

**TOWN OF BEAUFORT
NORTH CAROLINA**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF BEAUFORT, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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

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

Independent Auditor's Report

To the Honorable Mayor and
Board of Commissioners
Town of Beaufort, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Beaufort, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the 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 Beaufort, North Carolina, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 (*Government Auditing Standards*). 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, 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 Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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'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 Local Governmental Employees' Retirement System Schedules of the Town's Proportionate Share of Net Pension Liability (Asset) 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-Employee Payroll be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, 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 assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Beaufort's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, on our consideration of the Town of Beaufort's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Beaufort's 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 Beaufort's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 20, 2023

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Management's Discussion and Analysis

As management of the Town of Beaufort, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. 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

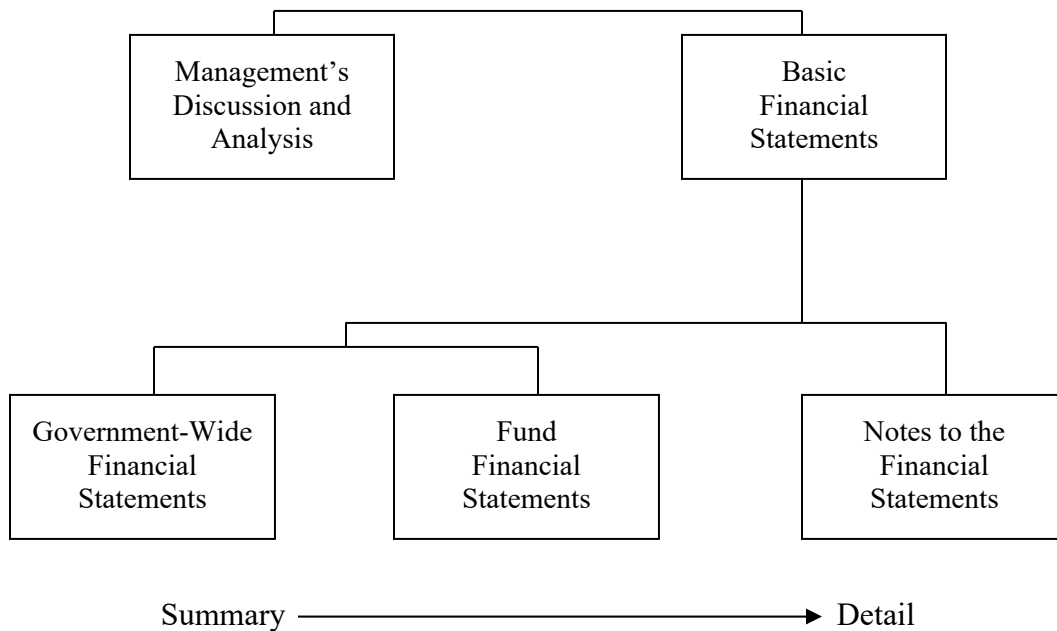
- The assets and deferred outflows of resources of the Town of Beaufort exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$48,339,876 (net position). This amount was comprised of net position in the governmental funds of \$20,460,750 and \$27,879,126 in business-type funds.
- The government's total net position increased by \$4,386,975, which consisted of an increase in governmental funds of \$2,294,921 and an increase in business-type funds of \$2,092,054.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$14,520,807 with a net increase of \$1,942,177 in fund balance. Approximately 23.4% of this total amount, or \$3,399,456, is non-spendable or restricted.
- The Town's total debt decreased by \$1,741,418 during the current fiscal year. The Town reduced existing principal balances by \$689,453 in the governmental activities and for business-type activities by \$1,126,836 due to timely payments. Debt was also issued during the year for leased office equipment which had a remaining balance due of \$68,964 at year end.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through I) are **fund financial statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplementary information**. This section contains funding information about the Town's pension plans.

After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina 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 public safety, trash and recycle pickup, local streets and public property, parks and recreation, and general administration. 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. These include the water and sewer services offered by the Town of Beaufort.

The government-wide financial statements are Exhibits A and B 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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Beaufort adopts an annual budget for its General Fund and Utility 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 of Commissioners 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.

Proprietary Funds - The Town of Beaufort maintains one 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 Beaufort uses enterprise funds to account for its water and sewer operations. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after Exhibit I 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 Beaufort's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the notes to the financial statements 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.

Government-Wide Financial Analysis

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 Beaufort exceeded liabilities and deferred inflows by \$48,339,876 as of June 30, 2023. The Town's net position increased by \$4,386,975 for the fiscal year ended June 30, 2023.

However, the largest portion (65%) or \$31,257,330, reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Beaufort uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in 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 Beaufort's net position, at June 30, 2023, \$2,628,257, or 5%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,454,289 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 an overall tax collection percentage of 98.62%.
- Increased building permit revenue due to continued growth of residential and commercial construction.
- Increased local option sales tax revenue.
- Increased investment earnings.

Town of Beaufort's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 15,565,547	\$ 14,266,708	\$ 6,387,729	\$ 4,637,569	\$ 21,953,276	\$ 18,904,277
Non-current assets	13,909,634	14,172,652	28,849,871	29,630,858	42,759,505	43,803,510
Total assets	<u>29,475,181</u>	<u>28,439,360</u>	<u>35,237,600</u>	<u>34,268,427</u>	<u>64,712,781</u>	<u>62,707,787</u>
Deferred Outflows of Resources	<u>2,215,621</u>	<u>1,537,605</u>	<u>383,352</u>	<u>239,223</u>	<u>2,598,973</u>	<u>1,776,828</u>
Liabilities:						
Long-term liabilities	9,042,931	7,606,765	6,200,557	6,908,936	15,243,488	14,515,701
Other liabilities	<u>1,429,056</u>	<u>2,101,706</u>	<u>1,530,188</u>	<u>1,581,267</u>	<u>2,959,244</u>	<u>3,682,973</u>
Total liabilities	<u>10,471,987</u>	<u>9,708,471</u>	<u>7,730,745</u>	<u>8,490,203</u>	<u>18,202,732</u>	<u>18,198,674</u>
Deferred Inflows of Resources	<u>758,065</u>	<u>2,102,665</u>	<u>11,081</u>	<u>230,375</u>	<u>769,146</u>	<u>2,333,040</u>
Net Position:						
Net investment						
in capital assets	9,159,969	8,513,215	22,097,361	21,751,512	31,257,330	30,264,727
Restricted	1,780,297	1,619,248	847,960	615,537	2,628,257	2,234,785
Unrestricted	<u>9,520,484</u>	<u>8,033,366</u>	<u>4,933,805</u>	<u>3,420,023</u>	<u>14,454,289</u>	<u>11,453,389</u>
Total net position	<u>\$ 20,460,750</u>	<u>\$ 18,165,829</u>	<u>\$ 27,879,126</u>	<u>\$ 25,787,072</u>	<u>\$ 48,339,876</u>	<u>\$ 43,952,901</u>

Town of Beaufort's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 1,860,488	\$ 1,746,078	\$ 4,783,328	\$ 4,776,755	\$ 6,643,816	\$ 6,522,833
Operating grants and contributions	1,891,373	396,776	-	22,250	1,891,373	419,026
Capital grants and contributions	61,560	145,931	-	-	61,560	145,931
General revenues:						
Property taxes	5,390,238	5,184,624	-	-	5,390,238	5,184,624
Other taxes	4,300,341	4,290,613	-	-	4,300,341	4,290,613
Other	306,396	18,191	314,348	194,654	620,744	212,845
Total revenues	<u>13,810,396</u>	<u>11,782,213</u>	<u>5,097,676</u>	<u>4,993,659</u>	<u>18,908,072</u>	<u>16,775,872</u>
Expenses:						
General government	1,872,005	1,564,579	-	-	1,872,005	1,564,579
Public safety	5,737,367	4,565,846	-	-	5,737,367	4,565,846
Transportation	1,529,798	1,354,441	-	-	1,529,798	1,354,441
Environmental protection	688,344	702,179	-	-	688,344	702,179
Economic development	174,397	191,214	-	-	174,397	191,214
Culture and recreation	396,363	211,765	-	-	396,363	211,765
Interest on long-term debt	172,868	181,577	-	-	172,868	181,577
Utility Fund	-	-	3,949,955	3,979,952	3,949,955	3,979,952
Total expenses	<u>10,571,142</u>	<u>8,771,601</u>	<u>3,949,955</u>	<u>3,979,952</u>	<u>14,521,097</u>	<u>12,751,553</u>
Change in net position before transfers	3,239,254	3,010,612	1,147,721	1,013,707	4,386,975	4,024,319
Transfers	<u>(944,333)</u>	<u>219,711</u>	<u>944,333</u>	<u>(219,711)</u>	<u>-</u>	<u>-</u>
Change in net position	2,294,921	3,230,323	2,092,054	793,996	4,386,975	4,024,319
Net Position:						
Beginning of year, July 1	<u>18,165,829</u>	<u>14,935,506</u>	<u>25,787,072</u>	<u>24,993,076</u>	<u>43,952,901</u>	<u>39,928,582</u>
End of year, June 30	<u>\$ 20,460,750</u>	<u>\$ 18,165,829</u>	<u>\$ 27,879,126</u>	<u>\$ 25,787,072</u>	<u>\$ 48,339,876</u>	<u>\$ 43,952,901</u>

Governmental Activities. Governmental activities resulted in an increase of the Town's net position by \$2,294,921. Key elements of this increase are as follows:

- Property valuation increased during FY 2023 from growth, which increased property tax revenue. Additionally, revenue from building permits and other taxes increased in FY 2023. Other taxes include local option sales tax, utilities franchise tax revenues, and ABC profit distributions. Investment Earning also increased during FY 2023.

Business-Type Activities. Business-type activities increased the Town's net position by \$2,092,054. Key elements of this increase are as follows:

- Revenues from sales and service increased as a result of growth and additional users on the system. Investment Earning also increased during FY 2023.
- Expenses of the Utility Fund decreased slightly from the prior year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Beaufort's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town of Beaufort's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Beaufort. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$8,689,904, while total fund balance reached \$9,885,144, of which \$8,626,599 was unassigned and available for use by the Board of Commissioners. The Town currently has an available fund balance of 71.1% of total General Fund expenditures, transfers out less debt proceeds, while unassigned fund balance represents 70.6% of that same amount.

The Federal America Rescue Plan Act 2021 – Stormwater and Equipment special revenue fund was created during fiscal year 2022 to account for activities of the federal ARPA grant. The Town also created the Federal American Rescue Plan Act 2021 – Utilities enterprise fund capital project fund to move money there to account for water and sewer capital expenditures. Expenditures started during FY 2022 and ended during FY 2023 with a transfer to the General Fund for revenue replacement. See the footnotes for further information of the Town's spending of the grant funding.

At June 30, 2023, the governmental funds of the Town of Beaufort reported a combined fund balance of \$14,520,807, with a net increase in fund balance of \$1,942,177. Included in this change in fund balance is an increase in the General Fund of \$1,420,310 and an increase in the nonmajor governmental funds of \$521,867. During the fiscal year, funds were transferred out to the Capital Reserve Fund to set aside funding for future capital needs.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on a few 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. Total amendments to the General Fund increased expenditures by \$881,264. The budgetary increase was primarily attributable to increase in expenditures of the public safety function.

Proprietary Funds. The Town of Beaufort's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$4,933,805. The total change in net position was an increase of \$2,092,054. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Beaufort's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Beaufort's investment in capital assets for its governmental and business-type activities as of June 30, 2023 totals \$42,526,128 (net of accumulated depreciation and amortization). These assets include land, buildings, leased equipment, roads and sidewalks, machinery and equipment, park facilities, vehicles, water and sewer operating facilities, and related infrastructure.

Town of Beaufort's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,071,212	\$ 2,071,212	\$ 444,059	\$ 444,059	\$ 2,515,271	\$ 2,515,271
Construction in progress	316,815	415,845	1,101,534	946,746	1,418,349	1,362,591
Infrastructure	4,205,706	4,347,098	-	-	4,205,706	4,347,098
Equipment and fixtures	402,435	469,658	360,131	409,246	762,566	878,904
Vehicles	2,164,941	1,737,589	327,213	282,497	2,492,154	2,020,086
Building and improvements	4,446,516	4,589,687	260,818	281,207	4,707,334	4,870,894
Plant and distribution systems	-	-	26,356,116	27,267,103	26,356,116	27,267,103
Right to use lease equipment	68,632	-	-	-	68,632	-
Total	<u>\$ 13,676,257</u>	<u>\$ 13,631,089</u>	<u>\$ 28,849,871</u>	<u>\$ 29,630,858</u>	<u>\$ 42,526,128</u>	<u>\$ 43,261,947</u>

Additional information on the Town's capital assets can be found in notes 1 and 2 of the basic financial statements.

Long-Term Debt. Following is a summary of outstanding long-term obligations as of June 30, 2023. Installment purchases are debt backed by the full faith and credit of the Town and secured by the underlying assets. More information about long-term debt is presented in notes 1 and 2.

Town of Beaufort's Long-Term Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Installment purchases - direct placement	\$ 6,057,971	\$ 6,741,517	\$ -	\$ -	\$ 6,057,971	\$ 6,741,517
Installment purchases - direct borrowing	-	-	6,752,510	7,879,346	6,752,510	7,879,346
Lease liabilities	68,964	-	-	-	68,964	-
Total	<u>\$ 6,126,935</u>	<u>\$ 6,741,517</u>	<u>\$ 6,752,510</u>	<u>\$ 7,879,346</u>	<u>\$ 12,879,445</u>	<u>\$ 14,620,863</u>

Town of Beaufort's Outstanding Debt

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Beaufort is approximately \$89,860,000.

Economic Factors and Next Year's Budgets and Rates

Moving forward into FY 2024, the Town's General Fund budget 12% from \$12.5 million to \$14 million. A property tax collection rate of 98.35% was utilized in accordance with the General Statutes. The property tax rate remains at \$0.4600 for FY 2024. There is not a fund balance appropriation used to balance the budget. For FY 2024, the General Fund budget also includes a \$250,000 reimbursement from the Utility Fund. This covers administrative costs borne by the General Fund.

The General Fund unassigned fund balance is \$7,307,744, the equivalent of 74.8% of the total General Fund expenditures and transfers out at the end of FY 2023. This exceeds the Board's financial policy of a minimum requirement of 20%.

The budget for the Utility Fund is \$5 million.

Budget Highlights for Fiscal Year 2023 - 2024

FY 2024 budget includes:

- 6% COLA for employees,
- 1 new position for an Information Technologist.,
- \$390,570 transfer to capital reserve for future debt service- General Fund,
- \$140,000 for completion of the Town's Unified Development Ordinance,
- \$25,000 for a contract grant writer,
- \$25,000 for Financial Advisors,
- \$17,000 for Budget software,
- \$732,000 for the purchase of a new fire engine,
- \$280,000 for new police vehicles,
- \$190,000 for new grapple truck,
- \$60,000for a mini excavator,
- \$50,000 to resurface tennis courts,
- \$56,000 for handrails at Turner Street,
- \$493,543 to the capital reserve fund for future debt service – Utility Fund,
- \$246,000 for SCADA system project.

Requests for Information

This report is designed to provide an overview of the Town of Beaufort 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 Town Finance Officer, P.O. Box 390, Beaufort, North Carolina 28516, (252) 728-2141 or visit our website at www.beaufortnc.org.

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TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 11,515,671	\$ 4,384,976	\$ 15,900,647
Intergovernmental receivable	1,320,621	-	1,320,621
Property taxes receivable, net	172,216	-	172,216
Accounts receivable, net	69,522	883,446	952,968
Prepaid items	8,512	-	8,512
Leases receivable, current	274,789	-	274,789
Restricted assets:			
Restricted cash and cash equivalents	2,204,216	1,119,307	3,323,523
Total current assets	15,565,547	6,387,729	21,953,276
Non-current assets:			
Leases receivable	233,377	-	233,377
Capital assets:			
Capital assets, non-depreciable	2,388,027	1,545,593	3,933,620
Capital assets, net of depreciation	11,288,230	27,304,278	38,592,508
Total non-current assets	13,909,634	28,849,871	42,759,505
Total assets	29,475,181	35,237,600	64,712,781
Deferred Outflows of Resources:			
Pension deferrals	1,633,616	267,720	1,901,336
Contributions to pension plan in current fiscal year	582,005	115,632	697,637
Total deferred outflows of resources	2,215,621	383,352	2,598,973
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	449,074	72,234	521,308
Liabilities to be paid from restricted assets	-	271,347	271,347
Long-term debt due within one year	979,982	1,186,607	2,166,589
Total current liabilities	1,429,056	1,530,188	2,959,244
Long-term liabilities:			
Long-term debt due in more than one year	5,435,441	5,625,674	11,061,115
Net pension liability	3,018,141	574,883	3,593,024
Total pension liability	589,349	-	589,349
Total long-term liabilities	9,042,931	6,200,557	15,243,488
Total liabilities	10,471,987	7,730,745	18,202,732
Deferred Inflows of Resources:			
Pension deferrals	224,838	11,081	235,919
Leases	533,227	-	533,227
Total deferred inflows of resources	758,065	11,081	769,146
Net Position:			
Net investment in capital assets	9,159,969	22,097,361	31,257,330
Restricted for stabilization by state statute	1,186,728	-	1,186,728
Restricted for streets	63,305	-	63,305
Restricted for cultural and recreation	530,264	-	530,264
Restricted for capacity impact fees	-	847,960	847,960
Unrestricted	9,520,484	4,933,805	14,454,289
Total net position	\$ 20,460,750	\$ 27,879,126	\$ 48,339,876

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

TOWN OF BEAUFORT, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
Functions/Programs :				
Primary Government:				
Governmental Activities:				
General government	\$ 1,872,005	\$ 315,833	\$ 1,360,688	\$ -
Public safety	5,737,367	634,631	140,830	61,560
Public works and utilities	1,529,798	58,038	215,469	-
Environmental protection	688,344	840,196	-	-
Economic development	174,397	-	174,386	-
Cultural and recreation	396,363	11,790	-	-
Interest on long-term debt	172,868	-	-	-
Total governmental activities	<u>10,571,142</u>	<u>1,860,488</u>	<u>1,891,373</u>	<u>61,560</u>
Business-Type Activities:				
Utility Fund	<u>3,949,955</u>	<u>4,783,328</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 14,521,097</u>	<u>\$ 6,643,816</u>	<u>\$ 1,891,373</u>	<u>\$ 61,560</u>

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

TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs :			
Primary Government:			
Governmental Activities:			
General government	\$ (195,484)	\$ -	\$ (195,484)
Public safety	(4,900,346)	-	(4,900,346)
Public works and utilities	(1,256,291)	-	(1,256,291)
Environmental protection	151,852	-	151,852
Economic development	(11)	-	(11)
Cultural and recreation	(384,573)	-	(384,573)
Interest on long-term debt	(172,868)	-	(172,868)
Total governmental activities	<u>(6,757,721)</u>	<u>-</u>	<u>(6,757,721)</u>
Business-Type Activities:			
Utility Fund	<u>-</u>	<u>833,373</u>	<u>833,373</u>
Total primary government	<u>(6,757,721)</u>	<u>833,373</u>	<u>(5,924,348)</u>
General Revenues:			
Property tax	5,390,238	-	5,390,238
Other taxes	4,300,341	-	4,300,341
Gain on sale of capital assets	1,005	-	1,005
Investment earnings	305,391	100,396	405,787
Miscellaneous	<u>-</u>	<u>213,952</u>	<u>213,952</u>
Total general revenues, excluding transfers	9,996,975	314,348	10,311,323
Transfers	<u>(944,333)</u>	<u>944,333</u>	<u>-</u>
Total general revenues and transfers	<u>9,052,642</u>	<u>1,258,681</u>	<u>10,311,323</u>
Change in net position	2,294,921	2,092,054	4,386,975
Net Position:			
Beginning of year, July 1	<u>18,165,829</u>	<u>25,787,072</u>	<u>43,952,901</u>
End of year, June 30	<u>\$ 20,460,750</u>	<u>\$ 27,879,126</u>	<u>\$ 48,339,876</u>

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

TOWN OF BEAUFORT, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Major Funds			
	General Fund	Federal American Rescue Plan Act 2021 - Stormwater and Equipment	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 9,019,142	\$ -	\$ 2,496,529	\$ 11,515,671
Property taxes receivable	172,216	-	-	172,216
Due from other government	1,320,621	-	-	1,320,621
Accounts receivable	68,761	-	-	68,761
Leases receivable	508,166	-	-	508,166
Prepaid items	8,512	-	-	8,512
Restricted cash and cash equivalents	63,305	-	2,140,911	2,204,216
Total assets	<u>\$ 11,160,723</u>	<u>\$ -</u>	<u>\$ 4,637,440</u>	<u>\$ 15,798,163</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 392,543</u>	<u>\$ -</u>	<u>\$ 1,777</u>	<u>\$ 394,320</u>
Deferred Inflows of Resources:				
Property taxes receivable	172,216	-	-	172,216
Unavailable revenue	177,593	-	-	177,593
Leases	<u>533,227</u>	<u>-</u>	<u>-</u>	<u>533,227</u>
Total deferred inflows of resources	<u>883,036</u>	<u>-</u>	<u>-</u>	<u>883,036</u>
Fund Balances:				
Non-spendable:				
Prepaid items	8,512	-	-	8,512
Restricted:				
Stabilization by state statute	1,186,728	-	-	1,186,728
Streets - Powell Bill	63,305	-	-	63,305
Cultural and recreation	-	-	530,264	530,264
Public works and utilities	-	-	1,610,647	1,610,647
Committed:				
Public works and utilities	-	-	2,416,144	2,416,144
Public safety	-	-	78,608	78,608
Unassigned	<u>8,626,599</u>	<u>-</u>	<u>-</u>	<u>8,626,599</u>
Total fund balances	<u>9,885,144</u>	<u>-</u>	<u>4,635,663</u>	<u>14,520,807</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,160,723</u>	<u>\$ -</u>	<u>\$ 4,637,440</u>	<u>\$ 15,798,163</u>

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

TOWN OF BEAUFORT, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balance	\$ 14,520,807
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	13,676,257
Net pension liability	(3,018,141)
Total pension liability	(589,349)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	582,005
Pension related deferrals - outflows	1,633,616
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(6,470,177)
Pension related deferrals - inflows	(224,838)
Other long-term assets (accrued interest receivable - leases) are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	761
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be received within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	<u>349,809</u>
Net position of governmental activities per Exhibit A	<u><u>\$ 20,460,750</u></u>

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

TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Major Funds			
	General Fund	Federal American Rescue Plan Act 2021 - Stormwater and Equipment	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 5,384,854	\$ -	\$ -	\$ 5,384,854
Other taxes and licenses	3,808,888	-	-	3,808,888
Unrestricted intergovernmental	491,453	-	-	491,453
Restricted intergovernmental	279,622	1,360,688	174,386	1,814,696
Permits and fees	1,521,482	-	-	1,521,482
Sales and services	221,884	-	-	221,884
Investment earnings	307,942	-	199	308,141
Miscellaneous	194,804	-	-	194,804
Total revenues	<u>12,210,929</u>	<u>1,360,688</u>	<u>174,585</u>	<u>13,746,202</u>
Expenditures:				
Current:				
General government	1,253,190	-	-	1,253,190
Public safety	5,660,271	-	-	5,660,271
Public works and utilities	1,284,079	-	134,315	1,418,394
Environmental protection	688,344	-	-	688,344
Cultural and recreation	330,679	-	-	330,679
Economic development	-	-	174,397	174,397
Non-departmental	544,853	-	-	544,853
Debt service:				
Principal	689,453	-	-	689,453
Interest	174,982	-	-	174,982
Total expenditures	<u>10,625,851</u>	<u>-</u>	<u>308,712</u>	<u>10,934,563</u>
Revenues over (under) expenditures	<u>1,585,078</u>	<u>1,360,688</u>	<u>(134,127)</u>	<u>2,811,639</u>
Other Financing Sources (Uses):				
Long-term debt issued	74,871	-	-	74,871
Transfers in	1,360,688	-	655,994	2,016,682
Transfers out	(1,600,327)	(1,360,688)	-	(2,961,015)
Total other financing sources (uses)	<u>(164,768)</u>	<u>(1,360,688)</u>	<u>655,994</u>	<u>(869,462)</u>
Net change in fund balances	1,420,310	-	521,867	1,942,177
Fund Balances:				
Beginning of year, July 1	<u>8,464,834</u>	<u>-</u>	<u>4,113,796</u>	<u>12,578,630</u>
End of year, June 30	<u>\$ 9,885,144</u>	<u>\$ -</u>	<u>\$ 4,635,663</u>	<u>\$ 14,520,807</u>

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

TOWN OF BEAUFORT, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL ACTIVITIES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 1,942,177
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
Property taxes	5,384
Interest - leases	(2,750)
Benefit payments paid and administrative expense for the LEOSSA and contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	120,793
Change in net pension liability	(2,196,901)
Change in total pension liability	138,205
Change in pension related deferred outflows	557,223
Change in pension related deferred inflows	1,049,935
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	758,409
Depreciation and amortization expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(713,241)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	689,453
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(42,569)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, are not reported in the funds.	2,114
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	<u>(74,871)</u>
Total changes in net position of governmental activities per Exhibit B	<u>\$ 2,294,921</u>

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

TOWN OF BEAUFORT, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 5,329,563	\$ 5,335,813	\$ 5,384,854	\$ 49,041
Other taxes and licenses	3,482,905	3,482,905	3,808,888	325,983
Unrestricted intergovernmental	420,889	420,889	491,453	70,564
Restricted intergovernmental	348,798	446,798	279,622	(167,176)
Permits and fees	1,266,956	1,266,956	1,521,482	254,526
Sales and services	246,163	246,163	221,884	(24,279)
Investment earnings	2,000	2,000	307,942	305,942
Miscellaneous	462,700	490,298	194,804	(295,494)
Total revenues	<u>11,559,974</u>	<u>11,691,822</u>	<u>12,210,929</u>	<u>519,107</u>
Expenditures:				
Current:				
General government	1,467,401	1,533,737	1,253,190	280,547
Public safety	5,011,315	6,227,634	5,660,271	567,363
Public works and utilities	1,651,763	1,712,963	1,284,079	428,884
Environmental protection	757,706	754,206	688,344	65,862
Cultural and recreation	360,460	409,225	330,679	78,546
Non-departmental	1,270,289	759,383	544,853	214,530
Debt service:				
Principal	683,095	686,345	689,453	(3,108)
Interest	178,306	178,106	174,982	3,124
Total expenditures	<u>11,380,335</u>	<u>12,261,599</u>	<u>10,625,851</u>	<u>1,635,748</u>
Revenues over (under) expenditures	<u>179,639</u>	<u>(569,777)</u>	<u>1,585,078</u>	<u>2,154,855</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	-	74,871	74,871
Transfers in	-	1,360,688	1,360,688	-
Transfers out	(239,639)	(1,600,327)	(1,600,327)	-
Total other financing sources (uses)	<u>(239,639)</u>	<u>(239,639)</u>	<u>(164,768)</u>	<u>74,871</u>
Appropriated fund balance	<u>60,000</u>	<u>809,416</u>	<u>-</u>	<u>(809,416)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,420,310</u>	<u>\$ 1,420,310</u>
Fund Balance:				
Beginning of year, July 1			<u>8,464,834</u>	
End of year, June 30			<u>\$ 9,885,144</u>	

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

TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	Enterprise Fund Utility Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,384,976
Accounts receivable, net	883,446
Restricted cash and cash equivalents	1,119,307
Total current assets	<u>6,387,729</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	1,545,593
Capital assets, net of depreciation	<u>27,304,278</u>
Total capital assets	<u>28,849,871</u>
Total non-current assets	<u>28,849,871</u>
Total assets	<u>35,237,600</u>
Deferred Outflows of Resources:	
Pension deferrals	267,720
Contributions to pension plan in current fiscal year	<u>115,632</u>
Total deferred outflows of resources	<u>383,352</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	72,234
Compensated absences - current portion	59,771
Current portion of long-term debt	1,126,836
Liabilities to be paid from restricted assets:	
Customer deposits	<u>271,347</u>
Total current liabilities	<u>1,530,188</u>
Non-current liabilities:	
Other long-term debt	5,625,674
Net pension liability	<u>574,883</u>
Total non-current liabilities	<u>6,200,557</u>
Total liabilities	<u>7,730,745</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>11,081</u>
Net Position:	
Net investment in capital assets	22,097,361
Restricted	847,960
Unrestricted	<u>4,933,805</u>
Total net position	<u>\$ 27,879,126</u>

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

TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Enterprise Fund
	Utility Fund
Operating Revenues:	
Charges for sales and services	\$ 4,638,898
Tap fees	123,300
Connection fees	21,130
Total operating revenues	<u>4,783,328</u>
Operating Expenses:	
Water operations	781,175
Sewer operations	1,934,547
Depreciation	1,065,663
Total operating expenses	<u>3,781,385</u>
Operating income (loss)	<u>1,001,943</u>
Non-Operating Revenues (Expenses):	
Interest income	100,396
Capacity use fees	213,952
Interest on long-term debt	(168,570)
Total non-operating revenues (expenses)	<u>145,778</u>
Income (loss) before transfers	1,147,721
Transfers in	1,300,188
Transfers (out)	<u>(355,855)</u>
Change in net position	2,092,054
Net Position:	
Beginning of year, July 1	<u>25,787,072</u>
End of year, June 30	<u>\$ 27,879,126</u>

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

TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Enterprise Fund
	Utility Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 4,754,558
Cash paid for goods and services	(1,639,451)
Cash paid to employees	(1,091,410)
Customer deposits	23,098
Net cash provided (used) by operating activities	<u>2,046,795</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers in (out)	<u>944,333</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(284,676)
Capacity use fees collected	213,952
Principal paid on long-term debt	(1,126,836)
Interest paid on long-term debt	<u>(172,574)</u>
Net cash provided (used) for capital and related financing activities	<u>(1,370,134)</u>
Cash Flows from Investing Activities:	
Interest received from investments	<u>100,396</u>
Net increase (decrease) in cash and cash equivalents	1,721,390
Cash and Cash Equivalents:	
Beginning of year, July 1	<u>3,782,893</u>
End of year, June 30	<u><u>\$ 5,504,283</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 1,001,943
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,065,663
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(28,771)
Increase (decrease) in accounts payable	(75,843)
Increase (decrease) in accrued compensated absences	5,671
Increase (decrease) in customer deposits	23,098
(Increase) decrease in deferred outflows of resources for pensions	(144,129)
Increase (decrease) in deferred inflows of resources for pensions	(219,294)
Increase (decrease) in net pension liability	<u>418,457</u>
Net cash provided (used) by operating activities	<u><u>\$ 2,046,795</u></u>

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

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TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Beaufort, North Carolina, (the "Town") 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 Beaufort is a municipal corporation that is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present the Town. The Town does not have a component unit.

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 particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements are provided for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. 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 items such as investment earnings are ancillary activities.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town reports the following major governmental funds:

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

Federal American Rescue Plan Act 2021 – Stormwater and Equipment Fund – This special revenue fund is used to account for the federal ARPA grant funds that are restricted for use for a particular purpose and is used to track the activities of that grant.

The Town reports the following nonmajor governmental funds:

ZSR Grant Fund – This special revenue fund is used to account for the ZSR grant.

Community Improvement Fund – This capital project fund is used to account for the construction of a new community park.

Street Rehabilitation and Pedestrian Improvements Fund – This capital project fund is used for street rehabilitation and pedestrian improvements.

USSI – Stormwater and Streets Improvements Fund – This capital project fund is used for USDA funded utility improvements.

Capital Reserve Fund – This capital project fund is used to accumulate resources for future capital projects.

Stormwater and Equipment Fund – This capital project fund is used to account for stormwater improvements and equipment purchases.

The Town reports the following major enterprise fund:

Utility Fund – This fund is used to account for the Town's water and sewer operations. Four Utility Capital Project Funds have been consolidated into the Utility Fund for financial reporting purposes. The budgetary comparison for the Utility Capital Project Funds have been included in the supplemental information.

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.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

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

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Carteret 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. Expenditure-drive grants are recognized as revenue when the qualifying expenditure have been incurred and all other grant requirements have been satisfied.

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 and enterprise funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the all the remaining governmental funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. The governing board must approve all amendments. The Town Manager is authorized to transfer funds from one appropriation to another within the same fund without limitation. Funds may not be transferred between funds without prior approval from the Board. Upon notification of funding increases or decreases to existing grants or revenues, or the award of grants or revenues, the Town Manager may adjust budgets to match, including grants that require a match for which funds are available. 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

Deposits and Investments

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

State law [G.S. 159-30] 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

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

(NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, an SEC-registered (2a-7) government money market fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

Restricted Assets

Powell Bill funds are classified as restricted cash because it can only be expended for the purposes outlined in G.S. 136-41.1 through 136-41.4 of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The unexpended debt proceeds of the Street Rehabilitation and Pedestrian Improvements Fund's long-term debt issued are classified as restricted assets because their uses are completely restricted for the purpose for which the debt was originally issued. Donations received that were placed in the Community Improvement Fund are restricted for the purpose in which it was collected: projects for community improvements. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Capacity impact fees are classified as restricted because the funds collected are to be expended only for the purpose in which it was collected.

	Restricted Cash
Governmental Activities:	
General Fund - Powell Bill - streets	\$ 63,305
Nonmajor Funds:	
Street Rehabilitation and Pedestrian Improvements	
Fund - unspent debt proceeds	1,610,647
Community Improvement Fund - donations	<u>530,264</u>
	<u>2,204,216</u>
Business-Type Activities:	
Utility Fund:	
Customer deposits	271,347
Capacity impact fees	<u>847,960</u>
	<u>1,119,307</u>
Total	<u><u>\$ 3,323,523</u></u>

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

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.

Leases Receivable

The Town's leases receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

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.

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.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost (\$5,000) and an estimated useful life in excess of two years. 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, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

Capital assets, except for land and construction in progress, are depreciated on the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Computer equipment	5-7 years
Vehicles	7-10 years
Equipment and fixtures	7-10 years
Buildings	25-40 years
Infrastructure	20-60 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets 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 related deferrals and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets 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 – pension related deferrals, leases, unavailable revenue, and property taxes receivable.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Reimbursements for Pandemic-Related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$1,418,841 of fiscal recovery funds to be paid in two equal installments. The first installment of \$709,420 was received in July 2021 and the second installment was received in August 2022 for \$709,421. Town staff and the Board of Commissioners elected to use the ARPA funds as follows: \$17,864 for equipment, \$30,000 for water projects, \$10,289 for sewer projects, and the remaining \$1,360,688 for general fund salaries and benefits under the revenue replacement category. As of June 30, 2023, no funds under the Act remain unspent.

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 externally imposed either 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:

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

Prepaid Items – portion of fund balance that is not available because it represents the year-end balance of amounts paid for future benefits, which are not spendable resources.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation 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 to law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

Restricted for Cultural and Recreation – portion of fund balance that is restricted by the donor for construction of a new community park.

Restricted for Public Works and Utilities – portion of fund balance that is restricted by revenue source for street rehabilitation and pedestrian improvements. Unspent debt proceeds at year end for the fund is restricted for the purpose in which the debt was issued.

Restricted fund balance differs on Exhibit A from Exhibit C by unspent debt proceeds in the governmental funds of \$1,610,647.

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Beaufort'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 Public Works and Utilities – portion of fund balance that has been committed by the Board for future capital needs and ongoing active projects in public works and utilities.

Committed for Public Safety – portion of fund balance that has been committed by the Board for future capital needs and ongoing active projects in public safety.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The governing board has the authority to assign fund balance through the budget process.

Unassigned Fund Balance. The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that may report a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

The Town has adopted a financial policy that includes a minimum fund balance policy for the General Fund, which states that the General Fund unassigned fund balance at the close of each fiscal year shall not be less than 20 percent of actual General Fund net expenditures without prior approval of the Board.

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

Total fund balance - General Fund	\$ 9,885,144
Less:	
Prepaid items	(8,512)
Stabilization by state statute	<u>(1,186,728)</u>
Available for appropriation	<u>\$ 8,689,904</u>

F. 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's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

G. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

H. Revenues, Expenditures, and Expenses

Other Resources. The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as “transfers-out” in the General Fund and “transfers-in” in the receiving fund.

Cost Allocation. The General Fund provides administrative services to the Utility Fund. At the end of the year, a cost allocation is presented between the General Fund departments and the Utility Fund to show the cost allocated. At June 30, 2023, the amount allocated between funds was \$400,000.

2. Detail Notes On All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized using the Pooling Method. Under this method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town’s agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or with the escrow agent. Because of the inability to measure the exact amount 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.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

At June 30, 2023, the Town's deposits had a carrying amount of \$6,996,822 and a bank balance of \$7,275,923. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2023, the Town's petty cash fund totaled \$400.

Investments

At June 30, 2023, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2023</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 12,226,948</u>	N/A	AAAm

The Town has no formal policy regarding credit risk. The Town's investment in the NC Capital Management Trust's Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investor Service as of June 30, 2023.

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position as of June 30, 2023, are net of the following allowances for doubtful accounts:

	<u>General Fund</u>	<u>Utility Fund</u>
Solid waste receivable	\$ 32,828	\$ -
Taxes receivable	34,833	-
Water receivable	-	113,364
Sewer receivable	-	104,688
Total	<u>\$ 67,661</u>	<u>\$ 218,052</u>

Due from other governments consists of the following at June 30, 2023:

Utility sales tax	\$ 90,000
Local option sales tax	740,427
Due from County	186,063
Grants receivable	177,593
Sales tax refund	67,403
Others	59,135
Total	<u>\$ 1,320,621</u>

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Leases Receivable

Serviced by the General Fund:

On 7/1/2021, the Town was in a lease as a lessor for the use of 400 Front Street Deck with 8 years remaining. An initial lease receivable was recorded in the amount of \$37,923. At 06/30/2023, the value of the lease receivable is \$30,957. The lessee is required to make annual variable payments of \$5,594, adjusted annually for consumer price index. The lease has an interest rate of 2.359%. The value of the deferred inflow of resources at fiscal year-end was \$30,016 and the Town recognized lease revenue of \$5,003 during the year.

On 7/1/2021, the Town was in a lease as a lessor for the use of Beaufort Docks with 4 years remaining. An initial lease receivable was recorded in the amount of \$606,996. At 06/30/2023, the value of the lease receivable is \$264,056. The lessee is required to make monthly fixed payments of \$14,861. The lease has an interest rate of 1.643%. The value of the deferred inflow of resources at fiscal year-end was \$260,141 and the Town recognized lease revenue of \$173,428 during the year.

On 7/1/2021, the Town was in a lease as a lessor for the use of Beaufort House (upper and lower decks) with 7 years remaining. An initial lease receivable was recorded in the amount of \$33,840. At 06/30/2023, the value of the lease receivable is \$25,026. The lessee is required to make annual variable payments of \$6,618, adjusted annually for consumer price index. The lease has an interest rate of 2.283%. The value of the deferred inflow of resources at fiscal year-end was \$24,140 and the Town recognized lease revenue of \$6,035 during the year.

On 7/1/2021, the Town was in a lease as a lessor for the use of Inlet Inn Land with 8 years remaining. An initial lease receivable was recorded in the amount of \$159,945. At 06/30/2023, the value of the lease receivable is \$120,293. The lessee is required to make annual variable payments of \$23,342, adjusted annually for consumer price index. The lease has an interest rate of 2.359%. The value of the deferred inflow of resources at fiscal year-end was \$117,762 and the Town recognized lease revenue of \$21,091 during the year.

On 7/1/2021, the Town was in a lease as a lessor for the use of Sprint Cell Tower with 3 years remaining. An initial lease receivable was recorded in the amount of \$78,688. At 06/30/2023, the value of the lease receivable is \$26,228. The lessee is required to make annual fixed payments of \$26,615. The lease has an interest rate of 1.477%. The value of the deferred inflow of resources at fiscal year-end was \$39,344 and the Town recognized lease revenue of \$19,672 during the year.

On 7/1/2021, the Town was in a lease as a lessor for the use of T-Mobile Cell Tower with 4 years remaining. An initial lease receivable was recorded in the amount of \$71,938. At 06/30/2023, the value of the lease receivable is \$24,371. The lessee is required to make annual fixed payments of \$24,772. The lease has an interest rate of 1.643%. The value of the deferred inflow of resources at fiscal year-end was \$35,969 and the Town recognized lease revenue of \$17,985 during the year.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On 7/1/2021, the Town was in a lease as a lessor for the use of AT&T Cell Tower with 3 years remaining. An initial lease receivable was recorded in the amount of \$51,710. At 06/30/2023, the value of the lease receivable is \$17,235. The lessee is required to make annual fixed payments of \$17,490. The lease has an interest rate of 1.477%. The value of the deferred inflow of resources at fiscal year-end was \$25,855 and the Town recognized lease revenue of \$12,927 during the year.

	<u>Leases Receivable</u>	<u>Deferred Inflows</u>
<i>Leased Airspace:</i>		
400 Front Street Deck	\$ 30,957	\$ 30,016
	<u>30,957</u>	<u>30,016</u>
<i>Leased Buildings:</i>		
Beaufort Docks	264,056	260,141
Beaufort House - upper and lower deck	25,026	24,140
	<u>289,082</u>	<u>284,281</u>
<i>Leased Land:</i>		
Inlet Inn Land	120,293	117,762
	<u>120,293</u>	<u>117,762</u>
<i>Leased Towers:</i>		
Sprint Cell Tower	26,228	39,344
T-Mobile Cell Tower	24,371	35,969
ATT Cell Tower	17,235	25,855
	<u>67,834</u>	<u>101,168</u>
Total leases	<u>\$ 508,166</u>	<u>\$ 533,227</u>

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>	<u>Current Portion</u>
Governmental Activities:					
Leased airspace	\$ 74,936	\$ 5,285	\$ 49,264	\$ 30,957	\$ 4,864
Leased buildings	465,028	2,424	178,370	289,082	181,360
Leased land	140,538	-	20,245	120,293	20,728
Leased towers	134,641	-	66,807	67,834	67,837
Total	<u>\$ 815,143</u>	<u>\$ 7,709</u>	<u>\$ 314,686</u>	<u>\$ 508,166</u>	<u>\$ 274,789</u>

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
By Type:				
Non-Depreciable Capital Assets:				
Land and improvements	\$ 2,071,212	\$ -	\$ -	\$ 2,071,212
Construction in progress	415,845	134,315	(233,345)	316,815
Total non-depreciable capital assets	<u>2,487,057</u>	<u>134,315</u>	<u>(233,345)</u>	<u>2,388,027</u>
Depreciable Capital Assets:				
Buildings and improvements	5,903,663	7,992	-	5,911,655
Infrastructure	4,837,078	-	-	4,837,078
Equipment and fixtures	1,465,852	17,864	-	1,483,716
Vehicles	4,086,040	756,712	-	4,842,752
Right to use lease equipment	-	74,871	-	74,871
Total depreciable capital assets	<u>16,292,633</u>	<u>857,439</u>	<u>-</u>	<u>17,150,072</u>
Less Accumulated Depreciation and Amortization:				
Buildings and improvements	1,313,976	151,163	-	1,465,139
Infrastructure	489,980	141,392	-	631,372
Equipment and fixtures	996,194	85,087	-	1,081,281
Vehicles	2,348,451	329,360	-	2,677,811
Right to use lease equipment	-	6,239	-	6,239
Total accumulated depreciation and amortization	<u>5,148,601</u>	<u>\$ 713,241</u>	<u>\$ -</u>	<u>5,861,842</u>
Depreciable capital assets, net	<u>11,144,032</u>			<u>11,288,230</u>
Capital assets, net	<u>\$ 13,631,089</u>			<u>\$ 13,676,257</u>

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

Governmental Activities:

General government	\$ 41,593
Public safety	394,783
Public works and utilities	193,317
Cultural and recreational	83,548
Total	<u>\$ 713,241</u>

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The following is summary of changes in the business-type capital assets for the fiscal year:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
Non-Depreciable Capital Assets:				
Land and improvements	\$ 444,059	\$ -	\$ -	\$ 444,059
Construction in progress	946,746	154,788	-	1,101,534
Total non-depreciable capital assets	<u>1,390,805</u>	<u>154,788</u>	<u>-</u>	<u>1,545,593</u>
Depreciable Capital Assets:				
Equipment and fixtures	1,113,180	26,819	-	1,139,999
Vehicles	644,903	89,438	-	734,341
Buildings and improvements	1,361,814	-	-	1,361,814
Plant and collection system	32,183,885	13,631	-	32,197,516
Plant and distribution system	7,726,953	-	-	7,726,953
Total depreciable capital assets	<u>43,030,735</u>	<u>129,888</u>	<u>-</u>	<u>43,160,623</u>
Less Accumulated Depreciation:				
Equipment and fixtures	703,934	75,934	-	779,868
Vehicles	362,406	44,722	-	407,128
Buildings and improvements	1,080,607	20,389	-	1,100,996
Plant and collection system	10,567,736	777,397	-	11,345,133
Plant and distribution system	2,075,999	147,221	-	2,223,220
Total accumulated depreciation	<u>14,790,682</u>	<u>\$ 1,065,663</u>	<u>\$ -</u>	<u>15,856,345</u>
Depreciable capital assets, net	<u>28,240,053</u>			<u>27,304,278</u>
Capital assets, net	<u>\$ 29,630,858</u>			<u>\$ 28,849,871</u>

Construction Commitments

The government has active construction projects as of June 30, 2023. At year-end, the government's commitment with contractors are as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining</u> <u>Commitment</u>
USDA - Stormwater and Street Improvements	\$ 208,088	\$ 3,697,912
Street Rehabilitation and Pedestrian Improvements	93,056	1,832,341
Stormwater and Equipment	15,671	44,829
Total governmental projects	<u>\$ 316,815</u>	<u>\$ 5,575,082</u>
Utilities	\$ 72,967	1,227,221
USDA - Utilities Improvements	1,018,278	19,092,722
Total business-type projects	<u>\$ 1,091,245</u>	<u>\$ 20,319,943</u>

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2023 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets, net of depreciation	\$ 13,676,257	\$ 28,849,871
Long-term debt	(6,126,935)	(6,752,510)
Unspent debt proceeds	1,610,647	-
Net investment in capital assets	<u>\$ 9,159,969</u>	<u>\$ 22,097,361</u>

B. Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2023 were as follows:

Type of Payable	Governmental Activities	Business-Type Activities	Total
Trade payables	\$ 225,963	\$ 21,956	\$ 247,919
Accrued interest	54,754	24,132	78,886
Accrued salaries and benefits	168,357	26,146	194,503
Total	<u>\$ 449,074</u>	<u>\$ 72,234</u>	<u>\$ 521,308</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to 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 Beaufort 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's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$674,450 for the year ended June 30, 2023.

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.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

At June 30, 2023, the Town reported a liability of \$3,593,024 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the Town's proportion was 0.06369%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2021 (measurement date).

For the year ended June 30, 2023, the Town recognized pension expense of \$1,018,411. At June 30, 2023, 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	\$ 154,820	\$ 15,179
Changes in assumptions	358,503	-
Net difference between projected and actual earnings on pension plan investments	1,187,533	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,638	54,064
Town contributions subsequent to the measurement date	<u>674,450</u>	<u>-</u>
Total	<u><u>\$ 2,395,944</u></u>	<u><u>\$ 69,243</u></u>

\$674,450 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 529,323
2025	432,157
2026	125,011
2027	565,760
2028	-
Thereafter	<u>-</u>
Total	<u><u>\$ 1,652,251</u></u>

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Actuarial Assumptions. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality tables that vary by age, gender, employee group (i.e., general and 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions and methods used in the December 31, 2021, actuarial valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

Future and ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	6.0%	2.7%
Total	100.0%	

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 6,484,948</u>	<u>\$ 3,593,024</u>	<u>\$ 1,209,913</u>

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

Law Enforcement Officers' Special Separation Allowance

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% 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

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	4
Active plan members	<u>18</u>
Total	<u><u>22</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2021 valuation. The total pension liability 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 per annum
Discount rate	4.31 percent per annum, compounded annually

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employee's Retirement System for the five-year period ending December 31, 2019.

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

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

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

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Deaths After Retirement (*Survivors of Deceased Members*): Mortality rates are based on the Below-Median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward 3 years. Rates for female members are set forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-Median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and, at present, has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County'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 \$46,374 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, 2023, the Town reported a total pension liability of \$589,349. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$86,472.

At June 30, 2023, 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	\$ 90,201	\$ 49,820
Changes of assumptions and other inputs	89,641	116,856
Town benefit payments and plan administrative expense made subsequent to the measurement date	23,187	-
Total	<u>\$ 203,029</u>	<u>\$ 166,676</u>

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$23,187 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 24,068
2025	10,874
2026	19,308
2027	(21,311)
2028	(19,773)
Thereafter	-
Total	<u>\$ 13,166</u>

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 4.31% as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.31%) or one percentage point higher (5.31%) than the current rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	<u>\$ 644,645</u>	<u>\$ 589,349</u>	<u>\$ 540,084</u>

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

	2023
Beginning balance, December 31, 2021	\$ 727,554
Service cost	42,169
Interest on the total pension liability	15,848
Differences between expected and actual experience in the measurement of the total pension liability	(28,724)
Changes of assumptions or other inputs	(121,124)
Benefit payments	<u>(46,374)</u>
Ending balance of the total pension liability, December 31, 2022	<u>\$ 589,349</u>

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.25% at December 31, 2021 (measurement date) to 4.31% at December 31, 2022 (measurement date).

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

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	0.0637%	N/A	
Total pension liability	\$ -	\$ 589,349	\$ 589,349
Net pension liability	3,593,024	-	3,593,024
Pension expense	1,018,411	86,472	1,104,883

Deferred Outflows of Resources

Differences between expected and actual experience	\$ 154,820	\$ 90,201	\$ 245,021
Changes in assumptions	358,503	89,641	448,144
Net difference between projected and actual earnings on pension plan investments	1,187,533	-	1,187,533
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,638	-	20,638
Town contributions subsequent to the measurement date	674,450	23,187	697,637
Total	<u>\$ 2,395,944</u>	<u>\$ 203,029</u>	<u>\$2,598,973</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 15,179	\$ 49,820	\$ 64,999
Changes in proportion and differences between Town contributions and proportionate share of contributions	54,064	-	54,064
Changes in assumptions	-	116,856	116,856
Total	<u>\$ 69,243</u>	<u>\$ 166,676</u>	<u>\$ 235,919</u>

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

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the Plan. Contributions for the year ended June 30, 2023 were \$83,045, which consisted of \$66,901 from the Town and \$16,144 from the law enforcement officers. No amounts were forfeited.

Supplemental Retirement Income Plan – Employees Other Than Law Enforcement Officers

The Town has elected to include all other employees in the plan and contribute an amount equal to five percent of each employee's salary for all employees. Contributions for the year ended June 30, 2023 were \$310,344, which consisted of \$205,817 from the Town and \$104,527 from the general employees. No amounts were forfeited.

Post-Employment Benefits

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Town employees permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation in the plan is at the option of the employee. Investments are managed by the Plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. Employee contributions to the plan during fiscal year 2023 amounted to \$9,845.

The Town has complied with changes in the laws, which govern the Town's deferred compensation plans, requiring all position of the plans to be held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans", the Town's Deferred Compensation Plan is not reported as Town agency funds.

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 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 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 will be a minimum of \$25,000 but will not exceed \$50,000. Because all

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position are comprised of the following:

<u>Source</u>	<u>Amount</u>
Benefit payments made and administration expenses for pension	\$ 697,637
Differences between expected and actual experience	245,021
Changes of assumptions	448,144
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,638
Total	<u><u>\$ 2,598,973</u></u>

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

<u>Source</u>	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Property taxes receivable	\$ -	\$ 172,216
Grants receivable	-	177,593
Leases	533,227	533,227
Differences between expected and actual experience	64,999	-
Changes of assumptions	116,856	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	54,064	-
Total	<u><u>\$ 769,146</u></u>	<u><u>\$ 883,036</u></u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two 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 \$2 million per occurrence, property coverage up to \$31,656,467, workers' compensation coverage up to \$500,000. The pools are reinsured through commercial companies for single occurrence claims against general liability, and auto liability in excess of \$1,000,000, and \$150,000 for workers' compensation.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area that 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 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.

In accordance with G.S. 159-29, the Town's employees who have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$100,000. The remaining employees who have access to funds are bonded under a blanket bond for \$200,000. Effective with the bond renewal on July 1, 2023, the Town increased the bonding for the Finance Officer to \$1,000,000 in order to comply with S.L. 2022-53, section 9(a).

Claims, Judgments and Contingent Liabilities

At June 30, 2023, the Town was a defendant to various lawsuits. In the opinion of the Town's management and Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Long-Term Obligations

Lease Liabilities

The Town has entered into an agreement to lease office equipment. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of its inception.

Governmental Activities:

In August 2022, the Town entered into a lease for office equipment for the Administrative, Police, Fire, and Public Works departments. An initial lease liability was recorded in the amount of \$74,871. The Town is required to make payments of \$1,324 for 60 months, beginning February 1, 2023. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.359%, which is the sated rate in the lease agreement. The lease liability balance on June 30, 2023, was \$68,964. The value of the right to use asset at year end was \$74,871 with accumulated depreciation of \$6,239.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Governmental	
	Principal	Interest
2024	\$ 14,418	\$ 1,472
2025	14,762	1,128
2026	15,114	776
2027	15,474	415
2028	9,196	72
Total	<u>\$ 68,964</u>	<u>\$ 3,863</u>

Installment Purchases

Installment purchases at June 30, 2023 are comprised of the following individual agreements:

Governmental Activities (direct placement):

\$1,500,000 note issued June 2011, interest at 2.95%, payable in annual installments of \$100,000, plus interest, with a final payment due in fiscal year 2026; secured by building	\$ 400,000
\$3,675,000 note issued April 2020, interest at 2.44%, payable in annual installments of \$245,000, plus interest, with a final payment due in fiscal year 2035; secured by equipment	2,940,000
\$3,000,000 note issued December 2015, interest at 3.35%, payable in semi-annual installments of \$100,000, including interest, with a final payment due in fiscal year 2030; secured by building	1,600,000
\$1,001,687 note issued April 2020, interest at 2.19%, payable in annual installments of \$79,202, including interest, with a final payment due in fiscal year 2035; secured by vehicle	828,011
\$360,000 note issued August 2021, interest at 1.38%, payable in annual installments ranging from \$70,043 to \$73,987, plus interest, with a final payment due in fiscal year 2027; secured by fire pumper truck	<u>289,960</u>
Total governmental activities installment purchases - direct placement	<u>\$ 6,057,971</u>

Installment purchase obligations from direct placements in the amount of \$6,057,971 include a provision that if the Town is determined to be in default, the full amount of the obligation could become due immediately, at the discretion of the lender.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Annual debt service payments of the direct placement installment purchases as of June 30, 2023 are as follows:

Year Ending June 30	Direct Placement Governmental	
	Principal	Interest
2024	\$ 677,076	\$ 156,120
2025	679,392	138,176
2026	681,753	120,187
2027	684,157	102,156
2028	511,597	85,554
2029-2033	2,180,510	224,922
2034-2035	643,486	22,854
Total	<u>\$ 6,057,971</u>	<u>\$ 849,969</u>

Business-Type Activities (direct borrowing):

\$602,293 NCDEQ loan issued December 2005, for the Cedar Street Sanitary Sewer Rehabilitation project; interest at 2.205%, payable in annual principal installments of \$30,115 and semi-annual interest payments through fiscal year May 2026; secured by system assets	\$ 90,343
\$592,554 NCDEQ loan issued July 2007, for the Sewer Force Main project; interest at 2.265%, payable in annual principal installments of \$29,628 and semi-annual interest payments through fiscal year May 2028; secured by system assets	148,137
\$5,557,814 NCDEQ loan issued July 2008, for the Waste Water Treatment Plant project; interest at 2.265%, payable in annual principal installments of \$277,766 and semi-annual interest payments through fiscal year May 2028; secured by system assets	1,388,826
\$1,011,208 NCDEQ loan issued November 2012, for the Well project; interest at 2.48%, payable in annual principal installments of \$50,560 and semi-annual interest payments through fiscal year May 2033; secured by system assets	505,605
\$14,023,600 NCDEQ loan issued April 2010, for the Waste Water Treatment Plant project; interest at 2.1%, payable in annual principal installments of \$692,017 and semi-annual interest payments through fiscal year May 2029; secured by system assets	4,152,099
\$935,000 NCDEQ loan issued April 2013, for the Sycamore Drive Water Project; interest at 2.455%, payable in annual principal installments of \$46,750 and semi-annual interest payments through fiscal year May 2033; secured by system assets	<u>467,500</u>
Total business-type activities installment purchases - direct borrowing	<u>\$ 6,752,510</u>

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Installment purchase obligations from direct borrowing in the amount of \$6,752,510 include a provision that if the Town is found to be in default, the full amount of the obligation could become due immediately, at the discretion of the lender.

Annual debt service payments of the direct borrowing installment purchases as of June 30, 2023 are as follows:

Year Ending June 30	Direct Borrowing Business-Type	
	Principal	Interest
2024	\$ 1,126,836	\$ 148,015
2025	1,126,836	123,454
2026	1,126,837	98,894
2027	1,096,721	74,333
2028	1,096,724	50,437
2029-2033	1,178,556	50,556
Total	<u>\$ 6,752,510</u>	<u>\$ 545,689</u>

At June 30, 2023, the Town of Beaufort had a legal debt margin of approximately \$89,860,000.

Long-Term Debt Obligation Activity

The following is a summary of the changes in the long-term debt obligations as of June 30, 2023:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
Governmental activities:					
Installment purchases - direct placement	\$ 6,741,517	\$ -	\$ 683,546	\$ 6,057,971	\$ 677,076
Lease liabilities	-	74,871	5,907	68,964	14,418
Compensated absences	245,919	230,412	187,843	288,488	288,488
Net pension liability (LGERS)	821,240	2,196,901	-	3,018,141	-
Total pension liability (LEO)	727,554	-	138,205	589,349	-
Total	<u>\$ 8,536,230</u>	<u>\$ 2,502,184</u>	<u>\$ 1,015,501</u>	<u>\$ 10,022,913</u>	<u>\$ 979,982</u>
	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
Business-type activities:					
Installment purchases - direct borrowing	\$ 7,879,346	\$ -	\$ 1,126,836	\$ 6,752,510	\$ 1,126,836
Compensated absences	54,100	44,555	38,884	59,771	59,771
Net pension liability (LGERS)	156,426	418,457	-	574,883	-
Total	<u>\$ 8,089,872</u>	<u>\$ 463,012</u>	<u>\$ 1,165,720</u>	<u>\$ 7,387,164</u>	<u>\$ 1,186,607</u>

Compensated absences for governmental activities typically have been liquidated in the General Fund. Pension benefits are typically liquidated in the General Fund and the Utility Fund.

TOWN OF BEAUFORT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds during the year ended June 30, 2023 consist of the following:

	<u>Amount</u>
From the Utility Fund to the Capital Reserve Fund to reserve funds for future capital projects	\$ 355,855
From the Federal ARPA 2021 - Stormwater and Equipment Fund to the General Fund for current year expenditures revenue replacement	1,360,688
From the General Fund to the Utility Capital Project Fund - Utilities for share of capital project	1,300,188
From the General Fund to the Stormwater and Equipment - Nonmajor Capital Project Fund for share of capital project	60,500
From the General Fund to the Capital Reserve Fund to reserve funds for future capital projects	<u>239,639</u>
	<u><u>\$ 3,316,870</u></u>

3. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

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TOWN OF BEAUFORT, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2023	2022	2021	2020	2019
Town's proportion of the net pension liability (asset) (%)	0.0637%	0.0638%	0.0646%	0.0594%	0.0551%
Town's proportion of the net pension liability (asset) (\$)	\$ 3,593,024	\$ 977,666	\$ 2,307,719	\$ 1,620,802	\$ 1,306,922
Town's covered payroll	\$ 4,574,979	\$ 4,247,728	\$ 4,213,495	\$ 3,593,838	\$ 3,137,753
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	78.54%	23.02%	54.77%	45.10%	41.65%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

Notes to the Schedule:

* 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 BEAUFORT, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0523%	0.0539%	0.0548%	0.0520%	0.0510%
Town's proportion of the net pension liability (asset) (\$)	\$ 798,234	\$ 1,143,301	\$ 246,074	\$ (306,668)	\$ 618,362
Town's covered payroll	\$ 2,967,679	\$ 2,836,171	\$ 2,718,474	\$ 2,729,254	\$ 2,660,526
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	26.90%	40.31%	9.05%	(11.24%)	23.24%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

TOWN OF BEAUFORT, NORTH CAROLINA

**TOWN OF BEAUFORT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

Local Governmental Employees' Retirement System					
	2023	2022	2021	2020	2019
Contractually required contribution	\$ 674,450	\$ 528,606	\$ 440,076	\$ 385,970	\$ 286,716
Contributions in relation to the contractually required contribution	<u>674,450</u>	<u>528,606</u>	<u>440,076</u>	<u>385,970</u>	<u>286,716</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 5,457,722	\$ 4,574,979	\$ 4,247,728	\$ 4,213,495	\$ 3,593,838
Contributions as a percentage of of covered payroll	12.36%	11.55%	10.36%	9.16%	7.98%

TOWN OF BEAUFORT, NORTH CAROLINA

**TOWN OF BEAUFORT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

Local Governmental Employees' Retirement System					
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 242,371	\$ 224,174	\$ 196,906	\$ 195,733	\$ 189,874
Contributions in relation to the contractually required contribution	<u>242,371</u>	<u>224,174</u>	<u>196,906</u>	<u>195,733</u>	<u>189,874</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,137,753	\$ 2,967,679	\$ 2,836,171	\$ 2,718,474	\$ 2,729,254
Contributions as a percentage of of covered payroll	7.72%	7.55%	6.94%	7.20%	6.96%

TOWN OF BEAUFORT, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE LAST SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 727,554	\$ 683,194	\$ 437,343	\$ 514,251
Service cost at end of year	42,169	45,688	28,001	21,429
Interest on the total pension liability	15,848	12,749	13,571	17,952
Differences between expected and actual experience in the measurement of the total pension liability	(28,724)	52,101	76,552	(85,707)
Changes of assumptions or other inputs	(121,124)	(20,952)	169,847	11,539
Benefit payments	(46,374)	(45,226)	(42,120)	(42,121)
Ending balance of the total pension liability	<u>\$ 589,349</u>	<u>\$ 727,554</u>	<u>\$ 683,194</u>	<u>\$ 437,343</u>

Notes to the Schedule:

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

As information becomes available, the Town will present the ten most current fiscal years' data.

TOWN OF BEAUFORT, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE LAST SEVEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 431,071	\$ 383,955	\$ 376,220
Service cost at end of year	22,208	18,912	19,064
Interest on the total pension liability	12,956	14,304	13,155
Differences between expected and actual experience in the measurement of the total pension liability	109,124	14,495	-
Changes of assumptions or other inputs	(18,987)	26,167	(9,042)
Benefit payments	<u>(42,121)</u>	<u>(26,762)</u>	<u>(15,442)</u>
Ending balance of the total pension liability	<u>\$ 514,251</u>	<u>\$ 431,071</u>	<u>\$ 383,955</u>

TOWN OF BEAUFORT, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE
OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 589,349	\$ 727,554	\$ 683,194	\$ 437,343
Covered-employee payroll	1,081,652	1,099,360	943,037	808,593
Total pension liability as a percentage of covered-employee payroll	54.49%	66.18%	72.45%	54.09%

Notes to the Schedule:

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

As information becomes available, the Town will present the ten most current fiscal years' data.

TOWN OF BEAUFORT, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE
OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 514,251	\$ 431,071	\$ 383,955
Covered-employee payroll	706,932	723,729	692,771
Total pension liability as a percentage of covered-employee payroll	72.74%	59.56%	55.42%

TOWN OF BEAUFORT, NORTH CAROLINA**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 5,362,294	
Penalties and interest		22,560	
Total ad valorem taxes	\$ 5,335,813	5,384,854	\$ 49,041
Other Taxes and Licenses:			
Local option sales tax		2,692,336	
Fire district sales tax		150,000	
Harlowe district sales tax		22,436	
Fire district ad valorem taxes		610,000	
Harlowe fire district ad valorem taxes		68,912	
ABC net revenues		265,204	
Total other taxes and licenses	3,482,905	3,808,888	325,983
Unrestricted Intergovernmental Revenues:			
Utility franchise tax		443,535	
Beer and wine tax		20,812	
Payments in lieu of tax		27,106	
Total unrestricted intergovernmental revenues	420,889	491,453	70,564
Restricted Intergovernmental Revenues:			
Other grants		140,830	
Powell Bill allocation		138,792	
Total restricted intergovernmental revenues	446,798	279,622	(167,176)
Permits and Fees:			
Building permits		371,630	
Court and parking fees		244,353	
Stormwater fees		142,662	
Garbage and recycle fees		697,534	
Solid waste fees		58,038	
Special events fee		7,265	
Total permits and fees	1,266,956	1,521,482	254,526

TOWN OF BEAUFORT, NORTH CAROLINA**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Sales and Services:			
Rents		217,359	
Sales of cemetery lots		4,525	
Total sales and services	<u>246,163</u>	<u>221,884</u>	<u>(24,279)</u>
Interest:			
Investment earnings	<u>2,000</u>	<u>307,942</u>	<u>305,942</u>
Miscellaneous Revenues:			
Insurance reimbursements		32,115	
Miscellaneous		162,689	
Total miscellaneous revenues	<u>490,298</u>	<u>194,804</u>	<u>(295,494)</u>
Total revenues	<u>11,691,822</u>	<u>12,210,929</u>	<u>519,107</u>
Expenditures:			
General Government:			
Governing Board:			
Governing board fees		56,792	
Professional fees		2,288	
Operating expenditures		37,462	
Total governing board	<u>103,256</u>	<u>96,542</u>	<u>6,714</u>
Administration:			
Salaries and benefits		514,203	
Operating expenditures		142,056	
Capital outlay		29,948	
Total administration	<u>690,400</u>	<u>686,207</u>	<u>4,193</u>
Finance:			
Salaries and benefits		384,149	
Tax collection fees		120,909	
Operating expenditures		53,739	
Cost allocation		(203,820)	
Total finance	<u>606,262</u>	<u>354,977</u>	<u>251,285</u>

TOWN OF BEAUFORT, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Parking:			
Salaries and benefits		76,472	
Operating expenditures		38,992	
Total parking	<u>133,819</u>	<u>115,464</u>	<u>18,355</u>
 Total general government	 <u>1,533,737</u>	 <u>1,253,190</u>	 <u>280,547</u>
 Public Safety:			
Police:			
Salaries and benefits		1,884,225	
Operating expenses		287,881	
Other grant expenditures		92,050	
Capital outlay		114,156	
Total police	<u>2,698,439</u>	<u>2,378,312</u>	<u>320,127</u>
 Fire Department:			
Salaries and benefits		1,894,861	
Operating expenses		325,396	
COVID-19		420	
Capital outlay		489,827	
Total fire department	<u>2,861,478</u>	<u>2,710,504</u>	<u>150,974</u>
 Planning and Inspections:			
Salaries and benefits		462,011	
Operating expenditures		18,645	
Capital outlay		90,799	
Total planning and inspections	<u>667,717</u>	<u>571,455</u>	<u>96,262</u>
 Total public safety	 <u>6,227,634</u>	 <u>5,660,271</u>	 <u>567,363</u>
 Public Works and Utilities:			
Public Works:			
Salaries and benefits		848,845	
Operating expenditures		117,280	
Street lights		130,708	

TOWN OF BEAUFORT, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Street maintenance		39,785	
Capital outlay		17,140	
Total public works	<u>1,378,832</u>	<u>1,153,758</u>	<u>225,074</u>
Public Service Administration:			
Salaries and benefits		314,787	
Operating expenditures		11,714	
Cost allocation		(196,180)	
Total public service administration	<u>334,131</u>	<u>130,321</u>	<u>203,810</u>
Total public works and utilities	<u>1,712,963</u>	<u>1,284,079</u>	<u>428,884</u>
Environmental Protection:			
Sanitation:			
Operating expenditures		500,029	
Garbage and trash collection		149,972	
Total sanitation	<u>663,656</u>	<u>650,001</u>	<u>13,655</u>
Stormwater:			
Operating expenditures		38,343	
Total stormwater	<u>90,550</u>	<u>38,343</u>	<u>52,207</u>
Total environmental protection	<u>754,206</u>	<u>688,344</u>	<u>65,862</u>
Cultural and Recreation:			
Operating expenditures		330,679	
Total cultural and recreation	<u>409,225</u>	<u>330,679</u>	<u>78,546</u>
Non-Departmental:			
Eury's Landing Condominium annual dues		800	
Human resources		33,447	
Employee engagement		9,510	
Professional services		184,988	
Legal services		195,561	
Others		120,547	
Total non-departmental	<u>759,383</u>	<u>544,853</u>	<u>214,530</u>

TOWN OF BEAUFORT, NORTH CAROLINA**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2023**

	Budget	Actual	Variance Over/Under
Debt Service:			
Principal	686,345	689,453	(3,108)
Interest	178,106	174,982	3,124
Total debt service	864,451	864,435	16
 Total expenditures	 12,261,599	 10,625,851	 1,635,748
 Revenues over (under) expenditures	 (569,777)	 1,585,078	 2,154,855
 Other Financing Sources (Uses):			
Long-term debt issued	-	74,871	74,871
Transfers in	1,360,688	1,360,688	-
Transfers out	(1,600,327)	(1,600,327)	-
Total other financing sources (uses)	(239,639)	(164,768)	74,871
 Appropriated fund balance	 809,416	 -	 (809,416)
 Net change in fund balance	 \$ -	 1,420,310	 \$ 1,420,310
 Fund Balance:			
Beginning of year, July 1		8,464,834	
 End of year, June 30		 \$ 9,885,144	

TOWN OF BEAUFORT, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND

FEDERAL AMERICAN RESCUE PLAN ACT 2021 - STORMWATER AND EQUIPMENT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

		Actual			
	Project Authorization	Prior Years	Current Year	Total	Variance Over/Under
Revenues:					
Restricted intergovernmental	\$ 1,418,841	\$ 58,153	\$ 1,360,688	\$ 1,418,841	\$ -
Expenditures:					
Economic development:					
Equipment	17,864	17,864	-	17,864	-
Revenues over (under) expenditures	1,400,977	40,289	1,360,688	1,400,977	-
Other Financing Sources (Uses):					
Transfer to Utility Fund Capital Project	(40,289)	(40,289)	-	(40,289)	-
Transfer to General Fund	(1,360,688)	-	(1,360,688)	(1,360,688)	-
Total other financing sources (uses)	(1,400,977)	(40,289)	(1,360,688)	(1,400,977)	-
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			\$ -		

TOWN OF BEAUFORT, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

		Capital Project Funds		
	Special Revenue Fund ZSR Grant Fund	Community Improvement Fund	Street Rehabilitation and Pedestrian Improvements Fund	USSI - Stormwater and Streets Improvements Fund
Assets:				
Cash and cash equivalents	\$ 1,777	\$ -	\$ 222,368	\$ 190,912
Restricted cash and cash equivalents	-	530,264	1,610,647	-
Total assets	<u>\$ 1,777</u>	<u>\$ 530,264</u>	<u>\$ 1,833,015</u>	<u>\$ 190,912</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 1,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:				
Restricted:				
Cultural and recreation	-	530,264	-	-
Public works and utilities	-	-	1,610,647	-
Committed:				
Public works and utilities	-	-	222,368	190,912
Public safety	-	-	-	-
Total fund balances	<u>-</u>	<u>530,264</u>	<u>1,833,015</u>	<u>190,912</u>
Total liabilities and fund balances	<u>\$ 1,777</u>	<u>\$ 530,264</u>	<u>\$ 1,833,015</u>	<u>\$ 190,912</u>

TOWN OF BEAUFORT, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>Capital Project Funds</u>			
	<u>Capital Reserve Fund</u>	<u>Stormwater and Equipment Fund</u>	<u>Total Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 2,036,643	\$ 44,829	\$ 2,494,752	\$ 2,496,529
Restricted cash and cash equivalents	-	-	2,140,911	2,140,911
Total assets	<u>\$ 2,036,643</u>	<u>\$ 44,829</u>	<u>\$ 4,635,663</u>	<u>\$ 4,637,440</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 1,777
Fund Balances:				
Restricted:				
Cultural and recreation	-	-	530,264	530,264
Public works and utilities	-	-	1,610,647	1,610,647
Committed:				
Public works and utilities	1,958,035	44,829	2,416,144	2,416,144
Public safety	78,608	-	78,608	78,608
Total fund balances	<u>2,036,643</u>	<u>44,829</u>	<u>4,635,663</u>	<u>4,635,663</u>
Total liabilities and fund balances	<u>\$ 2,036,643</u>	<u>\$ 44,829</u>	<u>\$ 4,635,663</u>	<u>\$ 4,637,440</u>

TOWN OF BEAUFORT, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Capital Project Funds			
	Special Revenue Fund ZSR Grant Fund	Community Improvement Fund	Street Rehabilitation and Pedestrian Improvements Fund	USSI - Stormwater and Streets Improvements Fund
Revenues:				
Restricted intergovernmental	\$ 174,386	\$ -	\$ -	\$ -
Investment earnings	11	-	188	-
Total revenues	<u>174,397</u>	<u>-</u>	<u>188</u>	<u>-</u>
Expenditures:				
Current:				
Public works and utilities	-	-	93,056	25,588
Economic development	<u>174,397</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>174,397</u>	<u>-</u>	<u>93,056</u>	<u>25,588</u>
Revenues over (under) expenditures	-	-	(92,868)	(25,588)
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(92,868)	(25,588)
Fund Balances:				
Beginning of year, July 1	<u>-</u>	<u>530,264</u>	<u>1,925,883</u>	<u>216,500</u>
End of year, June 30	<u>\$ -</u>	<u>\$ 530,264</u>	<u>\$ 1,833,015</u>	<u>\$ 190,912</u>

TOWN OF BEAUFORT, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Capital Project Funds</u>		
	<u>Capital Reserve Fund</u>	<u>Stormwater and Equipment Fund</u>	<u>Total Capital Project Funds</u>
			<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ -
Investment earnings	-	-	188
Total revenues	-	-	188
Expenditures:			
Current:			
Public works and utilities	-	15,671	134,315
Economic development	-	-	-
Total expenditures	-	15,671	134,315
Revenues over (under) expenditures	-	(15,671)	(134,127)
Other Financing Sources (Uses):			
Transfers in	595,494	60,500	655,994
Net change in fund balances	595,494	44,829	521,867
Fund Balances:			
Beginning of year, July 1	1,441,149	-	4,113,796
End of year, June 30	<u>\$ 2,036,643</u>	<u>\$ 44,829</u>	<u>\$ 4,635,663</u>

TOWN OF BEAUFORT, NORTH CAROLINA

ZSR GRANT FUND - NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

		Actual			
	Project Authorization	Prior Years	Current Year	Total	Variance Over/Under
Revenues:					
Restricted intergovernmental	\$ 600,000	\$ 425,614	\$ 174,386	\$ 600,000	\$ -
Investment earnings	-	28	11	39	39
Total revenues	600,000	425,642	174,397	600,039	39
Expenditures:					
Economic development:					
Staff	378,244	266,292	152,368	418,660	(40,416)
Consultants	153,639	132,651	10,184	142,835	10,804
Materials	3,741	4,651	91	4,742	(1,001)
Meetings	50,965	21,022	11,726	32,748	18,217
Travel	13,411	1,026	28	1,054	12,357
Total economic development	600,000	425,642	174,397	600,039	(39)
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			\$ -		

TOWN OF BEAUFORT, NORTH CAROLINA

COMMUNITY IMPROVEMENT FUND - NONMAJOR CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

		Actual			
	Project Authorization	Prior Years	Current Year	Total	Variance Over/Under
Revenues:					
Recreation fees	\$ -	\$ 8,587	\$ -	\$ 8,587	\$ 8,587
Expenditures:					
Cultural and recreation:					
Cedar St./Randolph Johnson					
Water Tower Park	521,677	-	-	-	521,677
Revenues over (under) expenditures	(521,677)	8,587	-	8,587	530,264
Other Financing Sources (Uses):					
Transfers from General Fund	521,677	521,677	-	521,677	-
Net change in fund balance	\$ -	\$ 530,264	-	\$ 530,264	\$ 530,264
Fund Balance:					
Beginning of year - July 1			530,264		
End of year - June 30			\$ 530,264		

TOWN OF BEAUFORT, NORTH CAROLINA

**STREET REHABILITATION AND PEDESTRIAN IMPROVEMENTS FUND -
NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

		Actual			
	Project Authorization	Prior Years	Current Year	Total	Variance Over/Under
Revenues:					
Investment earnings	\$ -	\$ 486	\$ 188	\$ 674	\$ 674
Expenditures:					
Public works and utilities:					
Engineering	10,800	-	31,570	31,570	(20,770)
Construction	1,579,218	-	61,486	61,486	1,517,732
Admin and legal	59,102	-	-	-	59,102
Contingency	276,277	-	-	-	276,277
Total expenditures	1,925,397	-	93,056	93,056	1,832,341
Revenues over (under) expenditures	(1,925,397)	486	(92,868)	(92,382)	1,833,015
Other Financing Sources (Uses):					
Long-term debt issued	1,703,703	1,703,703	-	1,703,703	-
Transfers from Capital Reserve Fund	221,694	221,694	-	221,694	-
Total other financing sources (uses)	1,925,397	1,925,397	-	1,925,397	-
Net change in fund balance	\$ -	\$ 1,925,883	(92,868)	\$ 1,833,015	\$ 1,833,015
Fund Balance:					
Beginning of year - July 1			1,925,883		
End of year - June 30			\$ 1,833,015		

TOWN OF BEAUFORT, NORTH CAROLINA

USDA - STORMWATER AND STREETS IMPROVEMENTS - NONMAJOR CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

		Actual			
	Project Authorization	Prior Years	Current Year	Total	Variance Over/Under
Revenues:					
Restricted intergovernmental revenues	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Expenditures:					
Public works and utilities:					
Planning	45,000	45,000	-	45,000	-
Design, permit & bid	354,000	137,500	25,588	163,088	190,912
Construction	3,507,000	-	-	-	3,507,000
Total expenditures	3,906,000	182,500	25,588	208,088	3,697,912
Revenues over (under) expenditures	(3,406,000)	(182,500)	(25,588)	(208,088)	(3,197,912)
Other Financing Sources (Uses):					
Long-term debt issued	3,007,000	-	-	-	(3,007,000)
Transfers from Capital Reserve Fund	254,000	254,000	-	254,000	-
Transfers from General Fund	145,000	145,000	-	145,000	-
Total other financing sources (uses)	3,406,000	399,000	-	399,000	(3,007,000)
Net change in fund balance	\$ -	\$ 216,500	(25,588)	\$ 190,912	\$ 190,912
Fund Balance:					
Beginning of year - July 1			216,500		
End of year - June 30			\$ 190,912		

TOWN OF BEAUFORT, NORTH CAROLINA

CAPITAL RESERVE FUND - NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Variance Over/Under
		Prior Years	Current Year	
Other Financing Sources (Uses):				
Transfer to Utility Fund	\$ (691,485)	\$ (90,000)	\$ -	\$ (90,000) \$ 601,485
Transfer to Capital Project Funds	(4,123,006)	-	-	- 4,123,006
Transfer to General Fund	(1,505,654)	(207,000)	-	(207,000) 1,298,654
Transfer from Utility Fund	4,271,797	472,134	355,855	827,989 (3,443,808)
Transfer from General Fund	1,981,348	1,266,015	239,639	1,505,654 (475,694)
Total other financing sources (uses)	<u>(67,000)</u>	<u>1,441,149</u>	<u>595,494</u>	<u>2,036,643</u> <u>2,103,643</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,441,149</u>	595,494	<u>\$ 2,036,643</u> <u>\$ 2,036,643</u>
Fund Balance:				
Beginning of year - July 1			<u>1,441,149</u>	
End of year - June 30			<u>\$ 2,036,643</u>	

TOWN OF BEAUFORT, NORTH CAROLINA

STORMWATER AND EQUIPMENT - NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total	Variance Over/Under
Expenditures:					
Public works and utilities:					
Stormwater	\$ 60,000	\$ -	\$ 15,671	\$ 15,671	\$ 44,329
Equipment	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total economic development	<u>60,500</u>	<u>-</u>	<u>15,671</u>	<u>15,671</u>	<u>44,829</u>
Revenues over (under) expenditures	(60,500)	-	(15,671)	(15,671)	44,829
Other Financing Sources (Uses):					
Transfer from General Fund	<u>60,500</u>	<u>-</u>	<u>60,500</u>	<u>60,500</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>44,829</u>	<u>\$ 44,829</u>	<u>\$ 44,829</u>
Fund Balance:					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 44,829</u>		

TOWN OF BEAUFORT, NORTH CAROLINA

ENTERPRISE FUND - UTILITY FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues			
Operating Revenues:			
Charges for sales and services:			
Sewer service charges		\$ 3,244,736	
Water service charges		1,394,162	
Water and sewer tap fees		123,300	
Water connection fees		21,130	
Total operating revenues	\$ 4,612,625	4,783,328	\$ 170,703
Non-Operating Revenues:			
Capacity use fees		213,952	
Investment earnings		100,396	
Total non-operating revenues	225,000	314,348	89,348
Total revenues	4,837,625	5,097,676	260,051
Expenditures			
Water Operations:			
Salaries and benefits		361,815	
Compliance testing		8,960	
Contract and professional services		34,143	
Permits		3,565	
Repairs and maintenance		67,618	
Supplies and maintenance		148,708	
Telephone and utilities		53,037	
Vehicle expense		12,922	
County water purchase		53,396	
Other		37,012	
Capital outlay		51,489	
Total water operations	950,942	832,665	118,277
Sewer Operations:			
Salaries and benefits		790,299	
Compliance testing		7,253	
Contract and professional services		172,983	
Insurance		58,731	
Permits		7,410	
Repairs and maintenance		97,544	
Supplies and maintenance		82,968	
Telephone and utilities		215,901	
Vehicle expense		17,199	

TOWN OF BEAUFORT, NORTH CAROLINA

ENTERPRISE FUND - UTILITY FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Sewer Operations (continued):			
Contribution to General Fund - admin services		400,000	
Other		23,554	
Capital outlay		78,399	
Total sewer operations	<u>2,468,485</u>	<u>1,952,241</u>	<u>516,244</u>
Debt Service:			
Principal		1,126,836	
Interest		172,574	
Total debt service	<u>1,299,412</u>	<u>1,299,410</u>	<u>2</u>
Total expenditures	<u>4,718,839</u>	<u>4,084,316</u>	<u>634,523</u>
Revenues over (under) expenditures	<u>118,786</u>	<u>1,013,360</u>	<u>894,574</u>
Other Financing Sources (Uses):			
Transfer from Capital Reserve Fund	60,000	-	(60,000)
Transfer (to) Capital Reserve Fund	<u>(355,855)</u>	<u>(355,855)</u>	<u>-</u>
Total other financing sources (uses)	<u>(295,855)</u>	<u>(355,855)</u>	<u>(60,000)</u>
Appropriated fund balance	<u>177,069</u>	<u>-</u>	<u>(177,069)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	657,505	<u>\$ 657,505</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Capital outlay additions		129,888	
Depreciation		(1,065,663)	
Principal payment		1,126,836	
Transfers to Utility CPF from General Fund		1,300,188	
Change in net pension liability		(418,457)	
Change in deferred outflows of resources for contributions		23,335	
Change in deferred outflows of resources - pensions		120,794	
Change in deferred inflows of resources - pensions		219,294	
Change in accrued interest		4,005	
Change in accrued compensated absences		<u>(5,671)</u>	
Change in net position		<u>\$ 2,092,054</u>	

TOWN OF BEAUFORT, NORTH CAROLINA

UTILITY CAPITAL PROJECT FUND

CEDAR STREET UTILITY REHAB / REPLACEMENT

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total	
Expenditures:					
Construction	\$ 61,790	\$ -	\$ -	\$ -	\$ 61,790
Admin/legal expense	29,000	-	-	-	29,000
Total expenditures	<u>90,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,790</u>
Revenues over (under) expenditures	(90,790)	-	-	-	90,790
Other Financing Sources (Uses):					
Transfers from Capital Reserve Fund	<u>90,790</u>	<u>90,790</u>	<u>-</u>	<u>90,790</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 90,790</u>	<u>\$ -</u>	<u>\$ 90,790</u>	<u>\$ 90,790</u>

TOWN OF BEAUFORT, NORTH CAROLINA

UTILITY CAPITAL PROJECT FUND

USDA - UTILITIES IMPROVEMENTS

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

		Actual			
	Project Authorization	Prior Years	Current Year	Total	Variance Over/Under
Revenues:					
Restricted intergovernmental revenues	\$ 5,005,000	\$ -	\$ -	\$ -	\$ (5,005,000)
Expenditures:					
Planning - sewer	39,000	-	3,151	3,151	35,849
Sewer design, permit & bid	834,600	585,357	64,070	649,427	185,173
Sewer construction	11,119,400	-	-	-	11,119,400
Planning - water	87,000	87,000	-	87,000	-
Water design, permit & bid	513,470	264,100	14,600	278,700	234,770
Water construction	7,517,530	-	-	-	7,517,530
Total expenditures	20,111,000	936,457	81,821	1,018,278	19,092,722
Revenues over (under) expenditures	(15,106,000)	(936,457)	(81,821)	(1,018,278)	14,087,722
Other Financing Sources (Uses):					
Long-term debt issued	15,067,000	-	-	-	(15,067,000)
Transfers to Utility Fund	(1,435,070)	-	-	-	1,435,070
Transfers to General Fund	(45,000)	(45,000)	-	(45,000)	-
Transfers from Capital Reserve Fund	1,519,070	1,480,070	-	1,480,070	(39,000)
Total other financing sources (uses)	15,106,000	1,435,070	-	1,435,070	(13,670,930)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 498,613	\$ (81,821)	\$ 416,792	\$ 416,792

TOWN OF BEAUFORT, NORTH CAROLINA**UTILITY CAPITAL PROJECT FUND****FEDERAL AMERICAN RESCUE PLAN ACT 2021 - UTILITIES****SCHEDULE OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL (NON-GAAP)****FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	Project Authorization	Actual		Total	Variance Over/Under
		Prior Years	Current Year		
Expenditures:					
Water	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
Sewer	10,289	10,289	-	10,289	-
Total expenditures	<u>40,289</u>	<u>40,289</u>	<u>-</u>	<u>40,289</u>	<u>-</u>
Revenues over (under) expenditures	(40,289)	(40,289)	-	(40,289)	-
Other Financing Sources (Uses):					
Transfers from Special Revenue Fund	<u>40,289</u>	<u>40,289</u>	<u>-</u>	<u>40,289</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF BEAUFORT, NORTH CAROLINA

UTILITY CAPITAL PROJECT FUND

UTILITIES

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Variance Over/Under
		Prior Years	Current Year	
			Total	
Expenditures:				
Water	\$ 116,445	\$ -	\$ -	\$ 116,445
Sewer	1,183,743	-	72,967	1,110,776
Total expenditures	<u>1,300,188</u>	<u>-</u>	<u>72,967</u>	<u>1,227,221</u>
Revenues over (under) expenditures	(1,300,188)	-	(72,967)	1,227,221
Other Financing Sources (Uses):				
Transfers from General Fund	<u>1,300,188</u>	<u>-</u>	<u>1,300,188</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,227,221</u>	<u>\$ 1,227,221</u>

TOWN OF BEAUFORT, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2023**

Fiscal Year	Uncollected Balance July 1, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 5,443,629	\$ 5,368,690	\$ 74,939
2021-2022	81,012	-	33,043	47,969
2020-2021	44,595	-	14,769	29,826
2019-2020	22,688	-	4,840	17,848
2018-2019	15,292	-	3,074	12,218
2017-2018	14,171	-	2,466	11,705
2016-2017	10,242	-	1,342	8,900
2015-2016	3,470	-	682	2,788
2014-2015	858	-	2	856
2013-2014	7,804	-	7,804	-
Total	<u>\$ 200,132</u>	<u>\$ 5,443,629</u>	<u>\$ 5,436,712</u>	207,049
Less allowance for uncollectible ad valorem taxes receivable				<u>(34,833)</u>
Ad Valorem Taxes Receivable, net				<u>\$ 172,216</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund				\$ 5,384,854
Penalties and interest				(22,560)
Amounts written off for tax years per statute of limitations				7,804
Miscellaneous adjustments				<u>66,614</u>
Total collections and credits				<u>\$ 5,436,712</u>

TOWN OF BEAUFORT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2023

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,197,439,783	0.46	\$ 5,508,223	\$ 5,234,450	\$ 273,773
Penalties	2,561,739		11,784	11,784	-
Abatements	<u>(166,039)</u>		<u>(76,378)</u>	<u>(76,378)</u>	<u>-</u>
Total property valuation	<u>\$ 1,199,835,483</u>				
Net Levy			5,443,629	5,169,856	273,773
Uncollected taxes at June 30, 2023			<u>74,939</u>	<u>74,939</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 5,368,690</u>	<u>\$ 5,094,917</u>	<u>\$ 273,773</u>
Current Levy Collection Percentage			<u>98.62%</u>	<u>98.55%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>98.43%</u>	<u>98.35%</u>	<u>100.00%</u>

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

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

Independent Auditor's Report

To the Honorable Mayor and
Board of Commissioners
Town of Beaufort, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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 Beaufort, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 20, 2023.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 20, 2023

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Board of Commissioners
Town of Beaufort, North Carolina

Report On Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Beaufort, North Carolina's compliance with the types of compliance requirements identified as subject to audit 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's major federal programs for the year ended June 30, 2023. The Town of Beaufort's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Beaufort complied, in all material respects, with the 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Beaufort 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 basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Beaufort'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 the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Beaufort's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Beaufort'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, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance 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. Non-compliance 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 Beaufort's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, 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 Town of Beaufort'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 the Town of Beaufort'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 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town of Beaufort'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, non-compliance 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 reasonable possibility that material non-compliance 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 the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purposes 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 20, 2023

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TOWN OF BEAUFORT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Non-compliance 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(ies) identified? _____ 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>Program Name</u>	<u>AL#</u>
---------------------	------------

COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027
--	--------

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 BEAUFORT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

2. Financial Statement Findings

None reported.

3. Federal Award Findings, Responses, and Questioned Costs

None reported.

TOWN OF BEAUFORT, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

None reported.

TOWN OF BEAUFORT, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State/Pass- Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
Federal Programs:					
<u>U.S. Department of Agriculture:</u>					
Direct:					
Water and Waste Disposal Systems for Rural Communities	10.760	XXXX	\$ 81,821	\$ -	\$ -
Water and Waste Disposal Systems for Rural Communities	10.760	XXXX	25,588	-	-
Total Water and Waste Disposal Systems for Rural Communities			107,409	-	-
<u>U.S. Department of Homeland Security:</u>					
Direct:					
FEMA - Port Security Grant Program	97.056	EMW-2021-PU-00326	61,560	-	-
<u>U.S. Department of Treasury:</u>					
Direct:					
COVID-19 - Coronavirus State Local Fiscal Recovery Funds	21.027	XXXX	1,360,688	-	-
State Programs:					
<u>N.C. Department of Public Instruction:</u>					
School Resource Officer Grant	N/A	Code(PRC) 039	-	64,200	-
Passed-thru Carteret County Board of Education:					
School Resource Officer Grant	N/A	MOU	-	73,332	-
Total N.C. Department of Public Instruction			-	137,532	-
<u>N.C. Department of Public Safety:</u>					
Bulletproof Vest Grant	N/A	XXXX	-	1,250	-
<u>N.C. Department of Transportation:</u>					
Powell Bill	N/A	DOT - 4 4000036033	-	116,741	-
Total federal awards			\$ 1,529,657		
Total state awards				\$ 255,523	
Total Pass-Through to Subrecipients					\$ -

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

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Town of Beaufort under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rates

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