and maintenance.

Assigned for Public Buildings – Portion of fund balance that has been budgeted by the Board for acquisition and construction of buildings.

Assigned for Street Department – Portion of fund balance that has been budgeted by the Board for street improvement and maintenance.

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

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

10. Net Position / Fund Balances (continued)

The Town of Surf City has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, 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.

11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Surf City's employer contributions are recognized when due and the Town of Surf City 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.

NOTE 2 - DETAIL NOTES ON ALL FUNDS

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None.

B - Deficit in Fund Balance or Net Position of Individual Funds

None.

C - Excess of Expenditures over Appropriations

None

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$17,549,561 and a bank balance of \$17,469,478. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash totaled \$350.

2. Investments

At June 30, 2021, the Town had \$21,469,003 invested with North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

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

General Fund:		
Taxes receivable	\$	30,000
Total	\$	30,000

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

Primary Government

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

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 9,460,532	\$ 974,210	\$ -	\$ 10,434,742
Construction in progress	119,504	6,287,812	6,407,316	-
Total capital assets not being depreciated	<u>9,580,036</u>	<u>7,262,022</u>	<u>6,407,316</u>	<u>10,434,742</u>
Capital assets being depreciated:				
Buildings	6,100,435	6,407,316	-	12,507,751
Equipment	2,659,638	422,253	-	3,081,891
Vehicles	2,767,701	139,938	-	2,907,639
Infrastructure	1,459,369	-	-	1,459,369
Total capital assets being depreciated	<u>12,987,143</u>	<u>6,969,507</u>	<u>-</u>	<u>19,956,650</u>
Less accumulated depreciation for:				
Buildings	2,598,493	154,045	-	2,752,538
Equipment	1,776,704	112,024	-	1,888,728
Vehicles	2,612,261	123,652	-	2,735,913
Infrastructure	599,222	49,300	-	648,522
Total accumulated depreciation	<u>7,586,680</u>	<u>439,021</u>	<u>-</u>	<u>8,025,701</u>
Total capital assets being depreciated, net	<u>5,400,463</u>			<u>11,930,949</u>
Governmental activities capital assets, net	<u><u>\$ 14,980,499</u></u>			<u><u>\$ 22,365,691</u></u>

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

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

Beach and strand	\$	2,363
Community development		981
Emergency management		767
Fire		46,262
Parks and recreation		10,334
Police		365,019
Tourism		1,508
Public buildings		1,541
Streets		10,246
Total depreciation expense	\$	439,021

Business-type activities:	Beginning			Ending
Water and wastewater fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$5,245,933	\$ -	\$ -	\$ 5,245,933
Construction in progress	4,324,623	1,142,658	4,324,623	1,142,658
Total capital assets not being depreciated	9,570,556	1,142,658	4,324,623	6,388,591
Capital assets being depreciated:				
Equipment	521,223	30,682	-	551,905
Vehicles	281,714	-	-	281,714
Water system	48,231,884	4,441,070	-	52,672,954
Total capital assets being depreciated	49,034,821	4,471,752	-	53,506,573
Less accumulated depreciation for:				
Equipment	285,634	42,702	-	328,336
Vehicles	197,803	22,046	-	219,849
Water system	16,353,008	1,066,863	-	17,419,871
Total accumulated depreciation	16,836,445	1,131,611	-	17,968,056
Total capital assets being depreciated, net	32,198,376			35,538,517
Water and wastewater fund capital assets, net	\$ 41,768,932			\$ 41,927,108

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Surf City 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 Surf City's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, 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 Surf City were \$455,509 for the year ended June 30, 2021.

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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 \$2,544,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.07122%, which was an increase of 0.00584% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$863,188. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 321,388	\$ -
Changes of assumptions	189,397	-
Net difference between projected and actual earnings on pension plan investment	358,140	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	36,705	58,625
Town contributions subsequent to the measurement date	455,509	-
Total	\$ 1,361,139	\$ 58,625

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

\$455,509 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2022		\$ 232,280
2023		307,042
2024		201,691
2025		105,991
		\$ 847,004

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

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

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

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

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

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

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 5,163,516	\$ 2,544,994	\$ 368,818

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the State of North Carolina.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2019, the Separation Allowance's membership consisted of:

Active plan members	18
Total	18

2. Summary of Significant Accounting Policies

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

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

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

3. Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	1.93 percent, net of pension plan investment expense, including inflation

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

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$21,058 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 \$773,011. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$91,670.

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 93,905	\$ 52,456
Changes of assumptions	279,851	9,250
Town benefit payments and plan administrative expense made subsequent to the measure date	12,069	-
Total	\$ 385,825	\$ 61,706

\$12,069 was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 53,030
2023	53,498
2024	48,545
2025	53,391
2026	57,401
Thereafter	46,185
	\$ 312,050

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

	1% Decrease (0.93%)	Discount rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 834,891	\$ 773,011	\$ 716,064

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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

	2021
Beginning balance	\$ 399,197
Service cost	25,773
Interest on the total pension liability	12,867
Differences between expected and actual experience in the measurement of the total pension liability	39,680
Changes of assumptions or other inputs	304,483
Benefit payments	(8,989)
Ending balance of the total pension liability	\$ 773,011

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

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 863,188	\$ 91,670	\$ 954,858
Pension Liability	2,544,994	773,011	3,318,005
Proportionate share of the net pension liability	0.07122%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	321,388	93,905	415,293
Changes of assumptions	189,397	279,851	469,248
Net difference between projected and actual earnings on plan investments	358,140	-	358,140
Changes in proportion and differences between contributions and proportionate share of contributions	36,705	-	36,705
Benefit payments and administrative costs paid subsequent to the measurement date	455,509	12,069	467,578
 Deferred of Inflows of Resources			
Difference between expected and actual experience	-	52,456	52,456
Changes of assumptions	58,625	9,250	67,875

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

d. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. In addition to the Town's mandatory five percent contribution, Town policy mandates that the Town provide active law enforcement personnel a match of one percent of their gross salary as a contribution to their 401(k) plan. Contributions for the year ended June 30, 2021 were \$86,516, which consisted of \$63,480 from the Town and \$23,036 from the law enforcement officers.

All Other Employees:

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

Funding Policy. The Town pays \$20 per pay period for each participating employee. For the year ended June 30, 2021, total contributions to the plan equaled \$77,821, which consisted of \$32,720 from the Town and \$45,101 from the participating employees.

2. Other Employment Benefits

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

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 455,509
Differences between expected and actual experience	415,293
Changes of assumptions	469,248
Net difference between projected and actual	358,140
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,774
Total	\$ 1,746,964

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

	Statement of Net Position	General Fund Balance sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 227,943
Changes in assumptions	9,250	-
Differences between expected and actual experience	52,456	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,625	-
Total	\$ 120,331	\$ 227,943

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability, law enforcement liability, and auto liability coverage of \$1 million per occurrence; public officials' liability and employee benefits liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Risk Management (continued)

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) because the Town is in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$1,500,000 of coverage per structure.

In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

5. Claims, Judgements, and Contingent Liabilities

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

6. Long-Term Obligations

a. Capital Leases

The Town has entered into agreements to lease certain equipment and vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on July 7, 2011 to lease equipment and requires 12 annual payments of \$47,337. The second agreement was executed on October 4, 2012 to lease vehicles and requires 3 annual payments of \$52,042. The third agreement was executed on January 1, 2016 to lease radio equipment and requires 5 annual payments of \$93,677. In all agreements, title passes to the Town at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2021:

Governmental Activities:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 619,678	\$ 610,317	\$ 9,361
Equipment	562,014	562,014	-
Total	\$ 1,181,692	\$ 1,172,331	\$ 9,361

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

a. Capital Leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

Years Ending June 30:	
2022	117,905
2023	6,201
2024	72,311
2025	269
Total minimum lease payments	196,686
Less: amount representing interest	(63,276)
Present value of the minimum lease payments	\$ 133,410

b. Installment Purchases

Serviced by the General Fund:

In June 2013, the Town refinanced into \$2,100,000 direct placement contract to finance the purchase of land for the Town Hall. The financing contract requires principal payments beginning fiscal year 2014 with an interest rate of 2.47%. The outstanding principal balance at June 30, 2021 was \$210,000.

In September 2013, the Town refinanced into \$1,020,000 direct placement contract to finance the construction of a police station. The financing contract requires principal payment beginning fiscal year 2014 with an interest rate of 2.47%. The outstanding principal balance at June 30, 2021 was \$120,000.

Serviced by the Water and Wastewater Fund:

In May 2007, the Town entered into a \$6,000,000 direct placement contract to finance the construction of a water treatment plant. The financing contract requires principal payments beginning fiscal year 2008 with an interest rate of 3.91%. The outstanding principal balance at June 30, 2021 was \$400,000.

In June 2009, the Town entered into a \$38,300 direct placement contract to finance the acquisition and installation of solar mixers. The financing contract requires principal payments beginning fiscal year 2011 with an interest rate of 0.00%. The outstanding principal balance at June 30, 2021 was \$17,149.

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

b. Installment Purchases (continued)

Serviced by the Water and Wastewater Fund (continued):

In January 2014, the Town entered into a \$2,864,685 direct placement contract to finance the purchase of land. The financing contract requires principal payments beginning fiscal year 2015 with an interest rate of 2.99%. The outstanding principal balance at June 30, 2021 was \$1,393,197.

In January 2014, the Town entered into \$7,250,000 direct placement contract to finance the construction of a wastewater treatment facility. The financing contract requires principal payments beginning fiscal year 2015 with an interest rate of 2.81%. The outstanding principal balance at June 30, 2021 was \$3,500,000.

In November 2012, the Town entered into \$5,096,821 direct placement contract to finance the construction of the first phase of the irrigation system at Juniper Swamp. The financing contract requires principal payments beginning fiscal year 2014 with an interest rate of 2.455%. The outstanding principal balance at June 30, 2021 was \$3,183,074.

In May 2021, the Town entered into \$2,100,000 direct placement contract to finance the construction and installment of an advanced water meter infrastructure system. The financing contract requires principal payments beginning fiscal year 2022 with an interest rate of 1.00%. The outstanding principal balance at June 30, 2021 was \$2,100,000.

Annual debt service payments of the installment purchase of the governmental-type activities are as follows:

Years Ending June 30:	Governmental Activities		Business Type-Activities	
	Principal	Interest	Principal	Interest
2022	\$ 260,000	\$ 6,546	\$ 1,595,727	\$ 260,922
2023	70,000	865	1,206,675	222,002
2024	-	-	1,210,569	218,108
2025	-	-	1,214,541	216,132
2026	-	-	1,218,591	212,122
2027-2031	-	-	4,147,317	476,373
Total	<u>\$ 330,000</u>	<u>\$ 7,411</u>	<u>\$ 10,593,420</u>	<u>\$ 1,605,659</u>

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

c. Revenue Bond

Serviced by the Water and Wastewater Fund:

\$3,580,000 USDA Water and Sewer Revenue Bond, Series 2021, used for wastewater capital expenditures. Principal and interest installments are due annually on June 1, at an annual interest rate of 3.25%. The outstanding principal balance at June 30, 2021 was \$3,441,000.

The future payments of the revenue bond are as follows:

Years Ending June 30:	Business Type-Activities	
	Principal	Interest
2022	\$ 49,000	\$ 110,240
2023	51,000	110,240
2024	53,000	110,240
2025	54,000	110,240
2026	56,000	110,240
2027-2031	310,000	505,233
2032-2036	362,000	456,450
2037-2041	420,000	399,348
2042-2046	470,000	332,300
2047-2051	520,000	263,455
2052-2056	570,000	171,188
2057-2061	526,000	67,306
Total	\$ 3,441,000	\$ 2,746,478

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

d. Changes in Long-Term Liabilities

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

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct placement					
Installment purchase	\$ 818,962	\$ -	\$ (488,962)	\$ 330,000	\$ 260,000
Capital leases	245,911	-	(112,501)	133,410	47,000
Compensated absences	314,100	165,752	(141,062)	338,790	100,000
Total Pension Liability (LEO)	399,197	373,814	-	773,011	-
Net pension liability (LGERS)	<u>1,510,827</u>	<u>653,185</u>	<u>-</u>	<u>2,164,012</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 3,288,997</u>	<u>\$ 1,192,751</u>	<u>\$ (742,525)</u>	<u>\$ 3,739,223</u>	<u>\$ 407,000</u>
Business-type activities:					
Direct Placement					
Installment purchase	\$ 9,701,321	\$ 2,100,000	\$ (1,207,900)	\$ 10,593,421	\$ 1,809,772
Revenue bonds	3,489,000	-	(48,000)	3,441,000	49,000
Compensated absences	35,403	13,238	(3,698)	44,943	-
Net pension liability (LGERS)	<u>274,650</u>	<u>106,332</u>	<u>-</u>	<u>380,982</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 13,500,374</u>	<u>\$ 2,219,570</u>	<u>\$ (1,259,598)</u>	<u>\$ 14,460,346</u>	<u>\$ 1,858,772</u>

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C - Interfund Balances and Activity

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

	Amount
From the General Fund to the Beach Renourishment Fund	\$ 1,529,403
From the General Fund to the Town Hall Capital Project Fund	10,000
From the Accomodation Tax Fund to the General Fund	654,872
From the Wastewater Capital Reserve Fund to the Wastewater Capital Project Fund	675,214
Total	\$ 2,869,489

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

D - Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 22,365,691	\$ 41,927,108
less: long-term debt	(463,410)	(14,034,421)
Net investment in capital assets	\$ 21,902,281	\$ 27,892,687

E - Fund Balance

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

Total Fund Balance - General Fund	\$ 8,741,670
Less:	
Prepaid items	596,006
Stabilization by State Statute	4,819,156
Streets - Powell Bill	279,622
Remaining Fund Balance	\$ 3,046,886

There were no encumbrances needed to pay commitments at year end.

Town of Surf City, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 - SUBSEQUENT EVENTS

There are no subsequent events that would have a material effect on the financial statements. Subsequent events were evaluated through November 30, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Surf City's proportion of the net pension liability (asset) (%)	0.07122%	0.06538%	0.06075%	0.07358%	0.06297%	0.05965%	0.05577%	0.05380%
Surf City's proportion of the net pension liability (asset) (\$)	\$ 2,544,994	\$ 1,785,477	\$ 1,441,198	\$ 1,124,099	\$ 1,336,434	\$ 267,706	\$ (328,901)	\$ 648,497
Surf City's covered-employee payroll	\$ 4,130,836	\$ 3,856,808	\$ 3,473,351	\$ 3,797,442	\$ 3,445,352	\$ 3,087,112	\$ 2,747,515	\$ 2,682,046
Surf City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	61.61%	46.29%	41.49%	29.60%	38.79%	8.67%	-11.97%	24.18%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45

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

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

Town of Surf City, North Carolina
Town of Surf City's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 455,509	\$ 379,498	\$ 308,498	\$ 268,699	\$ 284,733	\$ 238,870	\$ 226,386	\$ 195,037
Contributions in relation to the contractually required contribution	455,509	379,498	308,498	268,699	284,733	238,870	226,386	195,037
Contribution deficiency (excess)	<u>\$ -</u>							
Surf City's covered-employee payroll	\$ 4,395,223	\$ 4,130,836	\$ 3,856,808	\$ 3,473,351	\$ 3,797,442	\$ 3,445,352	\$ 3,087,112	\$ 2,747,515
Contributions as a percentage of covered-employee payroll	10.36%	9.19%	8.00%	7.74%	7.50%	6.93%	7.33%	7.10%

Town of Surf City, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 399,197	\$ 301,592	\$ 400,476	\$ 315,688	\$ 313,702
Service cost	25,773	22,973	21,360	22,214	20,642
Interest on the total pension liability	12,867	10,791	12,331	11,790	10,819
Differences between expected and actual experience in the measurement of the total pension liability	39,680	61,109	(98,470)	44,636	-
Changes of assumptions or other inputs	304,483	12,983	(13,603)	26,650	(8,184)
Benefit payments	(8,989)	(10,251)	(20,502)	(20,502)	(21,291)
Ending balance of the total pension liability	<u>\$ 773,011</u>	<u>\$ 399,197</u>	<u>\$ 301,592</u>	<u>\$ 400,476</u>	<u>\$ 315,688</u>

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

Town of Surf City, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 773,011	\$ 399,197	\$ 301,592	\$ 400,476	\$ 315,688
Covered payroll	1,162,240	1,035,519	875,121	1,027,707	869,216
Total pension liability as a percentage of covered payroll	66.51%	38.55%	34.46%	38.97%	36.32%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Town of Surf City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 6,356,502	\$
Penalties and interest		37,257	
Total	<u>6,261,972</u>	<u>6,393,759</u>	<u>131,787</u>
Other taxes and licenses:			
Privilege licenses		201	
Total	<u>650</u>	<u>201</u>	<u>(449)</u>
Unrestricted intergovernmental:			
Local option sales taxes		2,433,128	
Utility sales tax		388,408	
Telecommunications sales tax		10,989	
Video franchise fee		62,470	
Beer and wine tax		10,608	
ABC profit distribution		125,506	
Fire district tax		237,663	
Total	<u>2,521,099</u>	<u>3,268,772</u>	<u>747,673</u>
Restricted intergovernmental:			
Powell bill allocation		73,747	
Controlled substance tax		1,071	
Solid waste disposal tax		1,635	
Federal grants		1,574,264	
Local grants		11,415	
Total	<u>106,000</u>	<u>1,662,132</u>	<u>1,556,132</u>
Permits and fees:			
Building permits		439,603	
Court cost and fees		2,391	
Total	<u>135,400</u>	<u>441,994</u>	<u>306,594</u>
Sales and services:			
Solid waste		1,308,946	
Total	<u>1,235,000</u>	<u>1,308,946</u>	<u>73,946</u>
Investment earnings	<u>\$ 100,000</u>	<u>\$ 1,915</u>	<u>\$ (98,085)</u>

Town of Surf City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Insurance proceeds	\$	\$ 200,225	\$
Other		383,916	
Total	<u>293,116</u>	<u>584,141</u>	<u>291,025</u>
Total revenues	<u>10,653,237</u>	<u>13,661,860</u>	<u>3,008,623</u>
Expenditures:			
Governing body:			
Salaries and employee benefits		31,004	
Other expenditures		56,301	
Total	<u>90,000</u>	<u>87,305</u>	<u>2,695</u>
Administration:			
Salaries and employee benefits		358,764	
Other expenditures		157,179	
Total	<u>536,579</u>	<u>515,943</u>	<u>20,636</u>
Finance:			
Salaries and employee benefits		328,743	
Other expenditures		88,182	
Total	<u>421,666</u>	<u>416,925</u>	<u>4,741</u>
Insurance:			
Other expenditures		358,935	
Total	<u>440,437</u>	<u>358,935</u>	<u>81,502</u>
Legal:			
Other expenditures		42,845	
Total	<u>70,000</u>	<u>42,845</u>	<u>27,155</u>
Public buildings:			
Salaries and employee benefits		485,840	
Other expenditures		98,288	
Debt service:			
Principal retirement		140,000	
Interest and fees		25,592	
Total	<u>\$ 900,589</u>	<u>\$ 749,720</u>	<u>\$ 150,869</u>

Town of Surf City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public works:			
Other expenditures	\$	\$ 35,585	\$
Total	<u>51,400</u>	<u>35,585</u>	<u>15,815</u>
Police:			
Salaries and employee benefits		1,846,200	
Other expenditures		191,707	
Capital outlay		308,123	
Debt service:			
Principal retirement		120,000	
Interest and fees		24,052	
Total	<u>2,567,545</u>	<u>2,490,082</u>	<u>77,463</u>
Fire:			
Salaries and employee benefits		1,449,129	
Other expenditures		285,229	
Capital outlay		163,942	
Debt service:			
Principal retirement		41,748	
Interest and fees		46,501	
Total	<u>2,622,572</u>	<u>1,986,549</u>	<u>636,023</u>
Community development:			
Salaries and employee benefits		403,166	
Other expenditures		50,803	
Capital outlay		5,929	
Total	<u>490,396</u>	<u>459,898</u>	<u>30,498</u>
Street department:			
Other expenditures		185,502	
Total	<u>188,941</u>	<u>185,502</u>	<u>3,439</u>
Sanitation:			
Other expenditures		660,876	
Total	<u>817,082</u>	<u>660,876</u>	<u>156,206</u>
Parks and recreation:			
Salaries and employee benefits		589,336	
Other expenditures		315,071	
Capital outlay		17,067	
Debt service:			
Principal retirement		70,753	
Total	<u>\$ 1,050,177</u>	<u>\$ 992,227</u>	<u>\$ 57,950</u>

Town of Surf City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Emergency management:			
Salaries and employee benefits	\$	\$ 74,359	\$
Other expenditures		15,895	
Capital outlay		23,173	
Total	<u>123,705</u>	<u>113,427</u>	<u>10,278</u>
Parking:			
Other expenditures		370,666	
Capital outlay		35,000	
Total	<u>440,505</u>	<u>405,666</u>	<u>34,839</u>
Nondepartmental:			
Hurricane		1,303,056	
Other expenditures		72,000	
Total	<u>1,375,056</u>	<u>1,375,056</u>	<u>-</u>
Total expenditures	<u>12,186,650</u>	<u>10,876,541</u>	<u>1,264,992</u>
Revenues over (under) expenditures	<u>(1,533,413)</u>	<u>2,785,319</u>	<u>1,743,631</u>
Other financing sources (uses):			
Transfers (to) other funds	(1,546,066)	(1,539,403)	6,663
Transfers from other funds	654,872	654,872	-
Total other financing sources (uses)	<u>(891,194)</u>	<u>(884,531)</u>	<u>6,663</u>
Fund balance appropriated	<u>2,424,607</u>	-	<u>2,424,607</u>
Net change in fund balance	<u>\$ -</u>	1,900,788	<u>\$ -</u>
Fund balance, beginning		6,840,882	
Fund balance, ending		<u>\$ 8,741,670</u>	

Major Governmental Funds

Capital Project Funds

Town of Surf City, North Carolina
Beach Renourishment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
From Inception and For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Restricted intergovernmental:			
Federal grants	\$	\$ 7,983,187	\$
State and County grants		701,393	
Total	<u>-</u>	<u>8,684,580</u>	<u>8,684,580</u>
Miscellaneous revenues	<u>-</u>	<u>6,385</u>	<u>6,385</u>
Total revenues	<u>-</u>	<u>8,690,965</u>	<u>8,690,965</u>
<u>Expenditures:</u>			
Beach and Strand:			
Other expenditures		2,311	
Capital outlay		697,777	
Debt service:			
Principal retirement		139,690	
Interest and other charges		3,903	
	<u>1,901,378</u>	<u>843,681</u>	<u>1,057,697</u>
Total expenditures	<u>1,901,378</u>	<u>843,681</u>	<u>1,057,697</u>
Revenues over (under) expenditures	<u>(1,901,378)</u>	<u>7,847,284</u>	<u>9,748,662</u>
<u>Other financing sources (uses):</u>			
Transfers from General Fund		1,529,403	
Total other financing sources (uses)	<u>1,901,378</u>	<u>1,529,403</u>	<u>(371,975)</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>9,376,687</u>	<u>\$ 9,376,687</u>
Fund balance, beginning		6,406,507	
Fund balance, ending		<u>\$ 15,783,194</u>	

Town of Surf City, North Carolina
Town Hall Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
From Inception and For the Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental:			
FEMA Reimbursement	\$ 1,713,550	\$ 1,414,724	\$ (298,826)
Golden Leaf grant	1,679,883	1,159,583	(520,300)
Total revenues	<u>3,393,433</u>	<u>2,574,307</u>	<u>(819,126)</u>
Expenditures:			
Street department:			
Professional services	490,041	175,933	314,108
Construction	6,268,240	6,111,879	156,361
Total expenditures	<u>6,758,281</u>	<u>6,287,812</u>	<u>470,469</u>
Revenues over (under) expenditures	<u>(3,364,848)</u>	<u>(3,713,505)</u>	<u>(348,657)</u>
Other financing sources (uses):			
Appropriated fund balance	60,807	-	(60,807)
Transfers from other funds:			
General Fund	-	10,000	10,000
Insurance proceeds	177,567	-	(177,567)
Loan proceeds	3,126,474	-	(3,126,474)
Total other financing sources (uses)	<u>3,364,848</u>	<u>10,000</u>	<u>(3,354,848)</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,703,505)</u>	<u>\$ (3,703,505)</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ (3,703,505)</u>	

Major Governmental Funds

Special Revenue Funds

Town of Surf City, North Carolina
Accommodations Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Other taxes and licenses:			
Accommodations tax	\$	\$ 2,361,902	\$
Total	<u>1,200,000</u>	<u>2,361,902</u>	<u>1,161,902</u>
Miscellaneous	<u>-</u>	<u>2,127</u>	<u>2,127</u>
Total revenues	<u>1,200,000</u>	<u>2,364,029</u>	<u>1,164,029</u>
<u>Expenditures:</u>			
Beach and Strand:			
Other expenditures		259,558	
Capital outlay		8,957	
Total	<u>362,009</u>	<u>268,515</u>	<u>93,494</u>
Tourism:			
Salaries and employee benefits		17,128	
Other expenditures		90,297	
Capital outlay		-	
Debt service:			
Principal retirement		89,310	
Interest and other charges		2,520	
Total	<u>237,728</u>	<u>199,255</u>	<u>38,473</u>
Total expenditures	<u>599,737</u>	<u>467,770</u>	<u>131,967</u>
Revenues over (under) expenditures	<u>600,263</u>	<u>1,896,259</u>	<u>1,295,996</u>
Other financing sources (uses):			
Transfers (to) from other funds	(654,872)	(654,872)	-
Total other sources (uses)	<u>(654,872)</u>	<u>(654,872)</u>	<u>-</u>
Fund balance appropriated	<u>54,609</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,241,387</u>	<u>\$ 1,241,387</u>
Fund balance, beginning		2,440,888	
Fund balance, ending		<u>\$ 3,682,275</u>	

Nonmajor Governmental Funds

Capital Project Funds

Town of Surf City, North Carolina
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2021

	Capital Reserve Fund	Sidewalk Capital Project Fund	Community Center Fund	Disaster Recovery Fund	Town Hall Renovation Project Fund	Mainland Park Project Fund	Total Nonmajor Governmental Funds
<u>Assets:</u>							
Cash and cash equivalents	\$ 295,877	\$ 10,000	\$ 1,076	\$ 745,000	\$ 12,521	\$ -	\$ 1,064,474
Taxes receivable	-	-	-	-	-	-	-
Due from other funds	205,239	10,000	-	-	9,000	-	224,239
Total assets	<u>\$ 501,116</u>	<u>\$ 20,000</u>	<u>\$ 1,076</u>	<u>\$ 745,000</u>	<u>\$ 21,521</u>	<u>\$ -</u>	<u>\$ 1,288,713</u>
<u>Liabilities and Fund Balances:</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,432	\$ 276,432
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,432</u>	<u>276,432</u>
Fund balances:							
Assigned:							
Beach and strand	501,116	-	-	745,000	-	(276,432)	969,684
Street department	-	20,000	-	-	-	-	20,000
Public buildings	-	-	1,076	-	21,521	-	22,597
Total fund balances	<u>501,116</u>	<u>20,000</u>	<u>1,076</u>	<u>745,000</u>	<u>21,521</u>	<u>(276,432)</u>	<u>1,012,281</u>
Total liabilities and fund balances	<u>\$ 501,116</u>	<u>\$ 20,000</u>	<u>\$ 1,076</u>	<u>\$ 745,000</u>	<u>\$ 21,521</u>	<u>\$ -</u>	<u>\$ 1,288,713</u>

Town of Surf City, North Carolina
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2021

	Capital Reserve Fund	Sidewalk Capital Project Fund	Community Center Fund	Disaster Recovery Fund	Town Hall Renovation Project Fund	Mainland Park Project Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>							
FEMA reimbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Golden leaf grants	-	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-	-
<u>Expenditures:</u>							
Beach and strand	-	-	-	-	-	276,432	276,432
Public buildings	-	-	-	-	-	-	-
Street department	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	276,432	-
Revenues over (under) expenditures	-	-	-	-	-	(276,432)	(276,432)
<u>Other Financing Sources (Uses):</u>							
Transfers in (out)	-	-	-	-	-	10,000	10,000
Revenues and other sources over expenditures and other uses	-	-	-	-	-	(266,432)	(266,432)
Fund balance, beginning	501,116	20,000	1,076	745,000	21,521	-	1,288,713
Fund balance, ending	\$ 501,116	\$ 20,000	\$ 1,076	\$ 745,000	\$ 21,521	\$ (266,432)	\$ 1,022,281

Town of Surf City, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers from General Fund	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in fund balance	 <u>\$ -</u>	 -	 <u>\$ -</u>
 Fund balance, beginning		<u>501,116</u>	
Fund balance, ending		<u>\$ 501,116</u>	

Town of Surf City, North Carolina
Sidewalk Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers from General Fund	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>20,000</u>	
Fund balance, ending		<u>\$ 20,000</u>	

**Town of Surf City, North Carolina
Community Center Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers from General Fund	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>1,076</u>	
Fund balance, ending		<u>\$ 1,076</u>	

Town of Surf City, North Carolina
Disaster Recovery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers from General Fund	\$ -	\$ -	\$ -
Total other financing sources (uses)	-	-	-
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		745,000	
Fund balance, ending		\$ 745,000	

Town of Surf City, North Carolina
Town Hall Renovation Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers from General Fund	\$ -	\$ -	\$ -
Total other financing sources (uses)	-	-	-
 Net change in fund balance	 \$ -	 -	 \$ -
 Fund balance, beginning		21,521	
Fund balance, ending		\$ 21,521	

Town of Surf City, North Carolina
Mainland Park Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental:			
Federal and State grants	\$ 1,087,500	\$ -	\$ (1,087,500)
Total revenues	<u>1,087,500</u>	<u>-</u>	<u>(1,087,500)</u>
Expenditures:			
Street department:			
Professional services	5,000	-	5,000
Land acquisition	550,000	276,432	273,568
Construction	650,000	-	650,000
Total expenditures	<u>1,205,000</u>	<u>276,432</u>	<u>928,568</u>
Revenues over (under) expenditures	<u>(117,500)</u>	<u>(276,432)</u>	<u>(158,932)</u>
Other financing sources (uses):			
Transfers from General Fund	117,500	10,000	(107,500)
Total other financing sources (uses)	<u>117,500</u>	<u>10,000</u>	<u>(107,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>(266,432)</u>	<u>\$ (266,432)</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ (266,432)</u>	

Enterprise Funds

Town of Surf City, North Carolina
Water and Wastewater 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 Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water charges	\$	\$ 2,266,785	\$
Wastewater charges		2,736,275	
Tap fees		459,362	
Total	<u>5,348,528</u>	<u>5,462,422</u>	<u>113,894</u>
Investment earnings	<u>-</u>	<u>722</u>	<u>722</u>
Miscellaneous	<u>272,000</u>	<u>271,830</u>	<u>(170)</u>
Total revenues	<u>5,620,528</u>	<u>5,734,974</u>	<u>114,446</u>
Expenditures:			
Administration:			
Salaries and employee benefits		363,155	
Other expenditures		479,851	
Total	<u>856,368</u>	<u>843,006</u>	<u>13,362</u>
Insurance:			
Other expenditures		16,285	
Total	<u>114,150</u>	<u>16,285</u>	<u>97,865</u>
Water operations:			
Salaries and employee benefits		93,424	
Other expenditures		153,896	
Repairs and maintenance		30,887	
Debt service:			
Principal retirement		401,906	
Interest expense		17,290	
Total	<u>\$ 798,619</u>	<u>\$ 697,403</u>	<u>\$ 101,216</u>

Town of Surf City, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP) (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Wastewater collection:			
Salaries and employee benefits	\$	\$ 434,408	\$
Repairs and maintenance		217,809	
Other expenditures		291,306	
Capital outlay		61,047	
Debt service:			
Principal retirement		84,969	
Interest expense		103,641	
Total	<u>1,679,278</u>	<u>1,193,180</u>	<u>486,098</u>
Wastewater treatment:			
Salaries and employee benefits		434,331	
Repairs and maintenance		120,706	
Other expenditures		204,892	
Capital outlay		86,083	
Debt service:			
Principal retirement		769,026	
Interest expense		546,769	
Total	<u>2,497,594</u>	<u>2,161,807</u>	<u>335,787</u>
Total expenditures	<u>5,946,009</u>	<u>4,911,681</u>	<u>1,034,328</u>
Revenues over (under) expenditures	(325,481)	823,293	(1,148,774)
Other financing sources (uses):			
Fund balance appropriation	<u>325,481</u>	-	<u>325,481</u>
Total other financing sources (uses)	<u>325,481</u>	-	<u>325,481</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 823,293</u>	<u>\$ (823,293)</u>

**Town of Surf City, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP) (continued)
For the Year Ended June 30, 2021**

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses	\$ 823,293
Reconciling items:	
Depreciation expense	(1,131,611)
Capital outlay	147,130
Principal retirement	1,255,901
Increase in deferred outflows of resources-pensions	45,057
Increase in net pension liability	(106,332)
Decrease in deferred inflows of resources-pensions	4,200
Increase in accrued vacation	9,540
Impact fees:	
Water capital reserve fund	1,528,200
Wastewater capital reserve fund	4,761,100
Other revenues:	
Water capital reserve fund	1
Wastewater capital project fund	515
Water capital project fund	44
Total reconciling items	<u>6,513,745</u>
Change in net position	<u><u>\$ 7,337,038</u></u>

Town of Surf City, North Carolina
Water Capital Reserve Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Impact fees	\$ 3,139,500	\$ 5,487,057	\$ 1,528,200	\$ 7,015,257	\$ 3,875,757
Assessments	1,850	1,850	-	1,850	-
Investment earnings	44,000	49,532	1	49,533	5,533
Total revenues	3,185,350	5,538,439	1,528,201	7,066,640	3,881,290
Expenditures:					
Contingency	40,562	-	-	-	40,562
Total expenditures	40,562	-	-	-	40,562
Revenues over (under) expenditures	3,144,788	5,538,439	1,528,201	7,066,640	3,921,852
Other financing sources (uses):					
Appropriated fund balance	100,000	-	-	-	(100,000)
Transfers from other funds:					
Water and Wastewater Fund	144,260	-	-	-	(144,260)
Wastewater Capital Project Fund	115,000	-	-	-	(115,000)
Transfers to other funds:					
Water and Wastewater Fund	(3,070,048)	(3,893,638)	-	(3,893,638)	(823,590)
Capital Project Fund	(269,000)	283,248	-	283,248	552,248
Installment purchase obligations	(165,000)	-	-	-	165,000
Total other financing sources (uses)	(3,144,788)	(3,610,390)	-	(3,610,390)	(465,602)
Revenues and other sources over expenditures and other uses	\$ -	\$ 1,928,049	\$ 1,528,201	\$ 3,456,250	\$ 3,456,250

**Town of Surf City, North Carolina
Wastewater Capital Reserve Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
Impact fees	\$ 3,811,485	\$ 8,543,468	\$ 4,761,100	\$ 13,304,568	\$ 9,493,083
Assessments	409,600	17,728	-	17,728	(391,872)
Investment earnings	86,000	65,861	-	65,861	(20,139)
Total revenues	4,307,085	8,627,057	4,761,100	13,388,157	9,081,072
Expenditures:					
Contingency	7,006	-	-	-	7,006
Total expenditures	7,006	-	-	-	7,006
Revenues over (under) expenditures	4,300,079	8,627,057	4,761,100	13,388,157	9,088,078
Other financing sources (uses):					
Transfers from other funds:					
Wastewater Capital Project Fund	379,000	182,000	-	182,000	(197,000)
Transfers to other funds:					
Water and Wastewater Fund	(2,230,379)	(4,751,122)	-	(4,751,122)	(2,520,743)
Wastewater Capital Project Fund	(2,448,700)	-	-	-	2,448,700
Sewer Capital Project Fund	-	-	(675,215)	(675,215)	(675,215)
Total other financing sources (uses)	(4,300,079)	(4,569,122)	(675,215)	(5,244,337)	(944,258)
Revenues and other sources over expenditures and other uses	\$ -	\$ 4,057,935	\$ 4,085,885	\$ 8,143,820	\$ 8,143,820

Town of Surf City, North Carolina
Wastewater Capital Project Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Restricted intergovernmental:					
Other	\$ -	\$ 68,893	\$ 515	\$ 69,408	\$ 69,408
Town contributions	796,962	-	-	-	(796,962)
Total revenues	<u>796,962</u>	<u>68,893</u>	<u>515</u>	<u>69,408</u>	<u>(727,554)</u>
Expenditures:					
Construction	3,397,232	3,345,963	-	3,345,963	51,269
Professional services	906,087	906,087	-	906,087	-
Land and Right-of-Way	1,070	-	-	-	1,070
Interest	72,573	72,573	-	72,573	-
Total expenditures	<u>4,376,962</u>	<u>4,324,623</u>	<u>-</u>	<u>4,324,623</u>	<u>52,339</u>
Revenues over (under) expenditures	<u>(3,580,000)</u>	<u>(4,255,730)</u>	<u>515</u>	<u>(4,255,215)</u>	<u>(675,215)</u>
Other financing sources (uses):					
Transfers from other funds:					
Wastewater Capital Reserve Fund	-	-	675,215	675,215	675,215
Installment purchase obligations	3,580,000	3,580,000	-	3,580,000	-
Total other financing sources (uses)	<u>3,580,000</u>	<u>3,580,000</u>	<u>675,215</u>	<u>4,255,215</u>	<u>675,215</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (675,730)</u>	<u>\$ 675,730</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Surf City, North Carolina
Water Treatment Plant Capital Project Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Water system development fees	\$ 729,000	\$ -	\$ -	\$ -	\$ (729,000)
Total revenues	<u>729,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(729,000)</u>
Expenditures:					
Professional services	529,000	-	86,813	86,813	442,187
Construction	3,331,000	-	-	-	3,331,000
Total expenditures	<u>3,860,000</u>	<u>-</u>	<u>86,813</u>	<u>86,813</u>	<u>3,773,187</u>
Revenues over (under) expenditures	<u>(3,131,000)</u>	<u>-</u>	<u>(86,813)</u>	<u>(86,813)</u>	<u>3,044,187</u>
Other financing sources (uses):					
Installment purchase obligations	3,131,000	-	-	-	(3,131,000)
Total other financing sources (uses)	<u>3,131,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,131,000)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (86,813)</u>	<u>\$ (86,813)</u>	<u>\$ (86,813)</u>

Town of Surf City, North Carolina
WWTP Juniper Swamp Upgrades Project Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Grant funds	\$ 400,000	\$ -	\$ -	\$ -	\$ (400,000)
System development fees	1,307,661	-	-	-	(1,307,661)
Total revenues	<u>1,707,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,707,661)</u>
Expenditures:					
Construction	6,775,000	-	622,208	622,208	6,152,792
Professional services	502,661	-	243,678	243,678	258,983
Land and Right-of-Way	3,000,000	-	-	-	3,000,000
Total expenditures	<u>10,277,661</u>	<u>-</u>	<u>865,886</u>	<u>865,886</u>	<u>9,411,775</u>
Revenues over (under) expenditures	<u>(8,570,000)</u>	<u>-</u>	<u>(865,886)</u>	<u>(865,886)</u>	<u>7,704,114</u>
Other financing sources (uses):					
Installment purchase obligations	8,570,000	-	-	-	(8,570,000)
Total other financing sources (uses)	<u>8,570,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,570,000)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (865,886)</u>	<u>\$ (865,886)</u>	<u>\$ (865,886)</u>

Town of Surf City, North Carolina
Stormwater Improvement Capital Project Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Construction	120,000	-	92,806	92,806	27,194
Total expenditures	<u>120,000</u>	<u>-</u>	<u>92,806</u>	<u>92,806</u>	<u>27,194</u>
Revenues over (under) expenditures	<u>(120,000)</u>	<u>-</u>	<u>(92,806)</u>	<u>(92,806)</u>	<u>27,194</u>
Other financing sources (uses):					
Transfers from other funds:					
General Fund	120,000	-	-	-	(120,000)
Total other financing sources (uses)	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (92,806)</u>	<u>\$ (92,806)</u>	<u>\$ (92,806)</u>

Town of Surf City, North Carolina
Water Capital Project Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Water system development fees	\$ 360,000	\$ -	\$ -	\$ -	\$ (360,000)
Investment income	-	-	44	44	44
Total revenues	<u>360,000</u>	<u>-</u>	<u>44</u>	<u>44</u>	<u>(359,956)</u>
Expenditures:					
Construction	4,343,000	-	-	-	4,343,000
Professional services	591,437	-	97,153	97,153	494,284
Total expenditures	<u>4,934,437</u>	<u>-</u>	<u>97,153</u>	<u>97,153</u>	<u>4,837,284</u>
Revenues over (under) expenditures	<u>(4,574,437)</u>	<u>-</u>	<u>(97,109)</u>	<u>(97,109)</u>	<u>4,477,328</u>
Other financing sources (uses):					
Installment purchase obligations	4,574,437	-	2,100,000	2,100,000	(2,474,437)
Total other financing sources (uses)	<u>4,574,437</u>	<u>-</u>	<u>2,100,000</u>	<u>2,100,000</u>	<u>(2,474,437)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,002,891</u>	<u>\$ 2,002,891</u>	<u>\$ 2,002,891</u>

Agency Funds

Town of Surf City, North Carolina
Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2021

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assets:</u>				
Cash and cash equivalents	\$ 2,831	\$ 1,850	\$ -	\$ 4,681
Total assets	2,831	1,850	-	4,681
<u>Liabilities:</u>				
Accounts payable	1,450	-	-	1,450
Total liabilities	1,450	-	-	1,450
<u>Net position:</u>				
Held in trust	2,031	1,850	-	3,231
Total net position	\$ 2,031	\$ 1,850	\$ -	\$ 3,231

Other Schedules

This section contains additional information on property taxes.

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

Town of Surf City, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 6,275,518	\$ 6,173,087	\$ 102,431
2019-2020	116,814	-	75,059	41,755
2018-2019	42,133	-	18,618	23,515
2017-2018	26,809	-	8,845	17,964
2016-2017	19,784	-	3,189	16,595
2015-2016	14,687	-	665	14,022
2014-2015	12,459	-	1,320	11,139
2013-2014	13,238	-	660	12,578
2012-2013	10,660	-	-	10,660
2011-2012	7,284	-	-	7,284
2010-2011	8,526	-	8,526	-
	<u>\$ 272,394</u>	<u>\$ 6,275,518</u>	<u>\$ 6,289,969</u>	<u>257,943</u>

Less: allowance for uncollectible accounts - General Fund	<u>30,000</u>
Ad valorem taxes receivable - net	<u><u>\$ 227,943</u></u>

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 6,393,759
Reconciling items:	
Interest collected	(37,257)
Taxes written off	<u>(66,533)</u>
Total collections and credits	<u><u>\$ 6,289,969</u></u>

Town of Surf City, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2021

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at					
current year's rate	\$ 1,530,614,146	0.410	\$ 6,275,518	\$ 6,060,581	\$ 214,937
Total	<u>1,530,614,146</u>		<u>6,275,518</u>	<u>6,060,581</u>	<u>214,937</u>
Total property valuation	<u><u>\$ 1,530,614,146</u></u>				
Net levy			6,275,518	6,060,581	214,937
Uncollected taxes at June 30, 2021			<u>(102,431)</u>	<u>(102,431)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 6,173,087</u></u>	<u><u>\$ 5,958,150</u></u>	<u><u>\$ 214,937</u></u>
Current levy collection percentage			<u><u>98.37%</u></u>	<u><u>98.31%</u></u>	<u><u>100.00%</u></u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Surf City, North Carolina

We have audited, 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, 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 Surf City, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Surf City's basic financial statements and have issued our report thereon dated November 30, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style with a large initial "S".

Lumberton, North Carolina
November 30, 2021



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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N. C. Association of CPAs

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With
OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Surf City, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Town of Surf City's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Town of Surf City's major federal programs for the year ended June 30, 2021. Town of Surf City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Surf City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Surf City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Surf City's compliance.

Opinion on Each Major Federal Program

In our opinion the Town of Surf City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

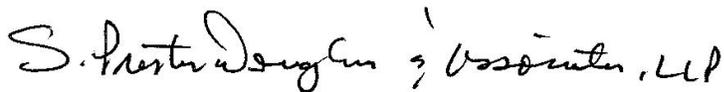
Report on Internal Control Over Compliance

Management of Town of Surf City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Surf City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Surf City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



S. Preston Douglas, CPA

Lumberton, North Carolina
November 30, 2021



S. Preston Douglas & Associates, LLP
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**Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance;
In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Surf City, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Surf City's compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major State programs for the year ended June 30, 2021. The Town of Surf City's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Surf City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Surf City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the Town of Surf City's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Surf City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The management of the Town of Surf City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Surf City's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and correct, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature of S. Porter Douglas, Jr., CPA. The signature is written in cursive and includes the text "S. Porter Douglas, Jr., CPA".

Lumberton, North Carolina
November 30, 2021

**Town of Surf City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes <u> X </u> none reported
• Noncompliance material to financial statements	_____ yes <u> X </u> no

Federal Awards

Internal control over major federal programs		
• Material weakness(es) identified?	___ yes	<u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	___ yes	<u> X </u> no

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ yes <u> X </u> no

Identification of major federal programs:

<u>Names of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
• Disaster Grants – Public Assistance Program	97.036

Dollar threshold used to distinguish between Type A And Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	___ yes <u> X </u> no
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Town of Surf City, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section I. Summary of Auditor's Results (continued)
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State Awards

Internal control over major federal programs

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses ___ yes X no

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ___ yes X no

Identification of major State programs:

Names of State Programs

- Pass through of FEMA Disaster Grants – Public Assistance Program

Dollar threshold used to distinguish between Type A And Type B programs \$500,000

Auditee qualified as low-risk auditee? ___ yes X no

Town of Surf City, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

No findings.

Town of Surf City, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section III. Federal Award Findings and Questioned Costs

No findings.

Town of Surf City, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section IV. State Award Findings and Questioned Costs
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No findings.

Town of Surf City, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

Finding:	2020-001
Status:	Corrected
Finding:	2020-002
Status:	Corrected
Finding:	2018-001
Status:	Corrected
Finding:	2018-002
Status:	Corrected
Finding:	2017-001
Status:	Corrected

Town of Surf City, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2021

Grantor/Pass-through Grant/Program Title	Federal CFDA Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Direct Programs:				
<u>US Department of Homeland Security</u>				
Assistance to Firefighters Grant	97.U01		\$ 119,772	\$ -
Pass Through:				
<u>US Department of Homeland Security</u>				
North Carolina Department of Public Safety Disaster Grants - Public Assistance Program	97.036	FEMA-4393-DR-NC	9,783,550	3,261,183
State Grants:				
Cash Assistance:				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	169,582
Total assistance			<u>\$ 9,903,322</u>	<u>\$ 3,430,765</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Surf City under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Surf City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Surf City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Surf City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.