

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2022



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Financial Section

Independent Auditor's Report

To the Honorable Mayor
And the Board of Commissioners
Topsail Beach, North Carolina

Report on the Audit of Financial Statements

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 Topsail Beach, North Carolina, 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, based on our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Topsail 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 and the Session Law 2019-75 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 (GAAS) 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 Topsail Beach, 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 raises substantial doubt about the Town of Topsail Beach's ability to continue as a going concern for the 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 of 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 GAAS and *Governmental Auditing Standards* will always detect 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 GAAS, and *Governmental Auditing Standards*, we

- exercised professional judgment and maintained 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 Topsail Beach'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 Topsail Beach'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 the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, 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 August 24, 2022 on our consideration of the Town of Topsail Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Topsail Beach's internal control over financial reporting and compliance.

W Greene PLLC

Whiteville, North Carolina
August 24, 2022

Management's Discussion and Analysis

As management of the Town of Topsail Beach, we offer readers of the Town of Topsail Beach's financial statements this narrative overview and analysis of the financial activities of Town of Topsail Beach 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

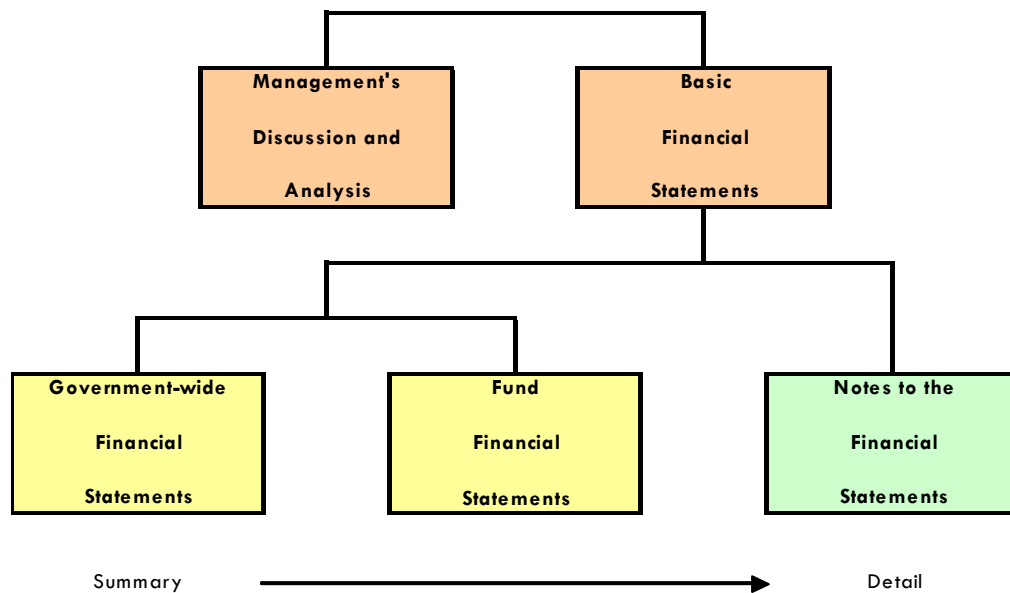
- The assets and deferred outflows of resources of the Town of Topsail Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,971,611 (net position).
- The government's total net position increased by \$6,423,735.
- As of the close of the current fiscal year, the Town of Topsail Beach's governmental funds reported combined ending fund balances of \$12,625,844, with an increase of \$6,177,937 in comparison with the prior year.
- Of the \$12,625,844 ending fund balance, \$3,820,763 is part of the total fund balance for the General Fund. The remaining \$8,805,081 has been designated to the Beach, Inlet, and Sound Fund (BIS) by the Town.
- At the end of the current fiscal year, fund balance available for the General Fund was \$3,591,513, or 90.85 percent 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 Town of Topsail Beach's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Town of Topsail Beach.

Required Components of Annual Financial Report

Figure 1



Management's Discussion and Analysis (Continued)

Basic Financial Statements

The first two statements (pages 24 through 27) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 28 through 41) 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; and 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements are on pages 24 through 27 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Topsail 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 of Topsail Beach can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. 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.

Management's Discussion and Analysis (Continued)

The Town of Topsail 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 Funds - Town of Topsail Beach has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Topsail Beach uses enterprise funds to account for its water activity. This fund is the same as those functions shown in business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 42 through 72 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Topsail Beach's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 74 of this report.

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

Management's Discussion and Analysis (Continued)

Government-Wide Financial Analysis

Town of Topsail Beach's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 13,487,599	\$ 7,773,541	\$ 2,279,901	\$ 2,324,633	\$ 15,767,500	\$ 10,098,174
Capital assets	6,515,594	6,037,598	5,112,154	5,252,842	11,627,748	11,290,440
Deferred outflows of resources	592,935	443,209	72,342	49,868	665,277	493,077
Total assets and deferred outflows of resources	20,596,128	14,254,348	7,464,397	7,627,343	28,060,525	21,881,691
Long-term liabilities outstanding	1,143,408	1,001,188	2,248,374	2,544,593	3,391,782	3,545,781
Other liabilities	249,481	135,548	374,648	394,373	624,129	529,921
Deferred inflows of resources	1,027,995	1,252,963	45,008	5,150	1,073,003	1,258,113
Total liabilities and deferred inflows of resources	2,420,884	2,389,699	2,668,030	2,944,116	5,088,914	5,333,815
Net position:						
Net investment in capital assets	6,158,197	6,016,538	2,681,262	2,545,771	8,839,459	8,562,309
Restricted	232,364	290,418	-	-	232,364	290,418
Unrestricted	11,784,683	5,557,693	2,115,105	2,137,456	13,899,788	7,695,149
Total net position	\$ 18,175,244	\$ 11,864,649	\$ 4,796,367	\$ 4,683,227	\$ 22,971,611	\$ 16,547,876

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Topsail Beach exceeded liabilities and deferred inflows by \$22,971,611 as of June 30, 2022. The Town's net position increased by \$6,423,735 for the fiscal year ended June 30, 2022. However, a large portion (38.48%) 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 Topsail Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Topsail Beach's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Topsail Beach's net position \$232,364 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$13,899,788 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 99.35%. The statewide average in fiscal year 2022 was 99.12%.
- Increased collections of several state-shared revenues and local accommodation taxes.
- Continued oversight of expenditures.

Management's Discussion and Analysis (Continued)

Town of Topsail Beach's Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 702,787	\$ 576,076	\$ 846,886	\$ 1,096,434	\$ 1,549,673	\$ 1,672,510
Operating grants and contributions	5,374,301	15,281,154	-	-	5,374,301	15,281,154
Capital grants and contributions	-	-	-	-	-	-
General Revenues						
Property taxes	2,347,187	2,139,055	-	-	2,347,187	2,139,055
Other taxes	2,351,588	2,108,628	-	-	2,351,588	2,108,628
Other	77,337	56,670	4,500	10,403	81,837	67,073
Total revenues	10,853,200	20,161,583	851,386	1,106,837	11,704,586	21,268,420
Expenses:						
Governing Body	107,040	86,223	-	-	107,040	86,223
Administration	799,881	1,071,515	-	-	799,881	1,071,515
Police Department	986,445	950,032	-	-	986,445	950,032
Fire Department	596,916	505,358	-	-	596,916	505,358
Planning and Inspections	126,368	90,698	-	-	126,368	90,698
Public Services	363,240	306,243	-	-	363,240	306,243
Powell Bill Funds	57,189	11,838	-	-	57,189	11,838
Sanitation	371,875	327,526	-	-	371,875	327,526
Beach Management Tourism	201,024	212,844	-	-	201,024	212,844
Marina	36,379	30,063	-	-	36,379	30,063
Beach/Inlet/Sound Maintenance	895,690	16,576,259	-	-	895,690	16,576,259
Interest on Long-Term Debt	558	1,975	-	-	558	1,975
Water	-	-	738,246	728,858	738,246	728,858
Total expenses	4,542,605	20,170,574	738,246	728,858	5,280,851	20,899,432
Increase(Decrease) in net position before transfers	6,310,595	(8,991)	113,140	377,979	6,423,735	368,988
Transfers	-	-	-	-	-	-
Change in net position	6,310,595	(8,991)	113,140	377,979	6,423,735	368,988
Net position, July 1 (consolidated)	11,864,649	11,873,640	4,683,227	4,305,248	16,547,876	16,178,888
Restatement	-	-	-	-	-	-
Net Position, July 1- Restated	11,864,649	11,873,640	4,683,227	4,305,248	16,547,876	16,178,888
Net position, June 30	\$ 18,175,244	\$ 11,864,649	\$ 4,796,367	\$ 4,683,227	\$ 22,971,611	\$ 16,547,876

Governmental activities. Governmental activities increased the Town's net position by \$6,310,595 primarily due to decrease in expenditures in the beach/inlet/sound maintenance and repair.

Business-type activities: Business-type activities increased the Town of Topsail Beach's net position by \$113,140.

Management's Discussion and Analysis (Continued)

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Topsail Beach. At the end of the current fiscal year, the Town of Topsail Beach's fund balance available in the General Fund was \$3,591,513 while total fund balance reached \$3,820,763. The Town currently has an available fund balance of 90.85% of general fund expenditures, while total fund balance represents 96.65% of that same amount.

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

Revenues were more than the budgeted amounts primarily because of an increase in intergovernmental revenues as well as taxes and licenses. Total expenditures were less than budgeted.

Proprietary Funds. The Town of Topsail Beach's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary fund at the end of the fiscal year amounted to \$2,115,105. The total change in net position for the proprietary fund was an increase of \$113,140.

Capital Asset and Debt Administration

Capital assets. The Town of Topsail Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$11,627,748 (net of accumulated depreciation). These assets include buildings, land, and equipment.

Major capital asset transactions during the year include the following:

- Vehicles purchases for governmental activities.
- Land and improvements for governmental activities.

Management's Discussion and Analysis (Continued)

Town of Topsail Beach's Net Position
(net of depreciation)
Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 5,243,625	\$ 4,800,520	\$ 1,303,353	\$ 1,303,353	\$ 6,546,978	\$ 6,103,873
Buildings	797,049	686,219	-	-	797,049	686,219
Infrastructure	258,594	277,079	-	-	258,594	277,079
Vehicles	196,929	245,167	22,160	28,344	219,089	273,511
Plant and Distribution	-	-	3,786,641	3,920,199	3,786,641	3,920,199
Equipment	19,397	28,613	-	946	19,397	29,559
Total	\$ 6,515,594	\$ 6,037,598	\$ 5,112,154	\$ 5,252,842	\$ 11,627,748	\$ 11,290,440

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

Long-term Debt. As of June 30, 2022, Town of Topsail Beach had total long-term debt outstanding of \$3,753,663. Of this, \$-0- is debt backed by the full faith and credit of Town of Topsail Beach.

Town of Topsail Beach's Outstanding Debt

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Installment purchase debt	\$ 357,397	\$ 21,060	\$ 2,430,892	\$ 2,707,071	\$ 2,788,289	\$ 2,728,131
Compensated absences	101,106	100,035	16,396	15,984	117,502	116,019
Other postemployment benefits	362,662	241,720	48,639	33,215	411,301	274,935
Pension related debt (LGERS)	203,867	459,362	28,626	64,502	232,493	523,864
Pension related debt (LEO)	204,078	200,071	-	-	204,078	200,071
Total	\$ 1,229,110	\$ 1,022,248	\$ 2,524,553	\$ 2,820,772	\$ 3,753,663	\$ 3,843,020

The Town of Topsail Beach's total debt decreased by \$89,357 during the fiscal year. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Topsail Beach is \$60,567,354. The Town of Topsail Beach does not have any authorized but un-issued debt at June 30, 2022.

Additional information regarding Town of Topsail Beach's long-term debt can be found beginning on page 69 in the Notes to the Financial Statements.

Management’s Discussion and Analysis (Continued)

Economic Factors and Next Year’s Budgets Rates

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

- Growth in the number of short term seasonal rentals and day visitors
- New construction

Budget Highlights for the Fiscal Year Ending June 30, 2023

This year’s recommended General Operating Budget is a balanced budget totaling \$8,207,559 for the General Fund, BIS Funds, Special Funds, and the Utility Enterprise Funds. This compares to \$12,203,100 in FY 2021 – 2022. The major reason for the significant decrease in the total funding has to do with no Beach Nourishment Project planned in FY 23. The BIS Fund went from \$6.6 million in FY 2022 to just over \$1.5 million in the FY 23 budget. A closer look at the breakdown of the budget by fund shows the following:

	<u>Amended FY 2022</u>	<u>Proposed FY 2023</u>
General Fund	\$4,927,300	\$4,985,375
BIS Fund	\$6,051,800	\$1,590,000
Utility Enterprise Fund	\$1,301,100	\$1,021,100
Session Law 2019-75	\$720,000	\$475,000

The FY 23 Budget continues to consider the economic ramifications resulting from the ongoing pandemic while looking at the national and state economic forecasts for the coming year. At the time of budget preparation, there is still some unknown economic impacts from the virus at the Federal, State, and Local levels. The Town received Federal funding from the American Rescue Plan (ARP) and if other grants or similar recovery funds become available, budget adjustments would be required. Additionally, the FY 23 Budget looks at the growth of our community and the changing dynamics of how we provide the service levels necessary to maintain the high standards for Topsail Beach. Specifically, the Town is exploring several changes that are necessary to meet our needs. Some of the critical changes include:

- 1) **Municipal Fire Services:** Topsail Beach has been fortunate to have a strong Volunteer Fire Department over the years with reliable and competent volunteers to help meet our needs. Throughout the state and including our Town, it is harder to meet the fire service needs based solely on volunteers. As such, the Town is moving towards building a Municipal Fire Department that includes paid firefighters to be available on a 24/7 basis. Volunteers will still be a part of the service, but we cannot rely solely on volunteer efforts. Additional firefighters will also require additional expenses, including but not limited to, housing, uniforms, equipment, and related items.
- 2) **Increased Beach Presence:** As our tourist season becomes longer and the number of visitors continues to grow, more pressure is placed on our services. This requires more staff to meet the service demand. The Public Works Department will spend more time on trash collection, crossover maintenance, and general appearance needs. The Police Department will continue its efforts to monitor activity on the beach through its Beach Patrol staff. Additionally, the Fire Department will assist in Beach Patrol and Water Rescue.
- 3) **Household Trash Collection:** The Town currently contracts with Tons of Trash to provide our household waste collection as well as our bulk item and vegetation collection. TOT increased their contract with the Town to cover their cost to operate in this soaring economy. An individual roll-back service by the provider was implemented to ensure trash cans are removed from the street on the day of collection.

Management's Discussion and Analysis (Continued)

As a result of several budget workshops, the Commissioners Retreat, and the Budget Public Hearing, the following actions were taken:

- 1) **Tax Increase:** The adopted budget increases the tax rate by \$0.03 for total rate of \$0.34 per \$100 valuation. This increase allowed the Town to move forward with its plans for the beginning of a paid fire staff, as well as increased services within the Town.
- 2) **Water Rates:** This budget includes an additional full time employee in the water department to meet service demands.
- 3) **Maintain Services Levels:** The budget maintains current and expanded levels of service.

REVENUE AND EXPENDITURE BREAKDOWN

It is estimated that the following revenues will be available in the **General Fund** for the fiscal year beginning July 1, 2022, and ending June 30, 2023:

Taxes	\$ 2,050,450
Interest earnings	10,000
Powell Bill	18,500
Sales and Franchise Tax	810,000
Accommodation Taxes	300,000
Other revenues	1,118,425
Transfers from General Fund Capital Reserve Fund	<u>678,000</u>
Total estimated revenues	<u>\$ 4,985,375</u>

The following amounts are hereby appropriated in the **General Fund** for the operation of the town government and its activities for the fiscal year beginning July 1, 2022, and ending June 30, 2023, in accordance with the chart of accounts heretofore established for this Town:

General government:	
Governing Board	\$ 201,600
Administration	657,290
Inspections	143,800
Bush Marina	29,550
Beach Management & Tourism	159,000
Public safety:	
Police	1,039,680
Fire	1,583,755
Transportation:	
Powell Bill	18,500
Environmental protection:	
Public Works	473,300
Sanitation	441,000
Emergency Operations	50,300
Debt Service	<u>187,600</u>
Total appropriations	<u>\$ 4,985,375</u>

It is estimated that the following revenues will be available in the **Utility Fund** for the fiscal year beginning July 1, 2022 and ending June 30, 2023.

Water usage charges	\$ 430,000
Water Facility charges	535,000
Taps and connection fees	12,000
Other revenues	<u>44,100</u>
Total estimated revenues	<u>\$ 1,021,100</u>

Management’s Discussion and Analysis (Continued)

The following amounts are hereby appropriated in the **Utility Fund** for the operation of the water utilities for the fiscal year beginning July 1, 2022, and ending June 30, 2023, in accordance with the chart of accounts heretofore established for this Town:

Water and sewer operations	\$	748,425
Transfer to Water and Sewer Capital Projects Fund		-
Debt service		<u>272,675</u>
Total appropriations	\$	<u>1,021,100</u>

It is estimated that the following revenues will be available in the **Beach, Inlet and Sound Fund** for the fiscal year beginning July 1, 2022, and ending June 30, 2023:

Taxes	\$	455,000
Accommodation Taxes		900,000
Other revenues		<u>939,400</u>
Total estimated revenues	\$	<u>1,590,000</u>

The following amounts are hereby appropriated in the **Beach, Inlet and Sound Fund** for the fiscal year beginning July 1, 2022, and ending June 30, 2023, in accordance with the chart of accounts heretofore established for this Town:

Professional Services	\$	250,000
General Services		400,600
Reserved Future Beach Projects		<u>939,400</u>
Total appropriations	\$	<u>1,590,000</u>

It is estimated that the following revenues will be available in the **Session Law 2019-75 Fund** for the fiscal year beginning July 1, 2022, and ending June 30, 2023:

Transfer from General Fund	\$	<u>475,000</u>
Total estimated revenues	\$	<u>475,000</u>

The following amounts are hereby appropriated in the **Session Law 2019-75 Fund** for the fiscal year beginning July 1, 2022, and ending June 30, 2023, in accordance with the chart of accounts heretofore established for this Town:

EOC Building	\$	325,000
Shoreline Expenditures		4,938
Beach Emergency Access		<u>145,062</u>
Total appropriations	\$	<u>475,000</u>

SUMMARY

The Topsail Beach FY 2023 Budget is a **Plan and a Commitment** for the future. While it establishes a spending plan for the next fiscal year, it also establishes commitments moving forward beyond one year. It represents a commitment to improved fire services, to providing high quality and reliable water system, to providing for our recreational opportunities while protecting our natural resources. As a coastal community, we face threats unique to our area and we must plan in advance for those possibilities. Topsail Beach has endured five hurricanes in the last six years. As a community, we have been able to stand together and persevere. We did this and dealt with a global pandemic and maintained our financial stability.

The FY 2023 budget reflects the priorities of the Town Board of Commissioners and staff as we move forward. The Board and staff are committed to providing a high level of service to our residents, property owners, and visitors while maintaining a strong sense of fiscal responsibility. We cannot always control the environment surrounding us, but we can plan to always address our needs with the best interests of our community in mind. As a resort community we face unique challenges, particularly during the tourist season. While we are home to a little over 400 permanent residents, our community is also a place for many second homes and investment rental properties as a resort town. The amount of day trippers to the island is certainly expected to increase as growth in the Wilmington area, and particularly Hampstead and Surf City, which will certainly impact the Town and the services we provide.

We are committed to provide excellent core services like police and fire, public works and sanitation services, clean water, and safe access while maintaining strong amenities such as Town Center Park and Bush Marina. We are committed to preserving and protecting our beaches, sound side and our waterways. Protecting our natural environment is critical for our long-term sustainability. We must continue to be vigilant in our efforts and dedicated to the overall goal of providing a safe, affordable, and attractive place for our citizens and our businesses while managing the growth in Topsail Beach. The budget is a tool to help us achieve our goals.

Management's Discussion and Analysis (Continued)

Requests for Information

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

Connie Forand
cforand@topsailbeachnc.gov
Finance Director
Town of Topsail Beach
820 South Anderson
Topsail Beach, NC 28445

Basic Financial Statements

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Statement of Net Position

June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,346,999	\$ 2,085,216	\$ 14,432,215
Receivables (net):			
Ad Valorem Taxes	17,279	-	17,279
Accommodations Taxes	241,460	-	241,460
Interest	1,617	-	1,617
Accounts	38,560	110,753	149,313
Lease Receivable	47,676	-	47,676
Due from Other Governments	109,725	-	109,725
Restricted Cash and Cash Equivalents	684,283	83,932	768,215
Total Current Assets	13,487,599	2,279,901	15,767,500
Noncurrent Assets:			
Capital Assets			
Land, Nondepreciable Improvements, and Construction in Progress	5,243,625	1,303,353	6,546,978
Other Capital Assets, Net of Depreciation	1,271,969	3,808,801	5,080,770
Total Noncurrent Assets	6,515,594	5,112,154	11,627,748
Total Assets	20,003,193	7,392,055	27,395,248
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals	477,366	56,842	534,208
OPEB Deferrals	115,569	15,500	131,069
Total Deferred Outflows of Resources	\$ 592,935	\$ 72,342	\$ 665,277

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2022

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	
LIABILITIES			
Current Liabilities:			
Accounts Payable and			
Accrued Liabilities	\$ 136,674	\$ 13,760	\$ 150,434
Interest Payable	7,465	777	8,242
Customer Deposits	19,640	83,932	103,572
Current Portion of Long-Term Liabilities	85,702	276,179	361,881
	<hr/>		
Total Current Liabilities	249,481	374,648	624,129
Long-Term Liabilities:			
Net Pension Liability	203,867	28,626	232,493
Total Pension Liability	204,078	-	204,078
Total OPEB Liability	362,662	48,639	411,301
Due in More Than One year	372,801	2,171,109	2,543,910
	<hr/>		
Total Liabilities	1,392,889	2,623,022	4,015,911
<hr/>			
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	310,809	40,898	351,707
OPEB Deferrals	30,641	4,110	34,751
Leases	26,526	-	26,526
Grants Refundable	660,019	-	660,019
	<hr/>		
Total Deferred Inflows of Resources	1,027,995	45,008	1,073,003
<hr/>			
NET POSITION			
Net Investment in Capital Assets	6,158,197	2,681,262	8,839,459
Restricted for:			
Transportation	24,264	-	24,264
Stabilization by State Statute	208,100	-	208,100
Unrestricted	11,784,683	2,115,105	13,899,788
	<hr/>		
Total Net Position	\$ 18,175,244	\$ 4,796,367	\$ 22,971,611
	<hr/>		

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Statement of Activities

For the 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:				
Governing Body	\$ 107,040	\$ -	\$ -	\$ -
Administration	799,881	135,035	-	-
Police	986,445	6,206	4,757	-
Fire	596,916	-	-	-
Inspections	126,368	79,378	-	-
Public Services	363,240	-	5,350,209	-
Powell Bill	57,189	-	18,990	-
Sanitation	371,875	409,005	345	-
Beach Management and Tourism	201,024	-	-	-
Marina	36,379	73,163	-	-
Beach/Inlet/Sound Maintenance	895,690	-	-	-
Interest on long-term debt	558	-	-	-
Total Governmental Activities	4,542,605	702,787	5,374,301	-
Business-Type Activities:				
Water	738,246	846,886	-	-
Total Business-Type Activities	738,246	846,886	-	-
Total Primary Government	5,280,851	1,549,673	5,374,301	-

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Functions/Programs	Governmental Activities	Business-Type Activities	Totals
Primary Government:			
Governmental Activities:			
Governing Body	\$ (107,040)	\$ -	\$ (107,040)
Administration	(664,846)	-	(664,846)
Police	(975,482)	-	(975,482)
Fire	(596,916)	-	(596,916)
Inspections	(46,990)	-	(46,990)
Public Services	4,986,969	-	4,986,969
Powell Bill	(38,199)	-	(38,199)
Sanitation	37,475	-	37,475
Beach Management and Tourism	(201,024)	-	(201,024)
Marina	36,784	-	36,784
Beach/Inlet/Sound Maintenance	(895,690)	-	(895,690)
Interest on long-term debt	(558)	-	(558)
Total Governmental Activities	1,534,483	-	1,534,483
Business-Type Activities:			
Water	-	108,640	108,640
Total Business-Type Activities	-	108,640	108,640
Total Primary Government	1,534,483	108,640	1,643,123
General Revenues:			
Property Taxes, Levied for General Purpose	2,347,187	-	2,347,187
Other Taxes and Licenses	2,351,588	-	2,351,588
Investment Earnings	20,996	4,500	25,496
Miscellaneous	56,341	-	56,341
Transfers	-	-	-
Total General Revenues and Transfers	4,776,112	4,500	4,780,612
Change in Net Position	6,310,595	113,140	6,423,735
Net Position - Beginning of Year	11,864,649	4,683,227	16,547,876
Net Position - End of Year	\$ 18,175,244	\$ 4,796,367	\$ 22,971,611

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Balance Sheet
 Governmental Funds
 June 30, 2022

	Major Funds				
	General Fund	Session Law 2019-75 Fund	Beach, Inlet, and Sound Capital Project Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,708,359	\$ -	\$ 8,638,640	\$ -	\$ 12,346,999
Restricted Cash	24,264	559,744	-	100,275	684,283
Receivables (net):					
Ad Valorem Taxes	13,844	-	3,435	-	17,279
Accommodations Tax	60,365	-	181,095	-	241,460
Lease Receivable	47,676	-	-	-	47,676
Accounts	38,560	-	-	-	38,560
Due from Other Governments	109,175	-	550	-	109,725
Total Assets	\$ 4,002,243	\$ 559,744	\$ 8,823,720	100,275	\$ 13,485,982
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 121,470	-	\$ 15,204	-	\$ 136,674
Builder Deposits	19,640	-	-	-	19,640
Total Liabilities	141,110	-	15,204	-	156,314
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Receivable	13,844	-	3,435	-	17,279
Leases	26,526	-	-	-	26,526
Grants Refundable	-	559,744	-	100,275	660,019
Total Deferred Inflows of Resources	40,370	559,744	3,435	100,275	703,824
FUND BALANCES					
Non Spendable					
Leases	21,150	-	-	-	21,150
Restricted					
Stabilization by State Statute	208,100	-	-	-	208,100
Streets	24,264	-	-	-	24,264
Committed					
Beach/Inlet/Sound Maintenance	-	-	8,805,081	-	8,805,081
Future Capital Expenditures	1,305,211	-	-	-	1,305,211
Assigned					
Subsequent Year's Expenditures:	678,000	-	-	-	678,000
Unassigned	1,584,038	-	-	-	1,584,038
Total Fund Balances	3,820,763	-	8,805,081	-	12,625,844
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,002,243	\$ 559,744	\$ 8,823,720	\$ 100,275	

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2022

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Governmental Fund Balance	\$ 12,625,844
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical costs	\$ 8,987,986
Accumulated depreciation	<u>(2,472,392)</u>
	6,515,594
Deferred outflows of resources related to pensions are not reported in the funds	477,366
Deferred outflows of resources related to OPEB are not reported in the funds	115,569
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred	
Accrued interest - taxes	<u>1,617</u>
	1,617
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	
Ad valorem taxes	17,279
Other taxes	<u>-</u>
	17,279
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest payable	(7,465)
Installment purchases	(357,397)
Total pension liability	(204,078)
Net pension liability	(203,867)
OPEB liability	(362,662)
Compensated absences	<u>(101,106)</u>
	(1,236,575)
Deferred inflows of resources related to pensions are not reported in the funds	(310,809)
Deferred inflows of resources related to OPEB are not reported in the funds	<u>(30,641)</u>
Net position of governmental activities.	<u>\$ 18,175,244</u>

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

	Major Funds				
	General Fund	Session Law 2019-75 Fund	Beach, Inlet, and Sound Capital Project Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues					
Ad Valorem Taxes	\$ 1,874,029	\$ -	\$ 459,106	\$ -	\$ 2,333,135
Other Taxes and Licenses	330,208	-	1,161,313	-	1,491,521
Unrestricted Intergovernmental	860,067	-	-	-	860,067
Restricted Intergovernmental	55,817	191,695	5,059,022	67,767	5,374,301
Permits and Fees	185,397	-	-	-	185,397
Sales and Services	517,390	-	-	-	517,390
Investment Earnings	9,223	-	11,773	-	20,996
Miscellaneous	39,540	-	16,801	-	56,341
Total Revenues	3,871,671	191,695	6,708,015	67,767	10,839,148
Expenditures					
Current					
Governing Body	107,040	-	-	-	107,040
Administration	718,366	-	-	67,767	786,133
Police	915,832	-	-	-	915,832
Fire	558,141	-	-	-	558,141
Inspections	122,332	-	-	-	122,332
Public Services	352,805	-	-	-	352,805
Powell Bill	55,152	-	-	-	55,152
Marina	29,978	-	-	-	29,978
Sanitation	371,019	-	-	-	371,019
Beach Management and Tourism	122,972	57,629	-	-	180,601
Beach/Inlet/Sound Maintenance	-	-	898,673	-	898,673
Federal Beach Project	-	-	-	-	-
Debt Service					
Principal	113,663	-	-	-	113,663
Interest and Other charges	3,408	-	-	-	3,408
Capital Outlay					
Governing Body	-	-	-	-	-
Police	39,263	-	-	-	39,263
Administration	443,105	-	-	-	443,105
Public Services	-	-	-	-	-
Fire	-	-	-	-	-
Beach/Inlet/Sound Maintenance	-	-	-	-	-
Beach Management and Tourism	-	134,066	-	-	134,066
Total Expenditures	3,953,076	191,695	898,673	67,767	5,111,211
Excess (Deficiency) of Revenues Over Expenditures	(81,405)	-	5,809,342	-	5,727,937
Other Financing Sources (Uses)					
Transfers from Other Funds	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-
Debt Proceeds	450,000	-	-	-	450,000
Total Other Financing Sources (Uses)	450,000	-	-	-	450,000
Net Change in Fund Balance	368,595	-	5,809,342	-	6,177,937
Fund Balance - Beginning of Year	3,452,168	-	2,995,739	-	6,447,907
Fund Balance - End of Year	\$ 3,820,763	\$ -	\$ 8,805,081	\$ -	\$ 12,625,844

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

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2022

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

Net changes in fund balances - total governmental funds		\$ 6,177,937
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures which were capitalized	616,434	
Contributed Assets	-	
Loss on Asset Sold	-	
Depreciation expense	<u>(138,438)</u>	477,996
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		
		164,059
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		
		-
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		
		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for tax revenues	13,371	
Interest earned on ad valorem taxes	<u>681</u>	14,052
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issuance	(450,000)	
Debt retirement	<u>113,663</u>	(336,337)
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:		
Accrued interest payable	(7,186)	
Compensated absences	(1,071)	
Pension Expense	(142,078)	
OPEB plan expense	<u>(36,777)</u>	(187,112)
Total changes in net position of governmental activities		<u>\$ 6,310,595</u>

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2022

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad Valorem Taxes	\$ 1,807,000	\$ 1,826,000	1,874,029	\$ 48,029
Other Taxes and Licenses	250,000	285,000	330,208	45,208
Unrestricted Intergovernmental	740,000	754,000	860,067	106,067
Restricted Intergovernmental	45,050	46,550	55,817	9,267
Permits and Fees	146,150	161,150	185,397	24,247
Sales and Services	480,100	480,000	517,390	37,390
Investment Earnings	10,000	10,000	9,223	(777)
Miscellaneous	36,500	41,200	39,540	(1,660)
Total Revenues	3,514,800	3,603,900	3,871,671	267,771
Expenditures				
Governing Body	114,415	169,415	107,040	62,375
Administration	813,010	1,315,802	1,256,924	58,878
Police	1,043,900	1,028,430	955,095	73,335
Fire	726,750	713,508	579,759	133,749
Inspections	150,300	161,300	122,332	38,968
Public Services	422,600	413,520	352,805	60,715
Powell Bill Funds	14,900	62,900	55,152	7,748
Marina	25,325	33,425	29,978	3,447
Sanitation	392,000	392,000	371,019	20,981
Beach Management and Tourism	137,000	137,000	122,972	14,028
Federal Beach Project	-	-	-	-
Total Expenditures	3,840,200	4,427,300	3,953,076	474,224
Revenues Over (Under) Expenditures	(325,400)	(823,400)	(81,405)	741,995
Other Financing Sources (Uses)				
Transfers From Other Funds	325,400	325,400	325,400	-
Transfers To Other Funds	-	(500,000)	(500,000)	-
Installment Purchase Obligations Issued	-	450,000	450,000	-
Total Other Financing Sources (Uses)	325,400	275,400	275,400	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(548,000)	193,995	741,995
Appropriated Fund Balance	-	548,000	-	(548,000)
Net Change in Fund Balance	\$ -	\$ -	193,995	\$ 193,995
Fund Balance - Beginning of Year			<u>2,321,557</u>	
Fund Balance - End of Year			<u>\$ 2,515,552</u>	

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2022

Fund Balance - End of Year \$ 2,515,552

A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:

Transfer to General Fund	(325,400)
Transfer to Water Fund	-
Transfer from General Fund	500,000
Transfer from Water Fund	-
Fund Balance - Beginning	<u>1,130,611</u>
	<u>1,305,211</u>

Fund Balance - End of Year (Consolidated) \$ 3,820,763



TOWN OF TOPSAIL BEACH, NORTH CAROLINA
 Session Law 2019-75 Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2022

	Session Law 2019-75 Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes and Licenses	-	-	-	-
Unrestricted Intergovernmental	-	-	-	-
Restricted Intergovernmental	-	720,000	191,695	(528,305)
Permits and Fees	-	-	-	-
Sales and Services	-	-	-	-
Investment Earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	720,000	191,695	(528,305)
Expenditures				
Governing Body	-	-	-	-
Administration	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Inspections	-	-	-	-
Public Services	-	-	-	-
Powell Bill Funds	-	-	-	-
Marina	-	-	-	-
Sanitation	-	-	-	-
Beach Management and Tourism	720,000	720,000	191,695	528,305
Federal Beach Project	-	-	-	-
Total Expenditures	720,000	720,000	191,695	528,305
Revenues Over (Under) Expenditures	(720,000)	-	-	-
Other Financing Sources (Uses)				
Transfers From Other Funds	720,000	-	-	-
Transfers To Other Funds	-	-	-	-
Installment Purchase Obligations Issued	-	-	-	-
Total Other Financing Sources (Uses)	720,000	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-	-
Appropriated Fund Balance	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			\$ -	

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

	<u>Water Fund</u>
ASSETS	
Current Assets	
Cash and Investments	\$ 2,085,216
Accounts Receivable (net)	110,753
Restricted Cash and Investments	<u>83,932</u>
Total Current Assets	<u>2,279,901</u>
Noncurrent Assets	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	1,303,353
Other Capital Assets, Net of Depreciation	<u>3,808,801</u>
Total Capital Assets	<u>5,112,154</u>
Total Noncurrent Assets	<u>5,112,154</u>
Total Assets	<u><u>7,392,055</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferrals	56,842
OPEB Deferrals	<u>15,500</u>
Total Deferred Outflows of Resources	<u><u>\$ 72,342</u></u>

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Statement of Fund Net Position

Proprietary Fund

June 30, 2022

	Water Fund
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 13,760
Interest Payable	777
Customer Deposits	83,932
Installment Notes Payable	276,179
Total Current Liabilities	<u>374,648</u>
Noncurrent Liabilities	
Installment Notes Payable	2,154,713
Net Pension Liability	28,626
Total OPEB Liability	48,639
Compensated Absences Payable	16,396
Total Noncurrent Liabilities	<u>2,248,374</u>
Total Liabilities	<u><u>2,623,022</u></u>
DEFERRED INFLOWS OF RESOURCES	
Pension Deferrals	40,898
OPEB Deferrals	4,110
Total Deferred Inflows of Resources	<u>45,008</u>
NET POSITION	
Net Investment in Capital Assets	2,681,262
Unrestricted	2,115,105
Total Net Position	<u><u>\$ 4,796,367</u></u>



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

	<u>Water Fund</u>
Operating Revenues	
Water Charges	\$ 811,381
Water Taps	14,000
Impact Fees	21,505
Miscellaneous	-
Federal Grants	-
Total Operating Revenues	<u>846,886</u>
Operating Expenses	
Water Operations	583,954
Depreciation	140,688
Total Operating Expenses	<u>724,642</u>
Operating Income (Loss)	<u>122,244</u>
Nonoperating Revenues (Expenses)	
Investment Earnings	4,500
Interest Expense	(13,604)
Total Nonoperating Revenues (Expenses)	<u>(9,104)</u>
Total Income (Loss) Before Transfers	113,140
Transfers from Other Funds	<u>-</u>
Change in Net Position	<u>113,140</u>
Total Net Position - Beginning	<u>4,683,227</u>
Total Net Position - End of Year	<u>\$ 4,796,367</u>

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2022

	Water Fund
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 982,400
Cash Paid for Goods and Services	(292,476)
Cash Paid to Employees for Services	(312,399)
Customer Deposits Received	9,730
Customer Deposits Returned	(10,801)
Net Cash Provided(Used) by Operating Activities	<u>376,454</u>
Cash Flows from Noncapital Financing Activities	
Transfers in	-
Net Cash Provided(Used) by Noncapital Financing Activities	<u>-</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	-
Installment Loan Proceeds	-
Interest Paid on Installment Purchases	(13,993)
Principal Paid on Installment Purchases	(276,179)
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>(290,172)</u>
Cash Flows from Investing Activities	
Interest on Investments	4,500
Net Cash Provided(Used) by Investing Activities	<u>4,500</u>
Net Increase(Decrease) in Cash and Cash Equivalents	90,782
Cash and Cash Equivalents - Beginning of Year	<u>2,078,366</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,169,148</u>

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

	<u>Water Fund</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 122,244
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	140,688
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	135,514
(Increase) Decrease in Pension Deferrals - Deferred Outflows of Resources	(12,228)
(Increase) Decrease in OPEB Deferrals - Deferred Outflows of Resources	(10,246)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(18,265)
Increase (Decrease) in Customer Deposits	(1,071)
Increase (Decrease) in Net Pension Liability	(35,876)
Increase (Decrease) in OPEB Liability	15,424
Increase (Decrease) in Pension Deferrals - Deferred Inflows of Resources	40,898
Increase (Decrease) in OPEB Deferrals - Deferred Inflows of Resources	(1,040)
Increase (Decrease) in Compensated Absences Payable	412
Total Adjustments	<u>254,210</u>
Net Cash Provided(Used) by Operating Activities	<u>\$ 376,454</u>

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements 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 of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a specific 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. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Beach, Inlet, and Sound Capital Project Fund. This fund is used to account for projects to improve and maintain the Town's beach, inlet and sound.

Session Law 2019-75 Special Revenue Fund. This fund is used to account for grant funds that are restricted for use for this particular grant.

The Town reports the following non-major governmental funds:

American Rescue Plan Grant Fund. This fund is used to account for grant funds that are restricted for use for a particular purpose.

State Capital Infrastructure Grant Fund. This fund is used to account for grant funds that are restricted for use for a particular purpose.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 nonoperating 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 enterprise fund is 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 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 nonoperating revenues and expenses.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Special Revenue Funds and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and 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 generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Governmental Activities	
General Fund	
Streets	\$ 24,264
Session Law 2019-75 Fund	
Grant	559,744
American Rescue Grant Fund	
Grant	68,042
State Capital Infrastructure Grant Fund	
Grant	32,233
Total governmental activities	<u>684,283</u>
Business-type Activities	
Water Fund	
Customer Deposits	83,932
Total business-type activities	<u>83,932</u>
Total Restricted Cash	<u>\$ 768,215</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes 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.

5. Allowances for Doubtful Accounts

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

6. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. Prepaid Items

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

8. 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 \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 are not recorded. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	25
Buildings	50
Improvements	25
Vehicles	5
Furniture and Fixtures	10
Equipment	5
Computer Equipment	3
Software	5

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals and OPEB deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable, refundable grants, leases and OPEB and pension deferrals.

10. Long-Term Obligations

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

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

11. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. 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 of that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Net Position/Fund Balances

Net Position

Net position in 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 externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not spendable resources.

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Net Position/Fund Balances (Continued)

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

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

Committed for Beach, Inlet and Sound Management – portion of fund balance assigned by the Board for coastal management.

Committed for Future Capital Expenditures – portion of fund balance assigned by the Board for future capital outlay items.

Assigned Fund Balance – portion of fund balance that Town of Topsail Beach has budgeted.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

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

13. Defined Benefit Cost-Sharing Plans

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

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2022, the Town's deposits had a carrying amount of \$13,785,593 and a bank balance of \$13,838,231. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2022, the Town of Topsail Beach had \$1,414,837 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022, are net of the following allowances for doubtful accounts:

Fund	06/30/2022
General Fund:	
Taxes receivable	\$ 1,900
Total	\$ 1,900

4. Lease Receivable

The Town has entered into leases to rent space on the Town's cell tower. Under the leases, the cell companies pay the Town in exchange for rental space on the tower. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 4%. In fiscal year 2022, the Town recognized \$21,150 of lease revenue under the lease.

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,800,520	\$ 443,105	\$ -	\$ 5,243,625
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	4,800,520	443,105	-	5,243,625
Capital assets being depreciated:				
Buildings and Improvements	1,064,848	134,066	-	1,198,914
Equipment	381,825	-	-	381,825
Vehicles	1,612,845	39,263	-	1,652,108
Infrastructure	511,514	-	-	511,514
Total capital assets being depreciated	3,571,032	173,329	-	3,744,361
Less accumulated depreciation for:				
Buildings and Improvements	378,629	23,236	-	401,865
Equipment	353,212	9,216	-	362,428
Vehicles	1,367,678	87,501	-	1,455,179
Infrastructure	234,435	18,485	-	252,920
Total accumulated depreciation	2,333,954	138,438	-	2,472,392
Total capital assets being depreciated, net	1,237,078			1,271,969
Governmental activity capital assets, net	\$ 6,037,598			\$ 6,515,594

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

Administration	\$ 17,321
Police	44,728
Fire	31,474
Inspections	3,072
Public Services	9,978
Sanitation	856
Beach Management and Tourism	20,423
Beach Inlet Sound	2,148
Marina	6,401
Powell Bill	2,037
Total	<u>\$ 138,438</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 1,303,353	\$ -	\$ -	\$ 1,303,353
Construction In Progress	-	-	-	-
Total capital assets not being depreciated	1,303,353	-	-	1,303,353
Capital assets being depreciated:				
Buildings	5,000	-	-	5,000
Equipment	223,845	-	-	223,845
Vehicles	102,680	-	-	102,680
Plant and distribution systems	5,826,567	-	-	5,826,567
Total capital assets being depreciated	6,158,092	-	-	6,158,092
Less accumulated depreciation for:				
Buildings	5,000	-	-	5,000
Equipment	222,899	946	-	223,845
Vehicles	74,336	6,184	-	80,520
Plant and distribution systems	1,906,368	133,558	-	2,039,926
Total accumulated depreciation	2,208,603	140,688	-	2,349,291
Total capital assets being depreciated, net	3,949,489			3,808,801
Water fund capital assets, net	\$ 5,252,842			\$ 5,112,154

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Topsail Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Topsail Beach's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Topsail Beach were \$187,095 for the year ended June 30, 2022.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2022, the Town reported a liability of \$232,493 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 (measurement date), the Town's proportion was 0.01516%, which was an increase of 0.00050% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$128,566. 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	\$ 73,964	\$ -
Changes of assumptions	146,065	-
Net difference between projected and actual earnings on pension plan investments	-	332,163
Changes in proportion and differences between Town contributions and proportionate share of contributions	54,537	-
Town contributions subsequent to the measurement date	187,095	-
Total	<u>\$ 461,661</u>	<u>\$ 332,163</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

\$187,095 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2023	\$	44,576
2024		14,557
2025		(15,086)
2026		(101,644)
2027		-
Thereafter		-
	<u>\$</u>	<u>(57,597)</u>

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 percent
Salary Increases	3.50 percent
Investment Rate of Return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Discount rate. The discount rate used to measure the total pension liability was 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.

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 (asset) 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 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 902,519	\$ 232,493	\$ (318,899)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Topsail Beach administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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

Retirees receiving benefits	0
Active plan members	8
Total	<u>8</u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 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	2.50 percent per annum
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount Rate	2.25 percent per annum

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

Mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- 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 total pension liability of \$204,078. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. 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 \$29,341.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,828	\$ 13,199
Changes of assumptions	65,719	6,345
Town benefit payments and plan administrative expense subsequent to the measurement date	-	-
Total	<u>\$ 72,547</u>	<u>\$ 19,544</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2023	\$ 10,536
2024	10,287
2025	9,862
2026	10,292
2027	10,762
Thereafter	1,264
	<u>\$ 53,003</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

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 liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total Pension Liability	\$ 221,376	\$ 204,078	\$ 187,856

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

	2022
Beginning balance	\$ 200,071
Service Cost	15,252
Interest on the total pension liability	3,861
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(9,687)
Changes of assumptions or other inputs	(5,419)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 204,078

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 1.93 percent at December 31, 2020 (measurement date) to 2.25 percent at December 31, 2021 (measurement date).

The plan currently uses mortality tables that vary by age, 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 five-year period ending December 31, 2019.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 128,566	\$ 29,341	\$ 157,907
Pension Liability	232,493	204,078	436,571
Proportionate share of the net pension liability	0.01516%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	73,964	6,828	80,792
Changes of assumptions	146,065	65,719	211,784
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	54,537	-	54,537
Benefit payments and administrative costs paid subsequent to the measurement date	187,095	-	187,095
Deferred Inflows of Resources			
Differences between expected and actual experience	-	13,199	13,199
Changes of assumptions	-	6,345	6,345
Net difference between projected and actual earnings on plan investments	332,163	-	332,163
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town contributed \$24,628 for the law enforcement officers for the reporting year. No amounts were forfeited.

All Other Employees

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

Funding Policy. The Town matches up to five percent of employees' wages. The Town contributed \$44,820 for non-law enforcement for the reporting year. No amounts were forfeited.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post Employment Benefits (OPEB)

1. Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single employer defined Healthcare Benefits Plan (“the HCB”). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System) and have at least 25 years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town’s retirees can purchase coverage for their dependents at the Town’s group rates. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	0
Active plan members	23
Total	<u>23</u>

Total OPEB Liability

The Town’s total OPEB liability of \$411,301 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

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 percent
Salary increases	3.25 – 8.41% percent, average, including inflation
Discount rate	2.16 percent
Healthcare cost trend rates	7.00 percent, Pre-Medicare

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (OPEB)

1. Healthcare Benefits (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability	
Balance at July 1, 2021	\$	274,935
Changes for the year		
Service Cost		27,714
Interest		6,689
Changes of benefit terms		-
Differences between expected and actual experience		3,007
Changes of assumptions or other inputs		98,956
Benefit payments		-
Net Changes		<u>136,366</u>
Balance at June 30, 2022	\$	<u>411,301</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 2019.

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 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 464,390	\$ 411,301	\$ 363,704

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (OPEB)

1. Healthcare Benefits (Continued)

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 343,593	\$ 411,301	\$ 493,040

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$40,915. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,726	\$ 25,702
Changes of assumptions	128,343	9,049
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 131,069</u>	<u>\$ 34,751</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (OPEB)

1. Healthcare Benefits (Continued)

Year Ended June 30:		
2023	\$	6,512
2024		6,512
2025		7,242
2026		10,078
2027		12,244
Thereafter		53,730
	<u>\$</u>	<u>96,318</u>

2. Other Employment Benefits

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources

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

Contributions to Pension Plan in Current Fiscal Year	\$ 187,095
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	83,518
Changes of assumptions	340,127
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,537
Charge on refunding	-
Total	<u><u>\$ 665,277</u></u>

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

	Statement of Net Position	General Fund Balance Sheet	Other Governmental Funds Balance Sheets
Prepaid taxes (General Fund)	\$ -	\$ -	\$ -
Taxes receivable	-	13,844	3,435
Grants Refundable	660,019	-	660,019
Lease Receivable (General Fund)	26,526	26,526	-
Changes in assumptions	15,394	-	-
Differences between expected and actual experience	38,901	-	-
Net difference between projected and actual earnings on pension plan investments	332,163	-	-
Total	<u><u>\$ 1,073,003</u></u>	<u><u>\$ 40,370</u></u>	<u><u>\$ 663,454</u></u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2022, the Town did not have any litigation pending.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

a. Installment Purchases

In October 2005, the business type activity fund has chosen to finance purchases with installment payments from the State Clean Water Grant Fund. The Town has completed its water project as of June 30, 2013. \$1,416,500 Installment agreement with interest at an annual rate of 2.305%. The outstanding principal balance at June 30, 2022 was \$505,892.

In December 2012, the business type activity fund has chosen to finance purchases with installment payments from the North Carolina Department of Environmental and Natural Resources. The Town has completed its water project as of June 30, 2014. \$3,500,000 installment agreement with interest at an annual rate of 0.00%. The outstanding principal balance at June 30, 2022 was \$1,925,000.

In January 2017, the Town entered into a \$100,000 installment agreement for the purchase of a Pumper Truck. The financing contract requires principal payments annually beginning in January 2018 with an interest rate of 2.65 percent. This debt was paid off during the year.

In December 2021, the Town entered into a \$450,000 installment loan for the purchase of real estate. The financing contract requires principal payments annually beginning in March 2022 in the amount of \$95,655, including interest at the rate of 2.784 percent. The outstanding principal balance at June 30, 2022 was \$357,397.

Annual debt service payments of the installment purchases as of June 30, 2022, including \$60,208 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 85,702	\$ 9,953	\$ 276,179	\$ 11,661
2024	88,089	7,567	276,179	9,329
2025	90,542	5,113	276,179	6,997
2026	93,064	2,592	276,179	4,664
2027	-	-	276,179	2,332
2028-2032	-	-	875,000	-
2033-2037	-	-	174,997	-
2038-2042	-	-	-	-
Total	\$ 357,397	\$ 25,225	\$ 2,430,892	\$ 34,983

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment notes	\$ 21,060	\$ 450,000	\$ 113,663	\$ 357,397	\$ 85,702
NCORR Loan	-	-	-	-	-
Compensated absences	100,035	1,071	-	101,106	-
Total OPEB liability	241,720	120,942	-	362,662	-
Net pension liability (LGERS)	459,362	-	255,495	203,867	-
Total pension liability (LEO)	200,071	4,007	-	204,078	-
Governmental activity long-term liabilities	\$ <u>1,022,248</u>	\$ <u>576,020</u>	\$ <u>369,158</u>	\$ <u>1,229,110</u>	\$ <u>85,702</u>
Business-type activities:					
Installment purchase	\$ 2,707,071	\$ -	\$ 276,179	\$ 2,430,892	\$ 276,179
Compensated absences	15,984	412	-	16,396	-
Total OPEB liability	33,215	15,424	-	48,639	-
Net pension liability (LGERS)	64,502	-	35,876	28,626	-
Business-type activity long-term liabilities	\$ <u>2,820,772</u>	\$ <u>15,836</u>	\$ <u>312,055</u>	\$ <u>2,524,553</u>	\$ <u>276,179</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

II. DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity

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

From the General Fund to the Capital Reserve Fund	\$ 500,000
From the Capital Reserve Fund to the General Fund	325,400
From the Capital Reserve Fund to the Water Fund	-
Total	<u>\$ 825,400</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, including amounts provided matching funds for various grant programs.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital Assets	\$ 6,515,594	\$ 5,112,154
less: long-term debt	357,397	2,430,892
add: unexpended debt proceeds		
Net investment in capital asset	<u>\$ 6,158,197</u>	<u>\$ 2,681,262</u>

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 3,820,763
Less:	
Prepays	-
Stabilization by State Statute	208,100
Streets	24,264
Leases	21,150
Beach/Inlet/Sound Maintenance	-
Future Capital Expenditures	1,305,211
Appropriated Fund Balance in 2022-2023 budget	678,000
Remaining Fund Balance	<u>\$ 1,584,038</u>

The Town of Topsail Beach has a minimum fund balance policy for the General fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	General Fund	Non-Major Funds
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III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

IV. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 24, 2022, the date on which the financial statements were available to be issued. The Town believes there have been no significant subsequent events.

Required Supplementary

Financial Data

TOWN OF TOPSAIL BEACH, NORTH CAROLIN.
 Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 Last Nine Fiscal Years*

	Local Government Employees' Retirement System								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Topsail Beach's proportion of the net pension liability (asset) (%)	0.01516%	0.01466%	0.01493%	0.01298%	0.01364%	0.01207%	0.01495%	0.01473%	0.01560%
Topsail Beach's proportion of the net pension liability (asset) (\$)	\$ 232,493	\$ 523,864	\$ 407,727	\$ 307,930	\$ 208,381	\$ 256,167	\$ 67,095	\$ (86,870)	\$ 188,040
Topsail Beach's covered-employee payroll	\$ 1,366,271	\$ 1,289,560	\$ 1,094,469	\$ 982,142	\$ 887,888	\$ 823,179	\$ 848,594	\$ 822,768	\$ 802,375
Topsail Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.02%	40.62%	37.25%	31.35%	23.47%	31.12%	7.91%	(10.56%)	23.44%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Town of Topsail Beach's Contributions

Required Supplementary Information

Last Nine Fiscal Years

	Local Government Employees' Retirement System									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Contractually required contribution	\$ 187,095	\$ 143,080	\$ 120,155	\$ 88,837	\$ 77,439	\$ 67,645	\$ 57,033	\$ 58,634	\$ 33,960	
Contributions in relation to the contractually required contribution	187,095	143,080	120,155	88,837	77,439	67,645	57,033	58,634	33,960	
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Topsail Beach's covered employee payroll	\$ 1,602,884	\$ 1,366,271	\$ 1,289,560	\$ 1,094,469	\$ 982,142	\$ 887,888	\$ 823,179	\$ 848,594	\$ 822,768	
Contributions as a percentage of covered-employee payroll	11.67%	10.47%	9.32%	8.12%	7.88%	7.62%	6.93%	6.91%	4.13%	

TOWN OF TOPSAIL BEACH, NORTH CAROLIN.
 Schedule of Changes in Total Pension Liability
 Law Enforcement Officers' Special Separation Allowance
 June 30, 2022

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 200,071	\$ 93,488	\$ 86,340	\$ 77,513	\$ 64,306	\$ 71,211
Service Cost	15,252	9,765	8,879	8,074	7,877	8,342
Interest on the total pension liability	3,861	3,048	3,143	2,449	2,436	2,266
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(9,687)	8,077	(8,142)	2,397	(1,498)	-
Changes of assumptions or other inputs	(5,419)	85,693	3,268	(4,093)	6,770	(2,058)
Benefit payments	-	-	-	-	(2,378)	(15,455)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 204,078</u>	<u>\$ 200,071</u>	<u>\$ 93,488</u>	<u>\$ 86,340</u>	<u>\$ 77,513</u>	<u>\$ 64,306</u>

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

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Law Enforcement Officers' Special Separation Allowance

June 30, 2022

	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 204,078	\$ 200,071	\$ 93,488	\$ 86,340	\$ 77,513	\$ 64,306
Covered payroll	445,599	483,589	452,653	401,602	392,725	373,557
Total pension liability as a percentage of covered payroll	45.80%	41.37%	20.65%	21.50%	19.74%	17.21%

Notes to the schedules:

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



TOWN OF TOPSAIL BEACH, NORTH CAROLINA
 Schedule of Changes in the Total OPEB Liability and Related Ratios
 June 30, 2022

<u>Total OPEB Liability</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 27,714	\$ 20,430	\$ 18,509	\$ 19,096	\$ 20,565
Interest	6,689	8,332	8,210	7,974	7,036
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	3,007	(9,904)	(11,657)	(14,046)	(7,897)
Changes of assumptions	98,956	42,663	6,322	(8,623)	(13,797)
Benefit payments	-	(8,351)	(21,122)	(13,632)	(17,739)
Net changes in Total OPEB Liability	136,366	53,170	262	(9,231)	(11,832)
Total OPEB Liability - Beginning	274,935	221,765	221,503	230,734	242,566
Total OPEB Liability - Ending	\$ 411,301	\$ 274,935	\$ 221,765	\$ 221,503	\$ 230,734
Covered Payroll	\$ 1,222,998	\$ 1,110,559	\$ 1,110,559	\$ 870,090	\$ 870,090
Total OPEB Liability as a percentage of covered payroll	33.63%	24.76%	19.97%	25.46%	26.52%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%



Major Governmental Funds

General Fund

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 1,872,650	
Penalties and Interest		1,379	
Total Ad Valorem Taxes	\$ 1,826,000	1,874,029	\$ 48,029
Other Taxes and Licenses			
Accommodations Tax		330,208	
Total Other Taxes and Licenses	285,000	330,208	45,208
Unrestricted Intergovernmental			
Local Option Sales Tax		692,433	
Utility Sales Tax		116,834	
Video Franchise Fee		22,185	
Beer and Wine Tax		28,615	
Total Unrestricted Intergovernmental	754,000	860,067	106,067
Restricted Intergovernmental			
Powell Bill Allocation		18,990	
Federal Grants		31,725	
State Grants		-	
Solid Waste Disposal Tax		345	
Safety Grant		4,757	
Total Restricted Intergovernmental	46,550	55,817	9,267
Permits and Fees			
Building Permits		79,478	
Police Fines		5,502	
Court Fees		704	
Beach Access Permits		-	
Boat Ramp/Slip Fees		73,163	
Total Permits and Fees	161,150	185,397	24,247
Sales and Services			
Solid Waste		409,005	
Rental Fees		108,385	
Total Sales and Services	480,000	517,390	37,390
Investment Earnings			
General		9,223	
Total Investment Earnings	10,000	9,223	(777)

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Miscellaneous			
Donations		250	
Sale of Assets		-	
Other		39,290	
Total Miscellaneous	41,200	39,540	(1,660)
Total Revenues	3,603,900	3,871,671	267,771
Expenditures			
Governing Body			
Salaries, Wages and Employee Benefits		19,377	
Other Expenditures		87,663	
Capital Outlay		-	
Total Governing Body	169,415	107,040	62,375
Administration			
Salaries, Wages and Employee Benefits		351,962	
Other Expenditures		366,404	
Capital Outlay		443,105	
Debt - Principal		92,603	
Debt - Interest		2,850	
Total Administration	1,315,802	1,256,924	58,878
Police			
Salaries, Wages and Employee Benefits		833,344	
Other Expenditures		82,488	
Capital Outlay		39,263	
Total Police	1,028,430	955,095	73,335
Fire			
Salaries, Wages and Employee Benefits		495,036	
Other Expenditures		63,105	
Capital Outlay		-	
Debt - Interest		558	
Debt - Principal		21,060	
Total Fire	713,508	579,759	133,749
Inspections			
Salaries, Wages and Employee Benefits		79,286	
Other Expenditures		43,046	
Capital Outlay		-	
Total Planning and Zoning	161,300	122,332	38,968
Public Services			
Salaries, Wages and Employee Benefits		225,989	
Other Expenditures		126,816	
Capital Outlay		-	
Total Public Services	413,520	352,805	60,715
Powell Bill			
Other Expenditures		55,152	
Total Powell Bill	62,900	55,152	7,748

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Marina			
Salaries, Wages and Employee Benefits		15,201	
Other Operating		14,777	
Debt - Interest		-	
Debt - Principal		-	
Total Marina	<u>33,425</u>	<u>29,978</u>	<u>3,447</u>
Sanitation			
Other Expenditures		371,019	
Total Sanitation	<u>392,000</u>	<u>371,019</u>	<u>20,981</u>
Beach Management and Tourism			
Salaries, Wages and Employee Benefits		-	
Other Expenditures		122,972	
Capital Outlay		-	
Total Beach Management and Tourism	<u>137,000</u>	<u>122,972</u>	<u>14,028</u>
Federal Beach Project			
Other Expenditures		-	
Total Federal Beach Project	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,427,300</u>	<u>3,953,076</u>	<u>474,224</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(823,400)</u>	<u>(81,405)</u>	<u>741,995</u>
Other Financing Sources (Uses)			
Transfers In:			
Capital Reserve Fund	325,400	325,400	-
Beach, Inlet, and Sound Capital Project Fund	-	-	-
Transfers Out:			
Capital Reserve Fund	(500,000)	(500,000)	-
Installment Purchase Obligations Issued	450,000	450,000	-
Total Other Financing Sources (Uses)	<u>275,400</u>	<u>275,400</u>	<u>-</u>
Fund Balance Appropriated	<u>548,000</u>	<u>-</u>	<u>(548,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>193,995</u>	<u>\$ 193,995</u>
Fund Balance - Beginning of Year		<u>2,321,557</u>	
Fund Balance - End of Year		<u>\$ 2,515,552</u>	

Special Revenue Funds
Consolidated With General Fund

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Nonmajor Special Revenue Fund - Capital Reserve Fund
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Miscellaneous			
Other	\$ -	\$ -	\$ -
Other Financing Sources			
Transfers in:			
General Fund	-	500,000	
Water Fund	-	-	
Transfers out:			
General Fund	(325,400)	(325,400)	
Water Fund	-	-	
Total Other Financing Sources	<u>(325,400)</u>	<u>174,600</u>	<u>500,000</u>
Appropriated Fund Balance	<u>325,400</u>	<u>-</u>	<u>(325,400)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>174,600</u>	<u>\$ 174,600</u>
Fund Balance - Beginning of Year		<u>1,130,611</u>	
Fund Balance - End of Year		<u>\$ 1,305,211</u>	

Major Governmental Funds

Special Revenue Funds

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 Major Special Revenue Fund - Session Law 2019-75
 For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted Intergovernmental			
Federal and State Grants	\$ 720,000	\$ 191,695	\$ (528,305)
Expenditures			
Beach Management and Tourism			
Salaries, Wages and Employee Benefits		-	
Other Operating Expenditures		57,629	
Capital Outlay		134,066	
Total	720,000	191,695	528,305
Total Expenditures	720,000	191,695	528,305
Other Financing Sources			
Transfers in:			
General Fund	-	-	-
Transfers out:			
General Fund	-	-	-
Total Other Financing Sources	-	-	-
Appropriated Fund Balance	-	-	-
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance - Beginning of Year		-	
Fund Balance - End of Year		\$ -	

Nonmajor Governmental Funds

Special Revenue Funds

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Nonmajor Special Revenue Fund - American Rescue Plan
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted Intergovernmental			
Federal and State Grants	\$ 68,042	\$ -	\$ (68,042)
Expenditures			
Administration			
Salaries, Wages and Employee Benefits		-	
Other Operating Expenditures		-	
Capital Outlay		-	
Total Administration	68,042	-	68,042
Police			
Salaries, Wages and Employee Benefits	-	-	-
Other Operating Expenditures	-	-	-
Capital Outlay	-	-	-
Total Police	-	-	-
Total Expenditures	68,042	-	68,042
Other Financing Sources			
Transfers in:			
General Fund	-	-	-
Transfers out:			
General Fund		-	
Total Other Financing Sources	-	-	-
Appropriated Fund Balance	-	-	-
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance - Beginning of Year		-	
Fund Balance - End of Year		\$ -	

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Nonmajor Special Revenue Fund - State Capital Infrastructure Fund
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted Intergovernmental			
Federal and State Grants	\$ 100,000	\$ 67,767	\$ (32,233)
Expenditures			
Administration			
Salaries, Wages and Employee Benefits		-	
Other Operating Expenditures		67,767	
Capital Outlay		-	
Total Administration	100,000	67,767	32,233
Police			
Salaries, Wages and Employee Benefits	-	-	-
Other Operating Expenditures	-	-	-
Capital Outlay	-	-	-
Total Police	-	-	-
Total Expenditures	100,000	67,767	32,233
Other Financing Sources			
Transfers in:			
General Fund	-	-	-
Transfers out:			
General Fund		-	
Total Other Financing Sources	-	-	-
Appropriated Fund Balance	-	-	-
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance - Beginning of Year		-	
Fund Balance - End of Year		\$ -	



Major Governmental Funds

Capital Project Funds

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

Major Capital Project Fund - Beach, Inlet, and Sound Capital Project Fund

For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 459,969	
Penalties and Interest		(863)	
Total Ad Valorem Taxes	\$ 449,800	459,106	\$ 9,306
Other Taxes and Licenses			
Accommodations Tax		1,161,313	
Total Other Taxes and Licenses	1,040,000	1,161,313	121,313
Restricted Intergovernmental			
Federal and State Grants		5,059,022	
Total Restricted Intergovernmental	4,535,000	5,059,022	524,022
Investment Earnings			
General		11,773	
Total Investment Earnings	12,000	11,773	(227)
Miscellaneous Income			
Parking Revenue		16,801	
Total Miscellaneous Revenue	15,000	16,801	1,801
Total Revenues	6,051,800	6,708,015	656,215
Expenditures			
Beach/Inlet/Sound Maintenance			
Salaries and Wages		218,610	
Other Operating Expenditures		680,063	
Capital Outlay		-	
Principal Debt Retirement		-	
Total Administration	971,500	898,673	72,827
Total Expenditures	971,500	898,673	72,827
Excess (Deficiency) of Revenues Over Expenditures	5,080,300	5,809,342	729,042
Other Financing Sources			
Loan Proceeds	-	-	-
Transfers in:			
General Fund	-	-	-
Transfers out:			
General Fund	-	-	-
Total Other Financing Sources	-	-	-
Appropriated Fund Balance	(5,080,300)	-	5,080,300
Net Change in Fund Balance	\$ -	5,809,342	\$ 5,809,342
Fund Balance - Beginning of Year		2,995,739	
Fund Balance - End of Year		\$ 8,805,081	

Enterprise Funds

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Water Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating Revenues			
Water Charges		\$ 811,381	
Water Taps		14,000	
Impact Fees		21,505	
Total Operating Revenues		<u>846,886</u>	
Nonoperating Revenues			
Investment Earnings		4,500	
Grants		-	
Miscellaneous		-	
Total Nonoperating Revenues		<u>4,500</u>	
Total Revenues	<u>\$ 981,100</u>	<u>851,386</u>	<u>\$ (129,714)</u>
Expenditures			
Water and Sewer Operations			
Salaries and Employee Benefits		309,743	
Repairs and Maintenance		68,452	
Other Expenditures		208,415	
Capital Outlay		-	
Debt Service			
Principal Retirement		276,179	
Interest Expense		13,993	
Total Water Operations	<u>1,301,100</u>	<u>876,782</u>	<u>424,318</u>
Total Expenditures	<u>1,301,100</u>	<u>876,782</u>	<u>424,318</u>
Revenues Over (Under) Expenditures	<u>(320,000)</u>	<u>(25,396)</u>	<u>294,604</u>
Other Financing Sources (Uses)			
Transfers in:			
Capital Reserve Fund	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated Fund Balance	<u>320,000</u>	<u>-</u>	<u>(320,000)</u>
Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (25,396)</u>	<u>\$ (25,396)</u>

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
 Water Fund
 Schedule of Revenues and Expenditures (Continued)
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		\$ (25,396)	
Reconciling Items:			
Depreciation Expense		(140,688)	
Capital Outlay		-	
Deferred Outflows of Resources - Pensions		22,474	
Net Pension Liability		35,876	
Deferred Inflows of Resources - Pensions		(40,898)	
Deferred Outflows of Resources - OPEB		-	
OPEB Liability		(15,424)	
Deferred Inflows of Resources - OPEB		1,040	
Accrued Interest Payable		389	
Compensated Absences Payable		(412)	
Principal Retirement		276,179	
Total Reconciling Items		<u>138,536</u>	
Change in Net Position		<u>\$ 113,140</u>	



Other Schedules

TOWN OF TOPSAIL BEACH, NORTH CAROLINA
 General Fund and Beach, Inlet, and Sound Capital Project Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance 7-1-21</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6-30-22</u>
2021-22	\$ -	\$ 2,347,929	\$ 2,332,619	\$ 15,310
2020-21	2,979	-	-	2,979
2019-20	191	-	-	191
2018-19	66	-	-	66
2017-18	136	-	-	136
2016-17	47	-	-	47
2015-16	193	-	-	193
2014-15	-	-	-	-
2013-14	90	-	-	90
2012-13	167	-	-	167
2011-12	539	-	539	-
	<u>\$ 4,408</u>	<u>\$ 2,347,929</u>	<u>\$ 2,333,158</u>	19,179

Less: Allowance for Uncollectible Accounts:

General Fund and Beach, Inlet, and Sound Capital Project Fund 1,900

Ad Valorem Taxes Receivable - Net \$ 17,279

Reconciliation with Revenues

Ad Valorem Taxes - General Fund \$ 1,874,029
 Ad Valorem Taxes - Beach, Inlet, and Sound Capital Project Fund 459,106

Interest and Penalties Collected (516)

Taxes Released -

Taxes Written Off 539

Total Collections and Credits \$ 2,333,158

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2022

	Town-Wide		Total Levy		
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 757,091,931	0.3100	\$ 2,347,747	\$ 2,318,040	\$ 29,707
Penalties	-		182	-	182
	<u>757,091,931</u>		<u>2,347,929</u>	<u>2,318,040</u>	<u>29,889</u>
Discoveries:					
Current Year Taxes	-	0.3100	-	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:					
Property Taxes -					
Current Year's Rate	-	0.3100	\$ -	-	-
	<u>-</u>		<u>\$ -</u>	<u>-</u>	<u>-</u>
Total Property Valuations	<u>\$ 757,091,931</u>				
Net Levy			2,347,929	2,318,040	29,889
Uncollected Taxes at June 30, 2022			15,310	15,310	-
Current Year's Taxes Collected			<u>\$ 2,332,619</u>	<u>\$ 2,302,730</u>	<u>\$ 29,889</u>
Current Levy Collection Percentage			<u>99.35%</u>	<u>99.34%</u>	<u>100.00%</u>



Compliance Section

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Topsail 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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Topsail Beach, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the Town of Topsail Beach's basic financial statements, and have issued our report thereon dated August 24, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Topsail Beach'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 of Topsail Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

W Greene PLLC

Whiteville, North Carolina
August 24, 2022

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Topsail Beach, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Topsail Beach, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Topsail Beach's major federal programs for the year ended June 30, 2022. The Town of Topsail Beach's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Topsail Beach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Town of Topsail Beach and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Topsail Beach's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Topsail Beach's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Topsail Beach's compliance based on our audit. 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 GAAS, *Governmental Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Topsail Beach's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, and *Governmental Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Town of Topsail Beach's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Topsail Beach's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Topsail Beach's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

W Greene PLLC

Whiteville, North Carolina
August 24, 2022

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2022

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) _____ Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
97.036	Public Assistance - Disaster Grants

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2022

SECTION I. SUMMARY OF AUDITOR'S RESULTS (Continued)
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State Awards

The only major State program for the Town of Topsail Beach is the Disaster Grants - Public Assistance, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2022

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported.

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2022

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS
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None Reported.



Corrective Action Plan
For the Fiscal Year Ended June 30, 2022

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2022

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

Grantor Pass-Through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantors Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Homeland Security</u>					
<i>Passed thru N.C. Department of Public Safety</i>					
<i>Division of Emergency Management</i>					
Public Assistance - Disaster Grants					
Hurricane Florence	97.036		\$ 3,075,278	\$ 1,025,092	\$ -
Hurricane Dorian	97.036		401,426	133,809	-
Total			3,476,704	1,158,901	-
<u>U.S. Department of Treasury</u>					
<i>Passed-through the Office of State Budget and Management:</i>					
NC Pandemic Recovery Office					
<i>Passed-through Pender County:</i>					
Coronavirus Relief Fund	21.019		-	-	-
Total Assistance - Federal Programs			3,476,704	1,158,901	-
State Awards:					
<u>N.C. Department of Transportation</u>					
Non-State System Street-Aid Allocation					
(Powell Bill)	-	DOT-4	-	55,230	-
<u>N.C. Department of Environmental Quality</u>					
Division of Water Resources					
Beach Management and Channel Dredging Project Grant					
			-	455,142	-
Water Resources Development Grant					
			-	191,695	-
<u>N.C. Office of State Budget & Management</u>					
State Capital and Infrastructure Fund (SCIF) Directed Grant					
			-	67,767	-
Total Assistance - State Programs			-	769,834	-
Total Federal and State Assistance			\$ 3,476,704	\$ 1,928,735	\$ -

TOWN OF TOPSAIL BEACH, NORTH CAROLINA

Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

I. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and state grant activity of the Town of Topsail Beach, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Town of Topsail Beach, North Carolina, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Topsail Beach, North Carolina.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND INDIRECT COST RATE

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Topsail Beach, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.