

TOWN OF CAROLINA BEACH, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022



Town Council Members

Lynn Barbee, Mayor
Jay Healy, Mayor Pro Tem
Joe Benson
Deb LeCompte
Mike Hoffer

Administrative and Financial Staff

Debbie Hall, Finance Director

TOWN OF CAROLINA BEACH, NORTH CAROLINA

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Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Carolina Beach, North Carolina (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the basic 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 and the aggregate remaining fund information of the Town of Carolina Beach, North Carolina as of June 30, 2022, and the respective changes in financial position and cash flows where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Carolina Beach, North Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Carolina Beach, North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Carolina Beach, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Carolina Beach, North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11; the Local Government Employees' Retirement System - Schedules of the Proportionate Share of the Net Pension Liability, and Contributions on page 54, 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 page 55; and the Other Post-Employment Benefits - Schedule of Changes in the Total OPEB Liability and Related Ratios on page 56, 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 Town of Carolina Beach, North Carolina. The budgetary schedules and other schedules, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 and the procedures performed as described above, the budgetary schedules and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022 on our consideration of the Town of Carolina Beach, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
October 11, 2022

Management's Discussion and Analysis

As management of the Town of Carolina Beach, North Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. 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

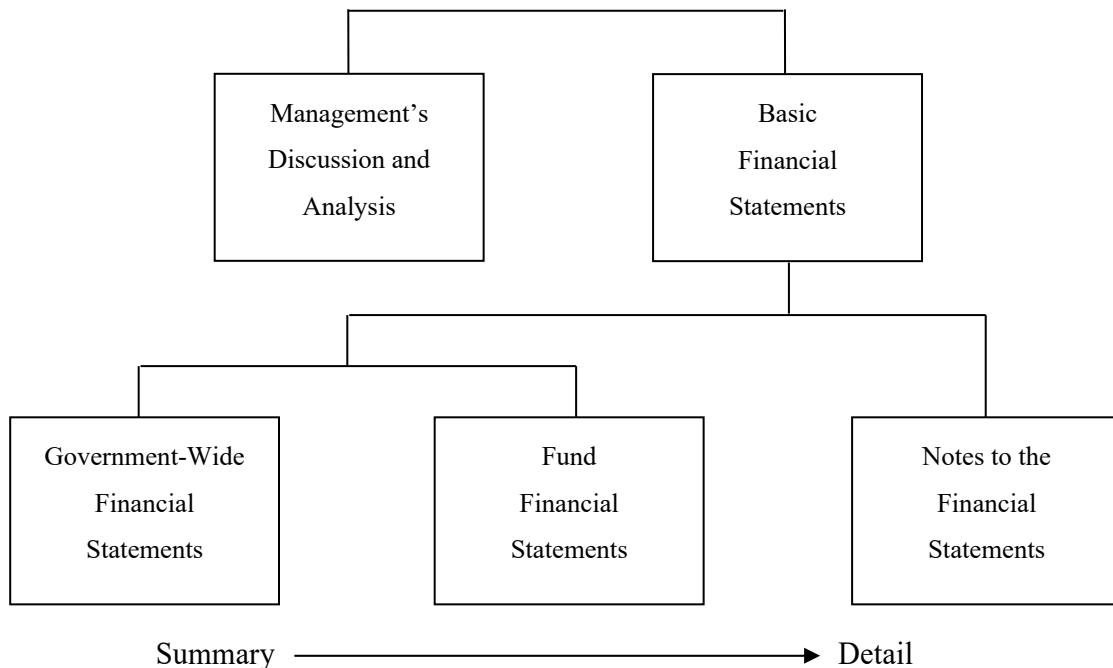
- The assets of the Town exceeded its liabilities at the close of the fiscal year by approximately \$48,257,000 (net position).
- The government's total net position increased by approximately \$6,192,000.
- As of the close of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of approximately \$25,602,000 with a net change of approximately \$4,332,000 in fund balance. Approximately 11% of this total amount or approximately \$2,743,000 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$6,971,000, or 31% of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Management's Discussion and Analysis

Basic Financial Statements

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

The next statements (Exhibits 3 through 10) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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 details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; and 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, community planning and development, and general administration. Property taxes, other taxes, grants, and contributions finance most of these activities. The business-type activities consist of water and sewer services which are provided by the Town at a charge to the customer. The final category is the component unit. The Town does not have a component unit.

The government-wide financial statements are on Exhibits 1 and 2 of the basic financial statements.

Fund Financial Statements

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

Management's Discussion and Analysis

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

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

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 Carolina Beach, North Carolina uses enterprise funds to account for its water and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements - The information reported in the notes to the financial statements provides additional disclosure necessary to have a complete understanding of the data provided in the government-wide and fund financial statements.

Other Financial Information - In addition to the basic financial statements and accompanying notes, the report presents certain required supplementary information for the Law Enforcement Officers' Special Separation Allowance and Other Post-Employment Benefits. Required supplementary information follows the notes to the financial statements.

Management's Discussion and Analysis

Government-Wide Financial Analysis Town of Carolina Beach, North Carolina's Net Position Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 15,100,929	\$ 11,838,005	\$ 8,858,304	\$ 5,860,865	\$ 23,959,233	\$ 17,698,870
Capital assets	32,836,181	24,727,097	44,744,922	46,358,611	77,581,103	71,085,708
Deferred outflows of resources	3,583,254	3,370,042	895,958	852,146	4,479,212	4,222,188
Total assets	<u>51,520,364</u>	<u>39,935,144</u>	<u>54,499,184</u>	<u>53,071,622</u>	<u>106,019,548</u>	<u>93,006,766</u>
Liabilities:						
Long-term liabilities	18,332,497	16,320,407	28,437,674	30,796,643	46,770,171	47,117,050
Other liabilities	3,949,419	1,080,900	2,485,337	641,779	6,434,756	1,722,679
Deferred inflows of resources	3,636,182	1,663,702	921,762	438,624	4,557,944	2,102,326
Total liabilities	<u>25,918,098</u>	<u>19,065,009</u>	<u>31,844,773</u>	<u>31,877,046</u>	<u>57,762,871</u>	<u>50,942,055</u>
Net Position:						
Net invested in capital assets	25,925,040	21,355,557	20,243,698	20,105,293	46,168,738	41,460,850
Restricted	2,743,410	2,220,076	-	-	2,743,410	2,220,076
Unrestricted	<u>(3,066,184)</u>	<u>(2,705,498)</u>	<u>2,410,713</u>	<u>1,089,283</u>	<u>(655,471)</u>	<u>(1,616,215)</u>
Total net position	<u>\$ 25,602,266</u>	<u>\$ 20,870,135</u>	<u>\$ 22,654,411</u>	<u>\$ 21,194,576</u>	<u>\$ 48,256,677</u>	<u>\$ 42,064,711</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Carolina Beach exceeded liabilities by \$48,256,677 as of June 30, 2022. The Town's net position increased by \$6,191,966 for the fiscal year ended June 30, 2022. A large portion, \$46,168,738, reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Carolina Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town of Carolina Beach, North Carolina's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Carolina Beach's net position, \$2,743,410, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$655,471) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.38%.
- Continued growth in tax base.

Management's Discussion and Analysis

**Town of Carolina Beach, North Carolina's Changes in Net Position
Figure 3**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 7,832,562	\$ 6,644,993	\$ 9,543,421	\$ 9,160,136	\$ 17,375,983	\$ 15,805,129
Operating grants	213,420	173,673	-	-	213,420	173,673
Capital grants	37,627	24,421	38,360	-	75,987	24,421
General revenues:						
Property taxes	6,427,679	4,993,354	-	-	6,427,679	4,993,354
Other taxes	5,950,729	4,372,636	-	-	5,950,729	4,372,636
Other revenues	520,796	117,468	328,947	326,270	849,743	443,738
Total revenues	<u>20,982,813</u>	<u>16,326,545</u>	<u>9,910,728</u>	<u>9,486,406</u>	<u>30,893,541</u>	<u>25,812,951</u>
Expenses:						
General government	5,721,943	5,237,125	-	-	5,721,943	5,237,125
Public safety	5,459,404	4,990,998	-	-	5,459,404	4,990,998
Transportation	163,116	154,915	-	-	163,116	154,915
Environmental protection	3,589,875	3,262,015	-	-	3,589,875	3,262,015
Fleet	229,252	178,562	-	-	229,252	178,562
Cultural and recreation	1,123,878	948,932	-	-	1,123,878	948,932
Non departmental	259,993	251,676	-	-	259,993	251,676
Interest on long-term debt	103,221	111,292	-	-	103,221	111,292
Utility operations	-	-	8,050,893	7,911,203	8,050,893	7,911,203
Total expenses	<u>16,650,682</u>	<u>15,135,515</u>	<u>8,050,893</u>	<u>7,911,203</u>	<u>24,701,575</u>	<u>23,046,718</u>
Increase in net position before transfers	4,332,131	1,191,030	1,859,835	1,575,203	6,191,966	2,766,233
Transfers/Special items	400,000	175,000	(400,000)	(175,000)	-	-
Increase in net position	4,732,131	1,366,030	1,459,835	1,400,203	6,191,966	2,766,233
Net position, July 1,	<u>20,870,135</u>	<u>19,504,105</u>	<u>21,194,576</u>	<u>19,794,373</u>	<u>42,064,711</u>	<u>39,298,478</u>
Net position, June 30,	<u>\$ 25,602,266</u>	<u>\$ 20,870,135</u>	<u>\$ 22,654,411</u>	<u>\$ 21,194,576</u>	<u>\$ 48,256,677</u>	<u>\$ 42,064,711</u>

Governmental Activities - Governmental activities increased the Town's net position by \$4,732,131. The key element of this increase was increases in charges for services and property and other taxes.

Business-Type Activities - Business-type activities increased the Town of Carolina Beach's net position by \$1,459,835. The key element of this increase was increases in charges for services.

Management's Discussion and Analysis

Financial Analysis of the Town's Funds

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

Governmental Funds - The Town's annual balance budget is prepared on the modified accrual basis of accounting in accordance with the Budget and Fiscal Control Act of the North Carolina General Statutes. The General Fund is the most significant fund budgeted. 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. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Carolina Beach, North Carolina. At the end of the current fiscal year, fund balance available in the General Fund was \$6,946,387, while the total fund balance reached \$9,714,788. The Town currently has an available fund balance of 31% of General Fund expenditures, while total fund balance represents 43% of the same amount.

At June 30, 2022, the governmental funds of the Town of Carolina Beach reported a combined fund balance of \$10,920,790 with a net increase of \$380,953.

General Fund Budgetary Highlights - The Town's annual budget is prepared on the modified accrual basis of accounting in accordance with the Budget and Fiscal Control Act of the North Carolina General Statutes. The General Fund is the most significant fund budgeted. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$2,410,713. The total change in net position for the utility fund was an increase of \$1,459,835 in the enterprise funds. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$77,581,103 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

- Freeman Park land purchase
- Vehicle purchases

Management's Discussion and Analysis

Town of Carolina Beach, North Carolina's Capital Assets (net of Depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
	Land	\$ 14,150,275	\$ 7,137,864	\$ 475,957	\$ 475,957	\$ 14,626,232
Construction in progress	2,266,105	245,349	2,918,215	2,791,380	5,184,320	3,036,729
Buildings/Plant	6,646,109	6,936,077	39,467,246	40,873,301	46,113,355	47,809,378
Infrastructure	8,577,549	9,014,719	-	-	8,577,549	9,014,719
Equipment	173,732	170,778	1,222,169	1,364,189	1,395,901	1,534,967
Vehicles and motorized equipment	1,022,411	1,222,310	661,335	853,784	1,683,746	2,076,094
Total	<u>\$ 32,836,181</u>	<u>\$ 24,727,097</u>	<u>\$ 44,744,922</u>	<u>\$ 46,358,611</u>	<u>\$ 77,581,103</u>	<u>\$ 71,085,708</u>

Additional information of the Town's capital assets can be found in the Notes of the basic financial statements.

Town of Carolina Beach, North Carolina's Outstanding Debt Long-Term Debt

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
	General obligation bonds	\$ -	\$ -	\$ 21,060,000	\$ 22,160,000	\$ 21,060,000
Revolving loans	-	-	584,705	738,933	584,705	738,933
Installment debt	7,357,876	4,132,326	1,394,240	1,652,912	8,752,116	5,785,238
Total	<u>\$ 7,357,876</u>	<u>\$ 4,132,326</u>	<u>\$ 23,038,945</u>	<u>\$ 24,551,845</u>	<u>\$ 30,396,821</u>	<u>\$ 28,684,171</u>

Long-Term Debt - As of June 30, 2022, the Town had total debt outstanding of \$30,396,821.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. At June 30, 2022, the Town of Carolina Beach had a legal debt margin of approximately \$242,359,000.

Additional information regarding the Town's long-term debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

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

- Planned mixed use development on a 10-acre parcel.
- Continued growth Room Occupancy Tax.
- Continued increase in building and planning permits.

Management's Discussion and Analysis

Other Post-Employment Benefits

The Town has reported the annual cost and future obligations and commitments for other post-employment benefits (OPEB) in accordance with the requirements of Governmental Accounting Standards Board Statement No. 75. Information is provided in Note 2.B. and Schedule A-2.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities - The Town Council approved \$29.9 million annual budget for fiscal year 2023 and established a tax rate at 21.5 cents per \$100 of assessed valuation. The Town Council has provided for the following projects for this fiscal year through the Capital Improvement Program and appropriations in the annual budget as follows:

- \$1,019,672 from the American Rescue Plan will be used in conjunction with \$2.1 from the Golden Leaf Grant to complete the Marina Phase III bulkhead repairs.
- Paving of approximately 4.5 miles of road with Powell Bill reserve funds.
- \$1.1 million from Brady Myers and Land & Water Conservation Grants for accessible playground, new bathrooms, and picnic shelter at the Lake Park.
- \$900,000 from SCIF Grant to install sidewalk on Ocean Blvd and road improvements on Carolina Beach Avenue North.

Business-Type Activities - There are several water/sewer/stormwater projects anticipated for the 2023 budget year.

- \$696,906 from the American Rescue Plan will be used for Water/Sewer/Stormwater improvements on Florida Ave and several other stormwater improvement projects.
- \$2 million in from SERDRF Grant will be used in conjunction with \$1.4 remain in the revenue bond fund for the Lake Dredging project.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Carolina Beach, 1121 North Lake Park Boulevard, Carolina Beach, NC 28428. You can also call (910) 458-5495, visit our website www.townofcarolinabeach.org or send an email to debbie.hall@carolinabeach.org for more information.

BASIC FINANCIAL STATEMENTS

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Net Position
June 30, 2022

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 8,050,179	\$ 4,380,702	\$ 12,430,881
Taxes receivables, net	188,772	-	188,772
Accounts receivable, net	1,661,968	935,616	2,597,584
Due from other governments	1,253,934	82,281	1,336,215
Cash and cash equivalents - restricted	3,946,076	3,459,705	7,405,781
Total current assets	<u>15,100,929</u>	<u>8,858,304</u>	<u>23,959,233</u>
Non Current Assets:			
Capital assets:			
Land and construction in progress	16,416,380	3,394,172	19,810,552
Other capital assets, net of depreciation	16,419,801	41,350,750	57,770,551
Total capital assets	<u>32,836,181</u>	<u>44,744,922</u>	<u>77,581,103</u>
Total assets	<u>47,937,110</u>	<u>53,603,226</u>	<u>101,540,336</u>
Deferred Outflows of Resources			
Pension deferrals	3,583,254	895,958	4,479,212
Total deferred outflows of resources	<u>3,583,254</u>	<u>895,958</u>	<u>4,479,212</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	1,232,363	420,324	1,652,687
Utility deposit	-	103,373	103,373
Liabilities to be paid from restricted assets	2,717,056	1,961,640	4,678,696
Long-term liabilities due within one year	1,037,402	1,867,474	2,904,876
Total current liabilities	<u>4,986,821</u>	<u>4,352,811</u>	<u>9,339,632</u>
Long-term liabilities:			
Pension liabilities	1,911,427	338,092	2,249,519
Other post employment benefit liability	8,290,501	2,203,804	10,494,305
Due in more than one year	7,093,167	24,028,304	31,121,471
Total liabilities	<u>22,281,916</u>	<u>30,923,011</u>	<u>53,204,927</u>
Deferred Inflows of Resources			
Other post employment benefit deferrals	1,748,671	464,836	2,213,507
Pension deferrals	1,887,511	456,926	2,344,437
Total deferred inflows of resources	<u>3,636,182</u>	<u>921,762</u>	<u>4,557,944</u>
Net Position			
Net investment in capital assets	25,925,040	20,243,698	46,168,738
Restricted for:			
Stabilization by State Statute	2,078,740	-	2,078,740
Streets - Powell Bill	639,679	-	639,679
Grant funds	24,991	-	24,991
Unrestricted	(3,066,184)	2,410,713	(655,471)
Total net position	<u>\$ 25,602,266</u>	<u>\$ 22,654,411</u>	<u>\$ 48,256,677</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,721,943	\$ 1,907,568	\$ -	\$ 37,627
Transportation	163,116	-	213,420	-
Public safety	5,459,404	6,271	-	-
Environmental protection	3,589,875	1,904,023	-	-
Fleet	229,252	-	-	-
Cultural and recreation	1,123,878	4,014,700	-	-
Non-departmental	259,993	-	-	-
Interest on long-term debt	103,221	-	-	-
Total governmental activities	<u>16,650,682</u>	<u>7,832,562</u>	<u>213,420</u>	<u>37,627</u>
Business-type activities:				
Utility fund	8,050,893	9,543,421	-	38,360
Total business-type activities	<u>8,050,893</u>	<u>9,543,421</u>	<u>-</u>	<u>38,360</u>
Total primary government	<u>\$ 24,701,575</u>	<u>\$ 17,375,983</u>	<u>\$ 213,420</u>	<u>\$ 75,987</u>

General Revenues:

Taxes:

Ad valorem taxes

Local option sales tax

Other taxes, licenses and fees

Investment earnings, unrestricted

Miscellaneous

Transfers

Total general revenues, excluding transfers and special items

Change in net position

Net position - beginning

Net position - ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (3,776,748)	\$ -	\$ (3,776,748)
50,304	-	50,304
(5,453,133)	-	(5,453,133)
(1,685,852)	-	(1,685,852)
(229,252)	-	(229,252)
2,890,822	-	2,890,822
(259,993)	-	(259,993)
(103,221)	-	(103,221)
<u>(8,567,073)</u>	<u>-</u>	<u>(8,567,073)</u>
-	1,530,888	1,530,888
-	1,530,888	1,530,888
<u>(8,567,073)</u>	<u>1,530,888</u>	<u>(7,036,185)</u>
6,427,679	-	6,427,679
1,299,560	-	1,299,560
4,651,169	-	4,651,169
20,176	328,947	349,123
500,620	-	500,620
400,000	(400,000)	-
<u>13,299,204</u>	<u>(71,053)</u>	<u>13,228,151</u>
4,732,131	1,459,835	6,191,966
20,870,135	21,194,576	42,064,711
<u>\$ 25,602,266</u>	<u>\$ 22,654,411</u>	<u>\$ 48,256,677</u>

Balance Sheet

Governmental Funds

June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,920,550	\$ 129,629	\$ 8,050,179
Taxes receivables, net	188,772	-	188,772
Accounts receivable, net	843,071	818,897	1,661,968
Due from other governments	1,137,636	116,298	1,253,934
Due from other funds	165,095	-	165,095
Restricted cash and cash equivalents	664,670	3,281,406	3,946,076
Total assets	<u>\$ 10,919,794</u>	<u>\$ 4,346,230</u>	<u>\$ 15,266,024</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 949,172	\$ 258,077	\$ 1,207,249
Due to other funds	-	165,095	165,095
Unearned revenues	-	2,717,056	2,717,056
Total liabilities	<u>949,172</u>	<u>3,140,228</u>	<u>4,089,400</u>
Deferred Inflow of Resources	<u>255,834</u>	<u>-</u>	<u>255,834</u>
Fund Balances			
Restricted for:			
Stabilization by State Statute	2,078,740	-	2,078,740
Streets - Powell Bill	639,679	-	639,679
Grant funds	24,991	-	24,991
Assigned:			
Capital projects	-	1,206,002	1,206,002
Unassigned	6,971,378	-	6,971,378
Total fund balances	<u>9,714,788</u>	<u>1,206,002</u>	<u>\$ 10,920,790</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,919,794</u>	<u>\$ 4,346,230</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
Governmental Funds
June 30, 2022

Exhibit 4

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

Total fund balance \$ 10,920,790

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds:

Gross capital assets at historical cost	46,175,703	
Less: accumulated depreciation	13,503,672	32,672,031

Right to use leased assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Right to use assets at historical cost	213,038	
Less: accumulated amortization	48,888	164,150

Other assets utilized in the following period and therefore
not reported in the fund:

Deferred outflows of resources related to pensions are
not reported in the funds 3,583,254

Deferred inflows of resources related to OPEB are
not reported in the funds (1,748,671)

Earned revenues considered deferred inflows of resources for
fund statements 255,834

Long-term liabilities used in governmental activities are not
financial uses and therefore are not reported in the funds:

Installment purchases	(7,524,067)	
Other post-employment benefits	(8,290,501)	
LGERS pension	(1,119,898)	
Law enforcement officers' pension	(791,529)	
Compensated absences	(606,502)	(18,332,497)

Other liabilities payable until the following period and
therefore are not reported in the funds:

Accrued interest (25,114)

Deferred inflows of resources related to pensions are not
reported in the funds (1,887,511)

Net position of governmental activities \$ 25,602,266

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

Exhibit 5

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 6,415,066	\$ -	\$ 6,415,066
Other taxes and licenses	81,392	-	81,392
Unrestricted intergovernmental	5,869,337	-	5,869,337
Restricted intergovernmental	255,171	1,132,628	1,387,799
Permits and fees	777,087	-	777,087
Sales and services	5,918,723	-	5,918,723
Investment earnings	17,193	2,983	20,176
Miscellaneous	505,223	-	505,223
Total revenues	<u>19,839,192</u>	<u>1,135,611</u>	<u>20,974,803</u>
Expenditures:			
Current:			
General government	11,803,764	-	11,803,764
Transportation	155,096	-	155,096
Public safety	5,053,068	2,107,680	7,160,748
Environmental protection	3,381,751	-	3,381,751
Fleet	217,981	-	217,981
Cultural and recreation	1,237,279	-	1,237,279
Non-departmental	259,993	-	259,993
Debt service:			
Principal	752,800	-	752,800
Interest	104,151	-	104,151
Total expenditures	<u>22,965,883</u>	<u>2,107,680</u>	<u>25,073,563</u>
Revenues over (under) expenditures	<u>(3,126,691)</u>	<u>(972,069)</u>	<u>(4,098,760)</u>
Other Financing Sources (Uses):			
Transfers from other funds	400,000	576,043	976,043
Transfers to other funds	(576,043)	-	(576,043)
Lease liabilities issued	141,760	-	141,760
Long-term debt issued	3,250,000	687,953	3,937,953
Total other financing sources	<u>3,215,717</u>	<u>1,263,996</u>	<u>4,479,713</u>
Net change in fund balances	<u>89,026</u>	<u>291,927</u>	<u>380,953</u>
Fund balances, beginning	<u>9,625,762</u>	<u>914,075</u>	<u>10,539,837</u>
Fund balances, ending	<u>\$ 9,714,788</u>	<u>\$ 1,206,002</u>	<u>\$ 10,920,790</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2022

Exhibit 6

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

Net change in fund balances - total governmental funds \$ 380,953

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was less than capital outlays and loss on disposal in the current period. 8,044,258

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 818,080

Benefit payments paid and administrative expense for the law enforcement officers' special separation allowance are not included on the Statement of Activities 13,664

Other post employment benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities 130,590

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

New long-term debt issued (4,079,713)
Principal payments on long-term debt 752,800

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:

Compensated absences (88,758)
Pension expense (578,877)
Other post employment benefit plan expense (590,272)
Law enforcement officers expense (84,137)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual) 930

Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. 12,613

Total changes in net position of governmental activities \$ 4,732,131

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual - General Fund
Year Ended June 30, 2022

Exhibit 7

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 6,352,970	\$ 6,352,970	\$ 6,415,066	\$ 62,096
Other taxes and licenses	38,910	38,910	81,392	42,482
Unrestricted intergovernmental	3,786,656	4,886,656	5,869,337	982,681
Restricted intergovernmental	192,646	192,646	255,171	62,525
Permits and fees	552,900	552,900	777,087	224,187
Sales and services	5,175,748	5,175,748	5,918,723	742,975
Investment earnings	1,200	1,200	17,193	15,993
Miscellaneous	35,500	35,500	505,223	469,723
Total revenues	<u>16,136,530</u>	<u>17,236,530</u>	<u>19,839,192</u>	<u>2,602,662</u>
Expenditures				
Current:				
General government	4,832,174	12,025,687	11,803,764	221,923
Transportation	185,000	185,000	155,096	29,904
Public safety	5,114,783	5,327,977	5,053,068	274,909
Fleet maintenance	271,250	271,250	217,981	53,269
Environmental protection	3,699,394	3,448,326	3,381,751	66,575
Cultural and recreation	1,217,649	1,274,910	1,237,279	37,631
Non-departmental	254,362	263,612	259,993	3,619
Debt service:				
Principal	712,403	712,403	752,800	(40,397)
Interest	152,169	152,169	104,151	48,018
Total expenditures	<u>16,439,184</u>	<u>23,661,334</u>	<u>22,965,883</u>	<u>695,451</u>
Revenues over (under) expenditures	<u>(302,654)</u>	<u>(6,424,804)</u>	<u>(3,126,691)</u>	<u>3,298,113</u>
Other Financing Sources (Uses)				
Transfers from other funds	285,000	285,000	285,555	555
Transfers to other funds	-	(461,225)	(461,598)	(373)
Lease liabilities issued	-	-	141,760	141,760
Long-term debt issued	-	3,250,000	3,250,000	-
Total other financing sources (uses)	<u>285,000</u>	<u>3,073,775</u>	<u>3,215,717</u>	<u>141,942</u>
Fund balance appropriated	<u>17,654</u>	<u>3,351,029</u>	<u>-</u>	<u>(3,351,029)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>89,026</u>	<u>\$ 89,026</u>
Fund balances, beginning			9,625,762	
Fund balances, ending			<u>\$ 9,714,788</u>	

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2022

Exhibit 8

	Business-Type Activities
	<u>Enterprise Funds</u>
	Utility Fund
	<u>Fund</u>
Assets	
Current assets:	
Cash and equivalents	\$ 4,380,702
Accounts receivable	935,616
Due from other governments	82,281
Restricted cash	3,459,705
Total current assets	<u>8,858,304</u>
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	3,394,172
Other capital assets, net of depreciation	41,350,750
Total capital assets	<u>44,744,922</u>
Total non-current assets	<u>44,744,922</u>
Total assets	<u>53,603,226</u>
Deferred Outflows of Resources	
Total deferred outflows of resources	<u>895,958</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	420,324
Utility deposits	103,373
Unearned revenues	1,961,640
Current portion of long-term liabilities	1,867,474
Total current liabilities	<u>4,352,811</u>
Noncurrent liabilities:	
Capital lease liabilities	36,019
Non-current portion of long-term liabilities	26,534,181
Total liabilities	<u>30,923,011</u>
Deferred Inflows of Resources	
Total deferred inflows of resources	<u>921,762</u>
Net Position	
Net investment in capital assets	20,243,698
Unrestricted	2,410,713
Total net position	<u>\$ 22,654,411</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Net Fund Position
Proprietary Fund
Year Ended June 30, 2022

Exhibit 9

	Business-Type Activities
	<u>Enterprise Funds</u>
	Utility Fund
	<u>Fund</u>
Operating revenues:	
Charges for services	\$ 8,894,951
Water and sewer taps	616,869
Other operating revenues	31,601
Total operating revenues	<u>9,543,421</u>
Operating expenses:	
Administration	755,748
Facilities and equipment	133,324
Stormwater	720,634
Water treatment and distribution	1,583,587
Waste collection and treatment	1,069,479
Repairs and maintenance	638,879
Amortization	13,953
Depreciation	2,028,260
Total operating expenses	<u>6,943,864</u>
Operating income	<u>2,599,557</u>
Non-operating revenues (expenses):	
Intergovernmental grants	38,360
Investment earnings	328,947
Miscellaneous	(97,500)
Interest and other charges	(1,009,529)
Total non-operating revenues (expenses)	<u>(739,722)</u>
Net income before transfers	1,859,835
Transfers to other funds	<u>(400,000)</u>
Change in net fund position	1,459,835
Total net position - beginning	<u>21,194,576</u>
Total net position, ending	<u>\$ 22,654,411</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2022

Exhibit 10

	Business-Type Activities
	<u>Enterprise Funds</u>
	Utility Fund
	<u>Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 9,597,471
Cash paid for goods and services	(2,907,172)
Cash paid to employees for services	(2,282,469)
Net cash provided by operating activities	<u>4,407,830</u>
Cash flows from noncapital financing activities:	
Transfers in (out)	(400,000)
Total cash flows used in noncapital financing activities	<u>(400,000)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(428,524)
Intergovernmental grants	2,000,000
Principal payment on long-term debt	(1,526,994)
Interest payment on long-term debt	(1,000,823)
Net cash used in capital and related financing activities	<u>(956,341)</u>
Net increase in cash and cash equivalents	3,051,489
Balances, beginning	4,788,918
Balances, ending	<u>\$ 7,840,407</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Cash Flows (Continued)
Proprietary Fund
Year Ended June 30, 2022

Exhibit 10

	Business-Type Activities
	<u>Enterprise Funds</u>
	Utility Fund
	<u>\$ 2,599,557</u>
Operating income	<u>\$ 2,599,557</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,028,260
Amortization	13,953
Loss on disposal of capital assets	(97,500)
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	76,934
Due from other governments	(22,884)
Deferred outflows of resources for pensions	(43,812)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(116,864)
Utilities deposit	(1,218)
Deferred inflows of resources for OPEB	483,138
Other postemployment benefits payable	(511,734)
Total adjustments	<u>1,808,273</u>
Net cash provided by operating activities	<u>\$ 4,407,830</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Carolina Beach, North Carolina (the "Town") conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a four-member council.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are 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 and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental* and *proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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 or ancillary units.

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

Various Capital Project Funds – These funds (six in total) are used to account for various capital projects of the Town.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following major enterprise fund:

Utility Fund – This fund is used to account for the Town’s water and sewer and storm water drainage operations. Utility capital project funds have been consolidated into the Utility fund for financial reporting purposes. The budgetary comparison for the Utility fund and related capital project funds have been included in the supplemental information.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town’s enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. 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 60 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as 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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for various Capital Project Funds and the Enterprise Fund Capital Project Funds, which are consolidated with the operating funds 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by the State law (G.S. 159-31). The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Cash

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, followed by unrestricted resources as they are needed. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Money in the Powell Bill funds is classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Unspent debt proceeds in the General and Utility Fund are restricted for the purpose of the loan.

Restricted cash at June 30, 2022, consists of the following:

Governmental Activities

General Fund:

Streets - Powell Bill	\$ 639,679
Unspent grant proceeds	1,912,714
Unspent ARPA Funds	782,798
Unspent debt proceeds	610,885
Total governmental activities	<u>\$ 3,946,076</u>

Business-Type Activities

Utility Fund:

Customer deposits	\$ 103,373
Unspent grant proceeds	1,961,640
Unspent debt proceeds	1,394,692
Total business-type activities	<u>\$ 3,459,705</u>

Total restricted cash	<u>\$ 7,405,781</u>
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Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-40 years
Buildings	50 years
Improvements	25 years
Vehicles	6 years
Furniture and equipment	10 years
Computer equipment	3 years

Right to use assets

The Town has recorded a right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary changes necessary to place the lease into service. The right to sue assets are amortized on a straight-line basis over the life of the related lease.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element called deferred outflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an expense until then. The Town has three items that meets the criterion for this category – pensions and OPEB deferrals for the 2022 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. On the statement of net position, the Town has several items that meets the criterion for this category –pensions and OPEB deferrals, property taxes receivable, and assessments receivable.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are amortized and expensed over the term of the related debt.

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

Compensated Absences

The vacation policies of the Town provide for the accumulation of up to 30 days earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide 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 has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Town's sick leave policies provide for 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.

Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets	\$ 32,672,031	\$ 44,708,763
Long-term debt	(7,357,876)	(25,859,757)
Unexpended debt proceeds	610,885	1,394,692
Net investment in capital assets	<u>\$ 25,925,040</u>	<u>\$ 20,243,698</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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 - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Grant Funds – Portion of the fund balance that is restricted by grant agreements and unspent at year end.

Committed Fund Balance – This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Carolina Beach, North Carolina's governing body (highest level of decision-making authority, the Town Council). 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. Any changes or removal of specific purpose restrictions require majority action by the governing body.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Fund Balance – Assigned fund balance is the portion of fund balance that the Town of Carolina Beach, North Carolina intends to use for specific purposes. The Town's governing body has the authority to assign fund balance. The Manager and Finance Director, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Assigned for Capital Projects - portion of fund balance that has been budgeted by the Board for various construction projects of the Town.

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

The Town of Carolina Beach, North Carolina has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, Federal funds, State funds, local non-Town funds; and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town or when required by grant or other contractual agreements.

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

Total fund balance - General Fund	\$ 9,714,788
Less:	
Stabilization by State Statute	2,078,740
Streets- Powell Bill	639,679
Grant Funds	24,991
Remaining Fund Balance	<u>\$ 6,971,378</u>

The Town of Carolina Beach, North Carolina has not adopted a formal fund balance policy.

Pensions

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 – DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

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

At June 30, 2022, the Town's deposits had a carrying amount of \$958,511 and a bank balance of \$1,485,120. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral under the Pooling Method. As of June 30, 2022, the Town's petty cash fund totaled \$600.

Investments

At June 30, 2022, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation</u>		<u>Maturity</u>
	<u>Measurement Method</u>	<u>Book Value</u>	
NC Capital Management Trust:			
Cash Portfolio	Fair Value: Level 1	\$ 17,076,072	N/A
Term Portfolio	Fair Value: Level 1	1,394,692	0.15 years
		<u>\$ 18,470,764</u>	

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy – Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest rate risk: The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits their investment portfolio to the NC Capital Management Trust Cash Portfolio, which can be liquidated at the share price or NC Capital Management Trust Term Portfolio, which usually has a maturity of less than 12 months.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Credit risk: The Town has no formal policy regarding credit risk, but has an internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to either the NC Capital Management Trust Cash Portfolio, which carries a credit rating of AAAM by Standard & Poor's as of June 30, 2022, or the NC Capital Management Trust Term Portfolio, which is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under G.S. 159-30 as amended.

Custodial credit risk: For any investment, the custodial risk is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial risk, but management procedures are that the Town shall utilize a third-party custodial agent for book entry transactions, all of which shall be held in the Town's name.

Concentration of credit risk: The Town's Board places no limit on the amount that the Town may invest in any one issuer. At year end, all of the Town's investments are held in either NC Capital Management Trust Cash Portfolio or the NC Capital Management Trust Term Portfolio, which represents 6.8% and 93.2% of the Town's total investment, respectively.

Receivables

Governmental activities receivables for the General Fund consist of \$188,772 for outstanding taxes; \$816,082 for customer accounts; \$26,989 for outstanding assessments; and \$1,137,636 due from other governments. For other governmental funds receivables consist of \$818,897 for accounts; and \$116,298 due from other governments.

Business-Type activities receivables for the Utility Fund consist of \$930,399 for customer accounts, \$5,217 for outstanding assessments and \$82,281 due from other governments.

The amounts presented in the Balance Sheet and the Statement of Net Position are net of allowances for doubtful accounts, if any.

Due from other governments consisted of the following:

	Governmental Activities	Business-Type Activities
Local option sales tax	\$ 49,450	\$ 26,451
Grant reimbursements	1,070,146	-
Sales tax reimbursement	134,338	55,830
Total	<u>\$ 1,253,934</u>	<u>\$ 82,281</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 7,137,864	\$ 7,012,411	\$ -	\$ -	\$ 14,150,275
Construction in progress	245,349	2,049,690	-	(28,934)	2,266,105
Total capital assets not being depreciated	<u>7,383,213</u>	<u>9,062,101</u>	<u>-</u>	<u>(28,934)</u>	<u>16,416,380</u>
Capital assets being depreciated:					
Buildings	11,378,440	-	-	-	11,378,440
Infrastructure	12,734,061	-	-	28,934	12,762,995
Equipment	1,393,989	35,354	46,636	-	1,382,707
Vehicles and motorized equipment	4,310,333	62,303	137,455	-	4,235,181
Total capital assets being depreciated	<u>29,816,823</u>	<u>97,657</u>	<u>184,091</u>	<u>28,934</u>	<u>29,759,323</u>
Less accumulated depreciation for:					
Buildings	4,442,363	289,968	-	-	4,732,331
Infrastructure	3,719,342	466,104	-	-	4,185,446
Equipment	1,223,211	32,400	46,636	-	1,208,975
Vehicles and motorized equipment	3,152,848	356,924	132,852	-	3,376,920
Total accumulated depreciation	<u>12,537,764</u>	<u>1,145,396</u>	<u>179,488</u>	<u>-</u>	<u>13,503,672</u>
Total capital assets being depreciated, net	<u>17,279,059</u>				<u>16,255,651</u>
Government activity capital assets, net	<u>\$ 24,662,272</u>				<u>\$ 32,672,031</u>

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

Governmental Activities:	
General government	\$ 564,353
Transportation	7,415
Public safety	342,364
Environmental protection	161,686
Fleet	10,422
Cultural and recreation	59,155
Total depreciation expense	<u>\$ 1,145,395</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital asset activity for the Business-Type Activities was as follows:

	Beginning Balances	Increases	Decreases	Transfer	Ending Balances
Utility Fund:					
Capital assets not being depreciated:					
Land	\$ 475,957	\$ -	\$ -	\$ -	\$ 475,957
Construction in progress	2,791,380	144,004	-	(17,169)	2,918,215
Total capital assets not being depreciated	<u>3,267,337</u>	<u>144,004</u>	<u>-</u>	<u>(17,169)</u>	<u>3,394,172</u>
Capital assets being depreciated:					
Plant and distribution systems	59,093,509	119,110	-	-	59,212,619
Furniture and maintenance equipment	3,309,384	124,976	97,500	17,169	3,354,029
Vehicles	2,150,440	40,434	-	-	2,190,874
Total capital assets being depreciated	<u>64,553,333</u>	<u>284,520</u>	<u>97,500</u>	<u>17,169</u>	<u>64,757,522</u>
Less accumulated depreciation for:					
Plant and distribution systems	18,220,208	1,525,165	-	-	19,745,373
Furniture and maintenance equipment	1,945,195	284,165	97,500	-	2,131,860
Vehicles	1,346,768	218,930	-	-	1,565,698
Total accumulated depreciation	<u>21,512,171</u>	<u>2,028,260</u>	<u>97,500</u>	<u>-</u>	<u>23,442,931</u>
Total capital assets being depreciated, net	<u>43,041,162</u>				<u>41,314,591</u>
Utility fund capital assets, net	<u>\$ 46,308,499</u>				<u>\$ 44,708,763</u>

Construction commitments

The Town has active construction projects as of June 30, 2022, in which the Town's commitments with contractors consist of the following: HVAC Municipal Complex replacement of \$687,953 with remaining commitment of \$406,769; and Phase III Marina Bulkhead repairs of \$3,615,590, with remaining commitment of \$2,820,570.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Right to Use Leased Assets

The Town has recorded several right to use leased assets. The assets are right to use assets for leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government – Governmental Activities for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Leased vehicles	\$ 71,279	\$ 141,759	\$ -	\$ 213,038
Total right to use assets	71,279	141,759	-	213,038
Less accumulated amortization for:				
Leased vehicles	6,453	42,435	-	48,888
Total accumulated amortization	6,453	42,435	-	48,888
Right to use assets, net	\$ 64,826	\$ -	\$ -	\$ 164,150

Right to use asset activity for the Primary Government – Business-Type Activities for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Leased vehicles	\$ 55,813	\$ -	\$ -	\$ 55,813
Total right to use assets	55,813	-	-	55,813
Less accumulated amortization for:				
Leased vehicles	5,701	13,953	-	19,654
Total accumulated amortization	5,701	13,953	-	19,654
Right to use assets, net	\$ 50,112	\$ -	\$ -	\$ 36,159

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

Accounts Payable and Accrued Expenses

Payables at the government-wide level at June 30, 2022, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General Fund	\$ 763,307	\$ 210,979	\$ 974,286
Other Governmental Funds	258,077	-	258,077
Total governmental activities	<u>\$ 1,021,384</u>	<u>\$ 210,979</u>	<u>\$ 1,232,363</u>
Business-Type Activities:			
Utility Fund	<u>\$ 317,351</u>	<u>\$ 102,973</u>	<u>\$ 420,324</u>

Long Term Obligations

Leases

The Town has entered into several lease agreements for vehicles. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The lease agreements range in length, but there are no variable components for any of the leases. The monthly payments range from \$384-\$588. The lease liabilities were measured at a discount rate of 1.65%, which is stated in the lease agreements. The Town has recorded right to use assets with a total net book value of \$200,310 at June 30, 2022.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending June 30	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2023	\$ 53,575	\$ 14,100
2024	53,575	14,100
2025	48,072	9,401
2026	15,572	-
Total minimum lease payments	<u>170,794</u>	<u>37,601</u>
Less amount representing interest	4,604	1,580
Present value of the minimum lease payments	<u>\$ 166,190</u>	<u>\$ 36,021</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Installment Purchases

Installment purchase contracts at June 30, 2022 are comprised of the following:

Governmental Activities:

The Town of Carolina Beach, North Carolina currently has nine direct placement installment purchase contracts ranging from 1.71% to 2.53% interest-bearing notes. The land or assets purchased with the notes are collateral for the notes. The notes maturities range from 2025 to 2035. Various property or equipment associated with the direct placement installment purchase contracts are pledged as collateral against the debt.

\$ 7,357,876

Annual debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	Governmental Activities	
	Principal	Interest
2023	\$ 1,037,402	\$ 168,509
2024	1,037,402	145,566
2025	856,855	122,623
2026	681,902	103,901
2027	681,902	88,113
2028-2032	2,822,413	216,266
2033-2035	240,000	11,952
Total	\$ 7,357,876	\$ 856,930

Business-Type Activities:

The Utility Fund currently has four direct placement installment purchase contracts ranging from 0% to 3.28% interest-bearing notes. The notes maturities range from 2023 to 2034. Various property or equipment associated with the direct placement installment purchase contracts are pledged as collateral against the debt.

\$ 1,394,240

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 260,466	\$ 15,959
2024	199,867	10,102
2025	117,901	6,095
2026	117,901	3,936
2027	117,901	2,624
2028-2032	429,507	1,312
2033-2034	150,697	-
Total	<u>\$ 1,394,240</u>	<u>\$ 40,028</u>

Revenue Bond

Revenue Bond at June 30, 2022 is comprised of the following:

The Utility Fund has an outstanding direct placement Water and Sewer Revenue Bonds, Series 2016 issued for water and sewer system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate ranging from 2% to 5%. The bond matures in 2041.

\$ 21,060,000

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,150,000	\$ 935,300
2024	1,200,000	889,300
2025	1,260,000	829,300
2026	1,200,000	766,300
2027	1,265,000	706,300
2028-2032	5,250,000	2,619,000
2033-2037	4,980,000	1,564,200
2038-2041	4,755,000	484,800
Total	<u>\$ 21,060,000</u>	<u>\$ 8,794,500</u>

The Town has covenants related to the revenue bond for rates, fees, rentals and charges in Section 704 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2016. Section 704(a) of the Bond Order requires a debt service coverage ratio of no less than 120% at the end of any year.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The debt services coverage ratio calculation for the year ended June 30, 2022, is as follows:

Operating revenues and investment earnings	\$ 9,872,368
Operating expenses, excluding OPEB (net of depreciation)	4,961,987
Net revenue available for debt service	<u>4,910,381</u>
Add 20% surplus account (expendable net position)	482,143
Adjusted net revenues	<u>5,392,524</u>
Senior debt service	2,090,300
Subordinate debt service	435,398
Total Debt Service	<u>2,525,698</u>
Add 20% senior debt service	418,060
Adjusted debt service	<u>\$ 2,943,758</u>

Coverage Test 1

Adjusted net revenues/adjusted debt service	183%
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Coverage Test 2

Net revenues/total debt service	194%
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Coverage Test 3

Stormwater revenues	\$ 1,933,181
Stormwater expenses, plus 200% of required principal and interest on related debt	<u>1,960,722</u>
Deficit	<u>\$ (27,541)</u>

The Town has pledged future water and sewer customer revenues, net of specific operating expenses, to repay the water and sewer direct placement revenue bonds issued in June 2016. Proceeds from the bonds provided financing for several Utility Fund capital projects and refinanced outstanding debt on several current and past capital projects of the Utility Fund. The bonds are payable solely from water and sewer customer net revenues in which annual principal and interest payments on the bonds are expected to require less than 6% of net revenues. In the event of a default, the Town agrees to pay to the purchaser, on demand, all outstanding principal and interest due related to this agreement.

Revolving Loan Payables

On May 1, 2001, the Town received \$1,854,260 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund Program. The loan is repayable at 2.57% interest for 20 years. The loan repayment schedule based on the loan amount of \$1,854,260 calls for annual principal repayments and semi-annual interest repayments for 20 years. The total amount outstanding at June 30, 2022 was \$92,731.

On May 1, 2010, the Town was approved for a maximum loan amount of \$1,686,234 for a Federal revolving 50% forgiveness loan for treatment of a beach storm water pond. The loan is repayable at 0% interest for 20 years. The loan repayment schedule is based on the outstanding amount of the loan at year-end. The total amount outstanding at June 30, 2022 was \$327,471.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

On May 1, 2010, the Town was approved for a maximum loan amount of \$1,000,000 for a Federal revolving 50% forgiveness loan for Lake Park Boulevard sewer rehabilitation. The loan is repayable at 0% interest for 20 years. The loan repayment schedule is based on the outstanding amount of the loan at year-end. The total amount outstanding at June 30, 2022 was \$164,503.

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 154,228	\$ 2,384
2024	61,497	-
2025	61,497	-
2026	61,497	-
2027	61,497	-
2028-2030	184,489	-
Total	<u>\$ 584,705</u>	<u>\$ 2,384</u>

Changes in Long-Term Liabilities

A summary of long-term debt as of June 30, 2022, is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental Activities:					
Direct placement installment purchases	\$ 4,132,326	\$ 3,937,953	\$ 712,403	\$ 7,357,876	\$ 1,037,402
Compensated absences	517,744	88,758	-	606,502	-
Capital leases	-	206,588	40,397	166,191	-
Net pension liability (LGERS)	2,489,313	-	1,369,415	1,119,898	-
Total OPEB liability	8,337,194	-	46,693	8,290,501	-
Net pension obligation (LEO)	843,830	-	52,301	791,529	-
Total governmental activity long-term liabilities	<u>\$ 16,320,407</u>	<u>\$ 4,233,299</u>	<u>\$ 2,221,209</u>	<u>\$ 18,332,497</u>	<u>\$ 1,037,402</u>
Business-Type Activities:					
Direct placement installment purchases	\$ 1,652,912	\$ -	\$ 258,672	\$ 1,394,240	\$ 260,466
Direct placement revenue bonds	22,160,000	-	1,100,000	21,060,000	1,150,000
Capital leases	50,113	-	14,092	36,021	-
Deferred amounts:					
Issuance premiums	3,141,055	-	320,243	2,820,812	302,780
Revolving loans	738,933	-	154,228	584,705	154,228
Net pension liability (LGERS)	702,114	-	364,022	338,092	-
Total OPEB liability	2,351,516	-	147,712	2,203,804	-
Total business-type long-term liabilities	<u>\$ 30,796,643</u>	<u>\$ -</u>	<u>\$ 2,358,969</u>	<u>\$ 28,437,674</u>	<u>\$ 1,867,474</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The LGERS pension plan had a net pension plan asset as of June 30, 2022; however, the plan had a net pension liability at the beginning of the fiscal year. Compensated absences, net pension obligation, and other post-employment benefits are typically liquidated in the General Fund. Compensated absences are accounted for on a first-in, first-out basis.

At June 30, 2022, the Town had a legal debt margin of \$242,359,200.

Interfund Activity

Balances due to/from other funds at June 30, 2022, consisted of \$165,095 due to the General Fund from various Capital Project Funds (nonmajor funds), resulting from the time lag for reimbursable expenditures that occur and repayment between funds are made.

Transfers to/from other funds at June 30, 2022, consist of the following:

<u>Transfers to</u>	<u>Transfers from</u>	<u>Amount</u>
General Fund	Utility Fund	\$ 400,000
Non Major Governmental Funds	General Fund	576,043
		<u>\$ 976,043</u>

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, to close out completed capital project funds or to cover cost allocation attributed to the Utility Fund.

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description: The Town of Carolina Beach, North Carolina 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. LGERS provides retirement and disability benefits to plan members and beneficiaries. 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 thirteen 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 the State Superintendent, who serve as ex-officio members. The LGERS is included in the *Annual Comprehensive Financial Report* for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

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. The Town of Carolina Beach, North Carolina 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 Carolina Beach, North Carolina's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.35% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Carolina Beach, North Carolina were \$818,080 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$1,457,990 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportion was 0.095%, which was an increase of 0.006% from its proportion measured as of June 30, 2020.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

For the year ended June 30, 2022, the Town recognized pension expense of \$597,211. At June 30, 2022, 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	\$ 463,839	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,083,029
Changes of assumptions	915,990	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	63,766	90,752
Town contributions subsequent to the measurement date	818,080	-
	<u>\$ 2,261,675</u>	<u>\$ 2,173,781</u>

\$818,080 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows: 2023 – (\$61,477); 2024 – (\$136,749); and 2025 – (\$637,420).

Actuarial Assumptions - The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	6.50%, 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
	100%	

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

Discount rate - The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 5,659,795	\$ 1,457,990	\$ (1,999,852)

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* (Annual Comprehensive Financial Report) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

Plan Description - The Town of Carolina Beach, North Carolina 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. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	26
	<u>28</u>

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 following criteria which are outlined in GASB Statements 73:

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020.

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

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments 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. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$25,670 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a pension liability of \$791,529. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$96,317. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to Separation Allowance from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,097	\$ 135,189
Changes of assumptions	204,113	35,467
Town benefit payments and plan administrative expenses made subsequent to the measurement date	13,664	-
	<u>\$ 226,874</u>	<u>\$ 170,656</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

\$13,664 paid as benefits came due subsequent to the measurement date, are reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows: 2023 - \$15,657; 2024 - \$9,546; 2025 - \$8,132; 2026 - \$16,236; 2027 - \$3,381 and thereafter – (\$10,398).

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 2.25 percent, as well as what the Town's total pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 881,012	\$ 791,529	\$ 711,297

Schedule of Changes in Total Pension Liability: The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contributions	\$ 65,181
Interest on net pension obligation	16,038
Changes in assumptions and other inputs	(27,599)
Difference between expected and actual experience	(80,251)
Benefit payments	(25,670)
Annual pension cost	(52,301)
Contributions made	-
Increase in net pension obligation	(52,301)
Net pension obligation, beginning of year	843,830
Net pension obligation, end of year	<u>\$ 791,529</u>

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

The actuarial assumptions used in the December 31, 2020 valuation was based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The Town contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

is included in the *Annual Comprehensive Financial Report* (Annual Comprehensive Financial Report) for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2022 were \$228,465 which consisted of \$128,307 from the Town and \$100,158 from the law enforcement officers.

d. Other Post-Employment Benefits

Plan Description: The Town (by local ordinance) administers a single employer defined benefit plan and provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and meet the following criteria. The retiree must have at least five years of creditable service with the Town, and the retirement must be due to a medical condition, which is subject to review by the North Carolina Medical Review Board. In addition, the Town pays the full cost of coverage for these benefits for retirees with a minimum of 20 years of continuous service with the Town and meet the eligibility of the plan. The Town pays half the cost of coverage for the benefits of retirees with 15-19 years of continuous service. Any less than 15 years of continuous service and the Town does not cover the cost of coverage. Employees hired before July 1, 2015, will receive coverage paid for by the Town based on criteria met. Employees hired after July 1, 2015, are not eligible for coverage. Retirees who do not meet the aforementioned criteria have the option to purchase basic medical insurance for themselves and their dependents through the Town. The entire cost of this insurance is borne by the retirees. The Town maintains healthcare coverage through private insurers and has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. A separate report is not issued for the plan.

Membership of the post-employment health benefit plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	27
Active plan members	56
	<u>83</u>

Total OPEB Liability

The Town's total OPEB liability of \$10,494,305 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases, including wage inflation of 3.5%	
General Employees	3.25% to 8.41%
Firefighters	3.25% to 8.15%
Law Enforcement Officers	3.25% to 7.90%
Discount rate	2.16%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.125% for 2021 decreasing to an ultimate rate of 4.50% by 2024

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

Changes in the Total OPEB liability

Service cost	\$ 403,795
Interest	243,542
Differences between expected and actual experience	(872,239)
Changes in assumptions or other inputs	176,317
Benefit payments	<u>(145,820)</u>
Net changes	(194,405)
OPEB balance, beginning of year	<u>10,688,710</u>
OPEB balance, end of year	<u><u>\$ 10,494,305</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 2.21%, which is based on the Municipal Bond Index Rate of a 20-year tax exempt municipal bond (rating AA/Aa or higher) rate.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

	1% Decrease	Current Discount Rate (2.16)	1% Increase
Total OPEB liability	\$ 13,009,816	\$ 10,494,305	\$ 8,601,258

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 8,427,457	\$ 10,494,305	\$ 13,303,165

For the year ended June 30, 2022, the Town Recognized OPEB expense of \$504,329. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,464,159
Changes of assumptions or other inputs	1,860,073	749,348
Town benefit payments and plan administrative expenses made subsequent to the measurement date	130,590	-
Total	<u>\$ 1,990,663</u>	<u>\$ 2,213,507</u>

\$130,590 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows: 2023 through 2025: (\$143,008), 2026: (\$88,006); 2027 \$184,826 and thereafter: (\$21,231).

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based on rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of All Plans

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

	LGERS	LEOSSA	OPEB	Total
Plan Expense	\$ 597,211	\$ 96,317	\$ 504,329	\$ 1,197,857
Plan Liability	1,457,990	791,529	10,494,305	12,743,824
Proportionate share of the net plan liability	0.095%	N/A	N/A	
Deferred of Outflows of Resources				
Differences between expected and actual experience	463,839	9,097	-	472,936
Changes of assumptions	915,990	204,113	1,860,073	2,980,176
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	63,766	-	-	63,766
Benefit payments and administrative costs paid subsequent to the measurement date	818,080	13,664	130,590	962,334
Deferred of Inflows of Resources				
Differences between expected and actual experience	-	135,189	1,464,159	1,599,348
Changes of assumptions	-	35,467	749,348	784,815
Net difference between projected and actual earnings on plan investments	2,083,029	-	-	2,083,029
Changes in proportion and differences between contributions and proportionate share of contributions	90,752	-	-	90,752

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The Town has several deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Benefit payments and administrative expenses for plans made subsequent to measurement date	\$ 962,334	\$ -
Changes in assumptions	2,980,176	-
Differences between expected and actual experience	472,936	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,766	-
	<u>\$ 4,479,212</u>	<u>\$ -</u>

Deferred inflows of resources at year end are comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivables	\$ -	\$ 188,771
Assessment receivables	-	67,063
Changes in assumptions	784,815	-
Differences between expected and actual experience	1,599,348	-
Net difference between projected and actual earnings on plan investments	2,083,029	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	90,752	-
	<u>\$ 4,557,944</u>	<u>\$ 255,834</u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. 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.

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.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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. Each structure is insured at an appropriate level. In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket for \$100,000.

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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

NOTE 4 - CONDUIT DEBT OBLIGATIONS

The Town assisted a local not-for-profit organization to obtain a loan from a financial institution to provide financial assistance to develop local properties for the benefit of the residents of Carolina Beach. This debt is secured by properties owned by the not-for-profit and are payable solely from the payments received from the not-for-profit. The Town is not obligated in any manner for the repayment of this debt and accordingly, it is not reported as a liability in the accompanying financial statements. The Town contributes to the not-for-profit an annual amount to help in making the debt service payments of this debt. At year end, the amount outstanding is approximately \$1,035,336.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Local Government Employees' Retirement System
Required Supplementary Information
Last Eight Fiscal Years*

Proportionate Share of Net Pension Liability:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Proportionate of the net pension liability (asset)	0.095%	0.089%	0.093%
Proportionate of the net pension liability (asset)	\$ 1,457,990	\$ 3,191,427	\$ 2,552,866
Covered-employee payroll	7,772,557	6,857,062	6,333,880
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	18.76%	46.54%	40.30%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%

Contributions:

Contractually required contribution	\$ 654,794	\$ 654,794	\$ 532,260
Contributions in relation to the contractually required contribution	<u>654,794</u>	<u>654,794</u>	<u>532,260</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,772,557	\$ 6,857,062	\$ 6,333,880
Contribution as a percentage of covered-employee payroll	8.42%	9.55%	8.40%

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

Exhibit 11

2019	2018	2017	2016	2015
0.097%	0.099%	0.099%	0.094%	0.090%
\$ 2,294,529	\$ 1,509,543	\$ 2,000,089	\$ 406,069	\$ (454,753)
5,818,062	4,892,879	5,508,904	4,919,007	4,520,727
39.44%	30.85%	36.31%	8.26%	-10.06%
98.09%	99.07%	102.64%	94.35%	96.45%
\$ 463,303	\$ 408,178	\$ 332,667	\$ 295,139	\$ 269,615
<u>463,303</u>	<u>408,178</u>	<u>332,667</u>	<u>295,139</u>	<u>269,615</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,818,062	\$ 4,892,879	\$ 5,508,904	\$ 4,919,007	\$ 4,520,727
7.96%	8.34%	6.04%	6.00%	5.96%

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Five Fiscal Years

Schedule of Changes in Total Pension Liability:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 843,830	\$ 597,119	\$ 612,490
Service cost	65,181	41,120	37,802
Interest on the total pension liability	16,038	18,990	21,764
Differences between expected and actual experience in the measurement of the total pension liability	(80,251)	(48,370)	(66,297)
Changes of assumptions or other inputs	(27,599)	264,199	20,588
Benefit payments	<u>(25,670)</u>	<u>(29,228)</u>	<u>(29,228)</u>
Ending balance of the total pension liability	<u>\$ 791,529</u>	<u>\$ 843,830</u>	<u>\$ 597,119</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll:

Total pension liability	\$ 791,529	\$ 843,830	\$ 597,119
Covered payroll	1,666,572	1,593,293	1,739,444
Total pension liability as a percentage of covered payroll	47.49%	52.96%	34.33%

Notes to the Schedules:

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

Exhibit 12

2019	2018
<u>\$ 597,760</u>	<u>\$ 503,725</u>
41,722	36,109
18,427	18,884
12,860	21,406
(29,051)	46,648
(29,228)	(29,012)
<u>\$ 612,490</u>	<u>\$ 597,760</u>

\$ 612,490	\$ 597,760
1,617,865	1,539,776
37.86%	38.82%

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Other Post-Employment Benefits
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Four Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB Liability			
Service Cost	\$ 403,795	\$ 258,644	\$ 419,595
Interest	243,542	283,261	328,110
Differences between expected and actual experience	(872,239)	(22,074)	(1,218,488)
Changes of assumptions	176,317	2,395,577	(4,922)
Benefit payments	<u>(145,820)</u>	<u>(121,398)</u>	<u>(127,403)</u>
Net change in total OPEB liability	(194,405)	2,794,010	(603,108)
Total OPEB liability - beginning	<u>10,688,710</u>	<u>7,894,700</u>	<u>8,497,808</u>
Total OPEB liability - ending	<u>\$ 10,494,305</u>	<u>\$ 10,688,710</u>	<u>\$ 7,894,700</u>
Covered payroll	\$ 3,655,438	\$ 3,919,499	\$ 3,919,499
Total OPEB liability as a percentage of covered payroll	287.09%	272.71%	201.42%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%

Exhibit 13

2019

\$ 448,632
299,775

(34,305)
(589,512)
(94,031)

30,559
8,467,249

\$ 8,497,808

\$ 4,892,879
173.68%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

Schedule 1
Page 1 of 5

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 6,397,412	
Penalties and interest		17,654	
Total ad valorem taxes	\$ 6,352,970	6,415,066	\$ 62,096
Other taxes and licenses:			
Auto licenses		3,899	
Privilege licenses		77,493	
Total other taxes and licenses	38,910	81,392	42,482
Unrestricted intergovernmental:			
Local option sales taxes		2,466,573	
Utility sales tax		503,214	
ABC distribution		941,834	
Beer and wine tax		26,055	
Other taxes		1,842,840	
Cable franchise tax		88,821	
Total unrestricted intergovernmental	4,886,656	5,869,337	982,681
Restricted intergovernmental:			
Powell Bill allocation		213,420	
Other grants		41,751	
Total restricted intergovernmental	192,646	255,171	62,525
Permits and fees:			
Building permits		55,391	
Parking permits		282,862	
Assessments		1,814	
Inspection fees		437,020	
Total permits and fees	552,900	777,087	224,187
Sales and services:			
Rents		283,553	
Recreation fees		1,234,176	
Court fees		11,478	
Parking		2,485,493	
Refuse fees		1,904,023	
Total sales and services	5,175,748	5,918,723	742,975
Investment earnings	1,200	17,193	15,993

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Page 2 of 5

General Fund (Continued)

For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues (Continued):			
Miscellaneous	\$ 35,500	\$ 505,223	\$ 469,723
Total Revenues	<u>17,236,530</u>	<u>19,839,192</u>	<u>2,602,662</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		78,104	
Other operating expenses		312,844	
Total	<u>423,244</u>	<u>390,948</u>	<u>32,296</u>
Administration:			
Salaries and employee benefits		576,841	
Other operating expense		601,053	
Capital outlay		46,341	
Total	<u>1,241,847</u>	<u>1,224,235</u>	<u>17,612</u>
Clerk:			
Salaries and employee benefits		116,526	
Other operating expenses		30,045	
Total	<u>159,286</u>	<u>146,571</u>	<u>12,715</u>
Finance:			
Salaries and employee benefits		298,472	
Other operating expenses		101,304	
Total	<u>413,235</u>	<u>399,776</u>	<u>13,459</u>
Human Resources:			
Salaries and employee benefits		365,660	
Other operating expenses		99,379	
Total	<u>502,213</u>	<u>465,039</u>	<u>37,174</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2022

Schedule 1
Page 3 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Planning:			
Salaries and employee benefits		\$ 604,895	
Other operating expense		44,730	
Capital outlay		25,894	
Total	<u>\$ 684,908</u>	<u>675,519</u>	<u>\$ 9,389</u>
Parking:			
Other operating expense		754,371	
Capital outlay		-	
Total	<u>766,274</u>	<u>754,371</u>	<u>11,903</u>
Beach Maintenance:			
Salaries and benefits		270,351	
Other operating expenses		317,483	
Capital outlay		7,043,537	
Total	<u>7,704,615</u>	<u>7,631,371</u>	<u>73,244</u>
Marina:			
Salaries and benefits		79,838	
Other operating expenses		32,728	
Capital outlay		3,368	
Total	<u>130,065</u>	<u>115,934</u>	<u>14,131</u>
Total general government	<u>12,025,687</u>	<u>11,803,764</u>	<u>221,923</u>
Public Safety:			
Police:			
Salaries and employee benefits		2,443,098	
Other operating expenses		479,531	
Capital outlay		90,189	
Total	<u>3,121,984</u>	<u>3,012,818</u>	<u>109,166</u>
Fire:			
Salaries and employee benefits		1,281,974	
Other operating expenses		234,823	
Capital outlay		28,246	
Total	<u>1,676,264</u>	<u>1,545,043</u>	<u>131,221</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2022

Schedule 1
Page 4 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures (Continued):			
Lifeguard:			
Salaries and employee benefits		\$ 418,324	
Other operating expenses		49,514	
Capital outlay		27,369	
Total	<u>\$ 529,729</u>	<u>495,207</u>	<u>\$ 34,522</u>
Total public safety	<u>5,327,977</u>	<u>5,053,068</u>	<u>274,909</u>
Transportation:			
Street and Highways:			
Street maintenance		155,096	
Total transportation	<u>185,000</u>	<u>155,096</u>	<u>29,904</u>
Fleet Maintenance:			
Other operating expenses		217,981	
Total fleet maintenance	<u>271,250</u>	<u>217,981</u>	<u>53,269</u>
Environmental Protection:			
Solid Waste:			
Salaries and employee benefits		839,832	
Other operating expenses		2,509,694	
Capital outlay		32,225	
Total environmental protection	<u>3,448,326</u>	<u>3,381,751</u>	<u>66,575</u>
Cultural and Recreation:			
Parks and Recreation:			
Salaries and employee benefits		553,346	
Other operating expenses		463,311	
Capital outlay		220,622	
Total cultural and recreation	<u>1,274,910</u>	<u>1,237,279</u>	<u>37,631</u>
Non-Departmental:			
Other operating expenses		259,993	
Total non-departmental	<u>263,612</u>	<u>259,993</u>	<u>3,619</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund (Continued)

For the Fiscal Year Ended June 30, 2022

Schedule 1

Page 5 of 5

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	\$ 857,060	\$ 752,800	\$ 104,260
Interest and other charges	7,512	104,151	(96,639)
Total debt service	<u>864,572</u>	<u>856,951</u>	<u>7,621</u>
 Total expenditures	 <u>23,661,334</u>	 <u>22,965,883</u>	 <u>695,451</u>
 Revenue over (under) expenditures	 <u>(6,424,804)</u>	 <u>(3,126,691)</u>	 <u>3,298,113</u>
Other financing sources (uses):			
Transfers in	400,000	400,000	-
Transfers out	(576,225)	(576,043)	182
Lease liabilities issued	-	141,760	141,760
Long-term debt issued	3,250,000	3,250,000	-
Total other financing sources (uses)	<u>3,073,775</u>	<u>3,215,717</u>	<u>141,942</u>
Fund balance appropriated	<u>3,351,029</u>	<u>-</u>	<u>(3,351,029)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>89,026</u>	 <u>\$ 89,026</u>
 Fund balances, beginning		 <u>9,625,762</u>	
Fund balances, ending		<u>\$ 9,714,788</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Lake Park Project Fund	Ocean Sidewalk Project Fund	American Rescue Plan Fund	Saint Joseph Bike Path Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,530	\$ 13,654	\$ -	\$ 114,445
Accounts receivable	-	-	-	-
Due from other governments	-	-	4,862	-
Restricted cash and cash equivalents	1,000,000	887,723	782,798	-
Total assets	<u>\$ 1,001,530</u>	<u>\$ 901,377</u>	<u>\$ 787,660</u>	<u>\$ 114,445</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and other current liabilities	\$ -	\$ 12,277	\$ 49,300	\$ -
Due to other funds	-	-	-	-
Unearned revenues	1,000,000	887,723	738,360	-
Total liabilities	<u>1,000,000</u>	<u>900,000</u>	<u>787,660</u>	<u>-</u>
Fund Balances:				
Assigned:				
Capital projects	1,530	1,377	-	114,445
Total fund balances	<u>1,530</u>	<u>1,377</u>	<u>-</u>	<u>114,445</u>
Total liabilities and fund balances	<u>\$ 1,001,530</u>	<u>\$ 901,377</u>	<u>\$ 787,660</u>	<u>\$ 114,445</u>

Schedule 2

Marina Project Fund	Hamlet Bathroom Project Fund	HVAC Unit Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 129,629
818,897	-	-	818,897
86,106	7,781	17,549	116,298
-	204,097	406,788	3,281,406
<u>\$ 905,003</u>	<u>\$ 211,878</u>	<u>\$ 424,337</u>	<u>\$ 4,346,230</u>
\$ 196,500	\$ -	\$ -	\$ 258,077
63,270	84,276	17,549	165,095
90,973	-	-	2,717,056
<u>350,743</u>	<u>84,276</u>	<u>17,549</u>	<u>3,140,228</u>
554,260	127,602	406,788	1,206,002
<u>554,260</u>	<u>127,602</u>	<u>406,788</u>	<u>1,206,002</u>
<u>\$ 905,003</u>	<u>\$ 211,878</u>	<u>\$ 424,337</u>	<u>\$ 4,346,230</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2022

	Lake Park Project Fund	Ocean Sidewalk Project Fund	American Rescue Plan Fund	Saint Joseph Bike Path Fund
Revenues:				
Restricted intergovernmental	\$ -	\$ 12,277	\$ 281,312	\$ -
Investment earnings	1,530	1,377	-	-
Total revenues	<u>1,530</u>	<u>13,654</u>	<u>281,312</u>	<u>-</u>
Expenditures:				
Current:				
Capital outlay	-	12,277	281,312	-
Total expenditures	<u>-</u>	<u>12,277</u>	<u>281,312</u>	<u>-</u>
Revenues over (under) expenditures	<u>1,530</u>	<u>1,377</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	114,445
Long-term debt issued	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,445</u>
Net change in fund balances	<u>1,530</u>	<u>1,377</u>	<u>-</u>	<u>114,445</u>
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,530</u>	<u>\$ 1,377</u>	<u>\$ -</u>	<u>\$ 114,445</u>

Schedule 3

Marina Project Fund	Hamlet Bathroom Project Fund	HVAC Unit Fund	Total Nonmajor Governmental Funds
\$ 839,039	\$ -	\$ -	\$ 1,132,628
-	57	19	2,983
<u>839,039</u>	<u>57</u>	<u>19</u>	<u>1,135,611</u>
839,039	693,868	281,184	2,107,680
<u>839,039</u>	<u>693,868</u>	<u>281,184</u>	<u>2,107,680</u>
-	(693,811)	(281,165)	(972,069)
376,353	85,245	-	576,043
-	-	687,953	687,953
<u>376,353</u>	<u>85,245</u>	<u>687,953</u>	<u>1,263,996</u>
376,353	(608,566)	406,788	291,927
177,907	736,168	-	914,075
<u>\$ 554,260</u>	<u>\$ 127,602</u>	<u>\$ 406,788</u>	<u>\$ 1,206,002</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 4

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Marina Project Fund

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment income	\$ -	\$ 52	\$ -	\$ 52
Restricted intergovernmental	4,190,232	944,860	839,039	1,783,899
Total revenues	<u>4,190,232</u>	<u>944,912</u>	<u>839,039</u>	<u>1,783,951</u>
Expenditures:				
Capital outlay	5,751,809	1,952,229	839,039	2,791,268
Total expenditures	<u>5,751,809</u>	<u>1,952,229</u>	<u>839,039</u>	<u>2,791,268</u>
Revenues under expenditures	<u>(1,561,577)</u>	<u>(1,007,317)</u>	<u>-</u>	<u>(1,007,317)</u>
Other financing sources:				
Long-term borrowing issued	520,000	520,000	-	520,000
Transfers in	1,041,577	665,224	376,353	1,041,577
Total other financing sources	<u>1,561,577</u>	<u>1,185,224</u>	<u>376,353</u>	<u>1,561,577</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 177,907</u>	376,353	<u>\$ 554,260</u>
Fund balances, beginning			<u>177,907</u>	
Fund balances, ending			<u>\$ 554,260</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 5

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Hamlet Bathroom/Ocean Rescue Fund

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 129	\$ 57	\$ 186
Total revenues	<u>-</u>	<u>129</u>	<u>57</u>	<u>186</u>
Expenditures:				
Capital outlay	1,285,245	463,961	693,868	1,157,829
Total expenditures	<u>1,285,245</u>	<u>463,961</u>	<u>693,868</u>	<u>1,157,829</u>
Revenues under expenditures	<u>(1,285,245)</u>	<u>(463,832)</u>	<u>(693,811)</u>	<u>(1,157,643)</u>
Other financing sources:				
Transfers in	85,245	-	85,245	85,245
Long-term debt issued	1,200,000	1,200,000	-	1,200,000
Total other financing sources	<u>1,285,245</u>	<u>1,200,000</u>	<u>85,245</u>	<u>1,285,245</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 736,168</u>	(608,566)	<u>\$ 127,602</u>
Fund balances, beginning			<u>736,168</u>	
Fund balances, ending			<u>\$ 127,602</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 6

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Lake Park Recreation Project Fund

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 1,000,000	\$ -	\$ -	\$ -
Investment earnings	-	-	1,530	1,530
Total revenues	<u>1,000,000</u>	<u>-</u>	<u>1,530</u>	<u>1,530</u>
Expenditures:				
Capital outlay	1,175,000	-	-	-
Total expenditures	<u>1,175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues under expenditures	<u>(175,000)</u>	<u>-</u>	<u>1,530</u>	<u>1,530</u>
Other financing sources:				
Transfers in	175,000	-	-	-
Total other financing sources	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,530	<u>\$ 1,530</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ 1,530</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 7

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Ocean Sidewalk Fund

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 900,000	\$ -	\$ 12,277	\$ 12,277
Investment earnings	-	-	1,377	1,377
Total revenues	<u>900,000</u>	<u>-</u>	<u>13,654</u>	<u>13,654</u>
Expenditures:				
Capital outlay	900,000	-	12,277	12,277
Total expenditures	<u>900,000</u>	<u>-</u>	<u>12,277</u>	<u>12,277</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,377	<u>\$ 1,377</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ 1,377</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 8

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

American Rescue Plan Fund

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 1,019,672	\$ -	\$ 281,312	\$ 281,312
Total revenues	<u>1,019,672</u>	<u>-</u>	<u>281,312</u>	<u>281,312</u>
Expenditures:				
Capital outlay	1,019,672	-	281,312	281,312
Total expenditures	<u>1,019,672</u>	<u>-</u>	<u>281,312</u>	<u>281,312</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ -</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 9

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

HVAC Unit Fund

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ -	\$ 19	\$ 19
Total revenues	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
Expenditures:				
Capital outlay	687,953	-	281,184	281,184
Total expenditures	<u>687,953</u>	<u>-</u>	<u>281,184</u>	<u>281,184</u>
Revenues under expenditures	<u>(687,953)</u>	<u>-</u>	<u>(281,165)</u>	<u>(281,165)</u>
Other financing sources:				
Long-term debt issued	687,953	-	687,953	687,953
Total other financing sources	<u>687,953</u>	<u>-</u>	<u>687,953</u>	<u>687,953</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	406,788	<u>\$ 406,788</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ 406,788</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 10

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Saint Joseph Bike Path Fund

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 343,332	\$ -	\$ -	\$ -
Total revenues	<u>343,332</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital outlay	457,777	-	-	-
Total expenditures	<u>457,777</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues under expenditures	<u>(114,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers in	114,445	-	114,445	114,445
Total other financing sources	<u>114,445</u>	<u>-</u>	<u>114,445</u>	<u>114,445</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	114,445	<u>\$ 114,445</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ 114,445</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Utility Fund
Year Ended June 30, 2022

Schedule 11
Page 1 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Customer charges:			
Water and sewer		\$ 6,075,094	
User fees		665,270	
Other municipals		221,406	
Stormwater fees		1,933,181	
Total customer charges	<u>\$ 8,733,043</u>	<u>8,894,951</u>	<u>\$ 161,908</u>
Other Operating Revenues:			
Water and sewer taps	290,990	616,869	325,879
Other operating revenues	<u>20,100</u>	<u>31,601</u>	<u>11,501</u>
Total other operating revenues	<u>311,090</u>	<u>648,470</u>	<u>337,380</u>
Non-Operating Revenues:			
Interest	<u>1,100</u>	<u>328,216</u>	<u>327,116</u>
Total non-operating revenues	<u>1,100</u>	<u>328,216</u>	<u>327,116</u>
Total revenues	<u>9,045,233</u>	<u>9,871,637</u>	<u>826,404</u>
Expenditures:			
Water and Sewer Administration:			
Salaries and employee benefits		437,040	
Other operating expenditures		830,442	
Total water and sewer administration	<u>865,277</u>	<u>1,267,482</u>	<u>(402,205)</u>
Facilities and Equipment:			
Other operating expenditures		133,324	
Total facilities and equipment	<u>147,000</u>	<u>133,324</u>	<u>13,676</u>
Water Treatment:			
Salaries and employee benefits		363,310	
Chemicals		126,963	
Utilities		131,559	
Other operating expenditures		277,969	
Total water treatment	<u>963,477</u>	<u>899,801</u>	<u>63,676</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Utility Fund (Continued)
Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures (Continued):			
Water Distribution:			
Salaries and employee benefits		\$ 141,819	
Utilities		74,467	
Other operating expenditures		467,500	
Total water distribution	<u>\$ 809,876</u>	<u>683,786</u>	<u>\$ 126,090</u>
Waste Collection and Treatment:			
Sewer Collection System:			
Salaries and employee benefits		709,188	
Other operating expenditures		360,291	
Total water collection and treatment	<u>1,214,290</u>	<u>1,069,479</u>	<u>144,811</u>
Stormwater Drainage:			
Salaries and employee benefits		553,141	
Other operating expenditures		167,493	
Total stormwater drainage	<u>924,293</u>	<u>720,634</u>	<u>203,659</u>
Repairs and Maintenance	<u>1,616,501</u>	<u>927,445</u>	<u>689,056</u>
Total operating expenditures	<u>6,540,714</u>	<u>5,701,951</u>	<u>838,763</u>
Non-Operating Expenses:			
Debt service:			
Interest		1,009,529	
Principal retirement		1,206,749	
Total debt service	<u>2,525,699</u>	<u>2,216,278</u>	<u>309,421</u>
Capital Outlay:			
System improvements	<u>200,225</u>	<u>101,598</u>	<u>98,627</u>
Total expenditures	<u>9,266,638</u>	<u>8,019,827</u>	<u>1,246,811</u>
Revenues over (under) expenditures	<u>(221,405)</u>	<u>1,851,810</u>	<u>2,073,215</u>
Other financing sources (uses):			
Appropriated fund balance	621,405	-	(621,405)
Transfer to other funds	(400,000)	(400,000)	-
Total other financing sources (uses)	<u>221,405</u>	<u>(400,000)</u>	<u>(621,405)</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Utility Fund (Continued)
Year Ended June 30, 2022

Schedule 11
Page 3 of 3

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,451,810</u>	<u>\$ 1,451,810</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Capital project fund - capital outlay		(38,360)	
Capital project fund - intergovernmental grant		38,360	
Capital project fund - investment earnings		731	
Principal retirement		1,526,992	
Capital outlay		428,524	
Loss on disposal of capital assets		(97,500)	
Amortization of issuance premiums		(320,243)	
Changes in related pension liability		511,734	
Amortization		(13,953)	
Depreciation		<u>(2,028,260)</u>	
Total reconciling items		<u>8,025</u>	
Change in net position		<u>\$ 1,459,835</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Water Project
From Inception and Year Ended June 30, 2022

Schedule 12

	Project Authorization	Prior Years	Actual	
			Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ -	\$ 731	\$ 731
Restricted intergovernmental	2,000,000	-	38,360	38,360
Total revenues	<u>2,000,000</u>	<u>-</u>	<u>39,091</u>	<u>39,091</u>
Expenditures:				
Water and Sewer Infrastructure Projects:				
Phases B, C, D, and E	\$ 13,761,224	\$13,681,410	\$ 2	\$13,681,412
Wastewater Treatment Plant	731,963	731,963	-	731,963
Water Lines, Lakes and Wells	7,405,179	3,753,257	38,358	3,791,615
Total expenditures	<u>21,898,366</u>	<u>18,166,630</u>	<u>38,360</u>	<u>18,204,990</u>
Other financing sources:				
Transfers in	19,898,366	19,898,366	-	19,898,366
Total other financing sources	<u>19,898,366</u>	<u>19,898,366</u>	<u>-</u>	<u>19,898,366</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,731,736</u>	<u>\$ 731</u>	<u>\$ 1,732,467</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Northend Project
From Inception and Year Ended June 30, 2022

Schedule 13

	Project Authorization	Prior Years	Actual Current Year	Total
Expenditures:				
Stormwater improvements	\$ 909,549	\$ 696,562	\$ -	\$ 696,562
Total expenditures	<u>909,549</u>	<u>696,562</u>	<u>-</u>	<u>696,562</u>
Other financing sources:				
Transfers in	909,549	909,549	-	909,549
Total other financing sources	<u>909,549</u>	<u>909,549</u>	<u>-</u>	<u>909,549</u>
Other financing sources over expenditures	<u>\$ -</u>	<u>\$ 212,987</u>	<u>\$ -</u>	<u>\$ 212,987</u>

OTHER SCHEDULES

TOWN OF CAROLINA BEACH, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

Schedule 1

Fiscal Year	Uncollected Balance July 1, 2021	Additions	Collections, and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 6,428,607	\$ 6,388,686	\$ 39,921
2020-2021	25,653	-	11,013	14,640
2019-2020	23,274	-	3,165	20,109
2018-2019	18,768	-	1,559	17,209
2017-2018	15,801	-	745	15,056
2016-2017	18,701	-	328	18,373
2015-2016	17,696	-	407	17,289
2014-2015	17,976	-	50	17,926
2013-2014	15,896	-	44	15,852
2012-2013	12,614	-	217	12,397
2011-2012	8,942	-	8,942	-
Total	\$ 175,321	\$ 6,428,607	\$ 6,415,156	188,772
Less: allowance for uncollectible ad valorem taxes receivable				-
Ad valorem taxes receivable - net				\$ 188,772
<u>Reconciliation of collections and credits with revenues:</u>				
Ad valorem taxes - general fund				\$ 6,397,412
Reconciling items:				
Releases and refunds and other adjustments				90
Interest and penalties collected				17,654
Total collections and credits				\$ 6,415,156

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Analysis of Current Year Tax Levy
For the Fiscal Year Ended June 30, 2022

Schedule 2

	Property Valuation (in Thousand)	Rate	Amount of Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year rate	\$ 2,888,814,047	0.2150	\$ 6,202,350	\$ 6,202,350	\$ -
Registered motor vehicles at current year rates	80,251,674	0.2450	172,541	-	172,541
Registered motor vehicles at prior year rates	22,250,491	0.2450	54,492	-	54,492
Penalties	-		6,538	6,538	-
Total	<u>2,991,316,212</u>		<u>6,435,921</u>	<u>6,208,888</u>	<u>227,033</u>
Discoveries:					
Current year taxes	-	-	9,881	9,881	-
Abatements:					
Current year taxes	<u>(7,997,595)</u>	-	<u>(17,195)</u>	<u>(17,195)</u>	-
Total property value	<u>\$ 2,983,318,617</u>				
Net levy			<u>6,428,607</u>	<u>6,201,574</u>	<u>227,033</u>
Uncollected taxes at June 30, 2022			<u>39,921</u>	<u>39,921</u>	-
Current year's taxes collected			<u>\$ 6,388,686</u>	<u>\$ 6,161,653</u>	<u>\$ 227,033</u>
Current levy collection percentage			<u>99.38%</u>	<u>99.36%</u>	<u>100.00%</u>

COMPLIANCE SECTION



**Independent Auditor's 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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, and each major fund, and the aggregated remaining fund information of the Town of Carolina Beach, North Carolina (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town'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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
October 11, 2022