

TOWN OF CAROLINA BEACH, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018



**Town Council Members**

Joe Benson, Mayor  
Tom Bridges, Mayor Pro Tem  
LeAnn Pierce  
JoDan Garza  
Steve Shuttleworth

**Administrative and Financial Staff**

Debbie Hall, Finance Director

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**

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**June 30, 2018**

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Carolina Beach, North Carolina (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Carolina Beach, North Carolina as of June 30, 2018, and the respective changes in financial position and cash flows where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11; the Local Government Employees' Retirement System - Schedules of the Proportionate Share of the Net Pension Liability, and Contributions on page 51, the Law Enforcement Officers' Special Separation Allowance - Schedules of Changes in Total Pension Liability, and Total Pension Liability as a Percentage of Covered Payroll on page 52; and the Other Post-Employment Benefits - Schedule of Changes in the Total OPEB Liability and Related Ratios on page 53, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Town of Carolina Beach, North Carolina. The budgetary schedules and other schedules, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

In addition, the accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 25, 2018 on our consideration of the Town of Carolina Beach, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Bernard Robinson & Company, P.C.*

Greensboro, North Carolina  
October 25, 2018

# Management's Discussion and Analysis

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As management of the Town of Carolina Beach, North Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

## Financial Highlights

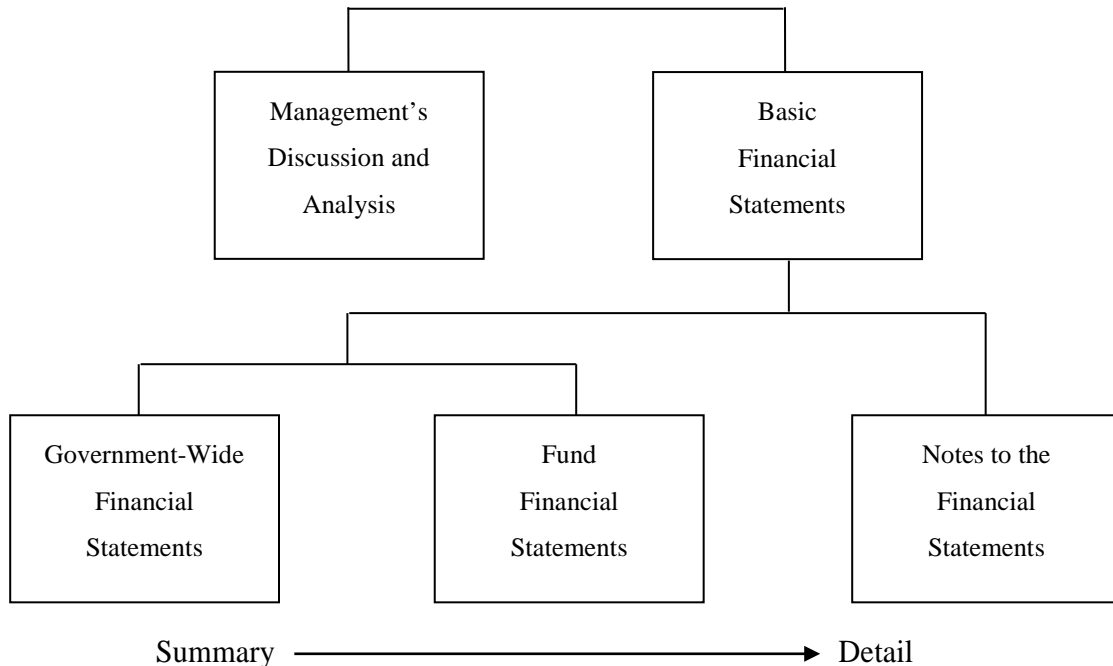
- The assets of the Town exceeded its liabilities at the close of the fiscal year by approximately \$36,000,000 (net position).
- The government's total net position decreased by approximately \$5,500,000.
- As of the close of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of approximately \$6,350,000 with a net change of approximately (\$1,962,204) in fund balance. Approximately 27% of this total amount or \$1,695,363 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,115,697, or 21% of total General Fund expenditures for the fiscal year.

## Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1





# Management's Discussion and Analysis

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## **Basic Financial Statements**

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

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

## **Government-Wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

# Management's Discussion and Analysis

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

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

*Proprietary Fund* - Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Carolina Beach, North Carolina uses enterprise funds to account for its water and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

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

# Management's Discussion and Analysis

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

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 8,115,669	\$ 9,823,054	\$ 6,498,684	\$ 15,110,257	\$ 14,614,353	\$ 24,933,311
Capital assets	24,409,481	23,171,635	47,875,235	39,701,432	72,284,716	62,873,067
Deferred outflows of resources	1,368,385	1,337,363	170,753	409,647	1,539,138	1,747,010
Total assets	<u>33,893,535</u>	<u>34,332,052</u>	<u>54,544,672</u>	<u>55,221,336</u>	<u>88,438,207</u>	<u>89,553,388</u>
<b>Liabilities:</b>						
Long-term liabilities	13,694,307	10,153,497	34,738,375	34,607,391	48,432,682	44,760,888
Other liabilities	1,351,728	964,084	1,440,810	2,286,474	2,792,538	3,250,558
Deferred inflows of resources	772,269	85,928	228,005	22,656	1,000,274	108,584
Total liabilities	<u>15,818,304</u>	<u>11,203,509</u>	<u>36,407,190</u>	<u>36,916,521</u>	<u>52,225,494</u>	<u>48,120,030</u>
<b>Net Position:</b>						
Net invested in capital assets	19,419,612	17,334,225	18,267,335	17,104,424	37,686,947	34,438,649
Restricted	1,695,363	2,528,409	-	-	1,695,363	2,528,409
Unrestricted	(3,039,744)	3,265,909	(129,853)	1,200,391	(3,169,597)	4,466,300
Total net position	<u>\$ 18,075,231</u>	<u>\$ 23,128,543</u>	<u>\$ 18,137,482</u>	<u>\$ 18,304,815</u>	<u>\$ 36,212,713</u>	<u>\$ 41,433,358</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Carolina Beach exceeded liabilities by \$35,959,847 as of June 30, 2018. The Town's net position decreased by \$5,473,511 for the fiscal year ended June 30, 2018. A large portion, \$37,686,947, reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Carolina Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town of Carolina Beach, North Carolina's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Carolina Beach's net position, \$1,695,363, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$3,422,463) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.25%.
- Continued growth in tax base.

# Management's Discussion and Analysis

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

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,975,210	\$ 4,592,413	\$ 7,814,704	\$ 6,949,767	\$ 12,789,914	\$ 11,542,180
Operating grants	185,433	185,706	-	-	185,433	185,706
Capital grants	1,132,996	1,512,593	188,943	72,750	1,321,939	1,585,343
General revenues:						
Property taxes	4,343,222	4,039,956	-	-	4,343,222	4,039,956
Other taxes	3,018,750	3,197,074	-	-	3,018,750	3,197,074
Other revenues	81,921	(653,199)	456,407	437,562	538,328	(215,637)
Total revenues	<u>13,737,532</u>	<u>12,874,543</u>	<u>8,460,054</u>	<u>7,460,079</u>	<u>22,197,586</u>	<u>20,334,622</u>
<b>Expenses:</b>						
General government	4,882,816	4,744,044	-	-	4,882,816	4,744,044
Public safety	4,337,269	4,079,660	-	-	4,337,269	4,079,660
Transportation	680,673	148,301	-	-	680,673	148,301
Environmental protection	3,236,097	3,229,744	-	-	3,236,097	3,229,744
Fleet	261,161	234,005	-	-	261,161	234,005
Economic development	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Cultural and recreation	762,429	686,165	-	-	762,429	686,165
Non departmental	386,965	414,772	-	-	386,965	414,772
Interest on long-term debt	144,300	142,245	-	-	144,300	142,245
Utility operations	-	-	6,413,273	6,120,626	6,413,273	6,120,626
Total expenses	<u>14,691,710</u>	<u>13,678,936</u>	<u>6,413,273</u>	<u>6,120,626</u>	<u>21,104,983</u>	<u>19,799,562</u>
Increase (decrease) in net position before transfers	(954,178)	(804,393)	2,046,781	1,339,453	1,092,603	535,060
Transfers/Special items	786,264	600,000	(786,264)	(600,000)	-	-
Increase (decrease) in net position	(167,914)	(204,393)	1,260,517	739,453	1,092,603	535,060
Net position previously reported, July 1,	23,128,543	23,755,024	18,304,815	17,249,322	41,433,358	41,004,346
Restatement	(4,885,398)	(422,088)	(1,427,850)	316,040	(6,313,248)	(106,048)
Net position beginning, as restated	<u>18,243,145</u>	<u>23,332,936</u>	<u>16,876,965</u>	<u>17,565,362</u>	<u>35,120,110</u>	<u>40,898,298</u>
Net position, June 30,	<u>\$ 18,075,231</u>	<u>\$ 23,128,543</u>	<u>\$ 18,137,482</u>	<u>\$ 18,304,815</u>	<u>\$ 36,212,713</u>	<u>\$ 41,433,358</u>

*Governmental Activities* - Governmental activities decreased the Town's net position by \$420,780. The key element of this decrease was maintaining expenditures as compared with prior year's amount. The beginning financial position decreased \$5,089,791 due to the implementation of GASB 75. The implementation increased the OPEB Liability as of 6/30/17 causing a restatement of \$4,885,398.

*Business-Type Activities* - Business-type activities increased the Town of Carolina Beach's net position by \$1,260,517. The key element of this increase was maintaining expenditures as compared with prior year's amount. The beginning financial position decreased \$688,397 due to the implementation of GASB 75. The implementation increased the OPEB Liability as of 6/30/17 causing a restatement of \$1,427,850.

# Management's Discussion and Analysis

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

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

*Governmental Funds* - The Town's annual balance budget is prepared on the modified accrual basis of accounting in accordance with the Budget and Fiscal Control Act of the North Carolina General Statutes. The General Fund is the most significant fund budgeted. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Carolina Beach, North Carolina. At the end of the current fiscal year, fund balance available in the General Fund was \$3,115,697, while the total fund balance reached \$6,061,060. The Town currently has an available fund balance of 21% of General Fund expenditures, while total fund balance represents 42% of the same amount.

At June 30, 2018, the governmental funds of the Town of Carolina Beach reported a combined fund balance of \$6,350,546 with a net decrease of \$1,962,213.

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

*Proprietary Funds* - The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to (\$129,853). The total change in net position for the utility fund was an increase of \$1,260,517 in the enterprise funds. During 2017, the Town issued \$26.85 million in revenue bonds that will be used to finance several utility fund capital projects and refinance debt or reimburse the Town for several past capital project expenditures. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

## **Capital Asset and Debt Administration**

*Capital Assets* - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$72,284,716 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

- Purchase of land for future water treatment plant
- Completion of Marina Project Phase I
- Continuation major water/sewer projects
- Winner Ave Stormwater Project
- Saint Joseph Storm Drain Project
- Rehab of Water Plant #1

# Management's Discussion and Analysis

## Town of Carolina Beach, North Carolina's Capital Assets (net of Depreciation) Figure 4

	Governmental Activities		Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,631,912	\$ 6,108,517	\$ 475,957	\$ 355,957	\$ 7,107,869	\$ 6,464,474
Construction in progress	927,701	3,304,458	15,996,595	9,010,658	16,924,296	12,315,116
Buildings/Plant	7,603,764	6,947,262	30,584,891	28,948,876	38,188,655	35,896,138
Infrastructure	7,325,582	4,709,383	-	-	7,325,582	4,709,383
Equipment	190,784	242,723	(53,418)	504,023	137,366	746,746
Vehicles and motorized equipment	1,729,738	1,859,292	871,210	881,918	2,600,948	2,741,210
Total	<u>\$ 24,409,481</u>	<u>\$ 23,171,635</u>	<u>\$ 47,875,235</u>	<u>\$ 39,701,432</u>	<u>\$ 72,284,716</u>	<u>\$ 62,873,067</u>

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

## Town of Carolina Beach, North Carolina's Outstanding Debt Long-Term Debt Figure 5

	Governmental Activities		Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ -	\$ -	\$ 25,235,000	\$ 26,085,000	\$ 25,235,000	\$ 26,085,000
Revolving loans	-	-	1,201,616	1,355,844	1,201,616	1,355,844
Installment debt	4,989,869	5,858,744	1,859,540	1,648,232	6,849,409	7,506,976
Total	<u>\$ 4,989,869</u>	<u>\$ 5,858,744</u>	<u>\$ 28,296,156</u>	<u>\$ 29,089,076</u>	<u>\$ 33,286,025</u>	<u>\$ 34,947,820</u>

*Long-Term Debt* - As of June 30, 2018, the Town had total debt outstanding of \$33,286,025.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. At June 30, 2018, the Town of Carolina Beach had a legal debt margin of approximately \$155,949,840.

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

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

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

- Planned construction of a major grocery store chain with gas station.
- Continued growth Room Occupancy Tax.
- Continued increase in building and planning permits.

# Management's Discussion and Analysis

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## **Other Post-Employment Benefits**

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

## **Budget Highlights for the Fiscal Year Ending June 30, 2018**

*Governmental Activities* - The Town Council approved \$15.1 million annual budget for fiscal year 2019 and established a tax rate at 22.5 cents per \$100 of assessed valuation. The Town Council has provided for the following projects for this fiscal year through the Capital Improvement Program and appropriations in the annual budget as follows:

- Dedicated \$350,000 to Storm Damage Reduction.
- \$70,000 for playground at Lake Park.
- \$67,000 for Ryder Lewis Park.
- \$100,000 for replacement of beach accesses.
- \$63,758 in debt service for a new Street Sweeper.
- \$295,000 in Wastewater Treatment Plant improvements.

*Business-Type Activities* - There are several water/sewer/stormwater projects anticipated for the 2019c budget year.

- Completion of Lake Dredging, which was funded by \$26.8 million in revenue bonds sold on June 30, 2016. The Lake Dredging Project consists of the dredging of approximately 9.8 acres of jurisdictional lake for the purpose of increasing the stormwater capacity of the lake.
- The Town has begun design, engineering and permitting for the next phase of the planned five phased water/sewer/stormwater projects. Phase C Infrastructure Project consists of replacement of water, sewer, stormwater and street infrastructure. The project area includes 3rd Street, Wilson, Lumberton, Florence Avenues from Lake Park Blvd. to 4th Street and Harper Avenue from 3rd Street to 4th Street. This project is being funded through a combination of State Revolving Loans and bank placement financing.
- Design, engineering and permitting is underway for The Northend Infrastructure Project, which consists of replacement of water, sewer and stormwater infrastructure. The project area includes Florida, Georgia, Virginia, Delaware and Maryland Avenues and Carolina Beach Ave. N. from Salt Marsh Lane to Sea Oats Lane on the North End of Carolina Beach. This project is being funded through a combination of State Revolving Loans and bank placement financing.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2018**

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 5,681,037	\$ 2,488,044	\$ 8,169,081
Taxes receivables, net	165,920	-	165,920
Accounts receivable, net	788,020	822,519	1,610,539
Due from other governments	1,071,701	255,660	1,327,361
Cash and cash equivalents - restricted	408,991	2,932,461	3,341,452
Total current assets	<u>8,115,669</u>	<u>6,498,684</u>	<u>14,614,353</u>
Non Current Assets:			
Capital assets:			
Land and construction in progress	7,559,613	16,472,552	24,032,165
Other capital assets, net of depreciation	16,849,868	31,402,683	48,252,551
Total capital assets	<u>24,409,481</u>	<u>47,875,235</u>	<u>72,284,716</u>
Total assets	<u>32,525,150</u>	<u>54,373,919</u>	<u>86,899,069</u>
<b>Deferred Outflows of Resources</b>			
Total deferred outflows of resources	<u>1,368,385</u>	<u>170,753</u>	<u>1,539,138</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	1,351,728	1,332,163	2,683,891
Utility deposit	-	108,647	108,647
Long-term liabilities due within one year	771,345	1,628,606	2,399,951
Total current liabilities	<u>2,123,073</u>	<u>3,069,416</u>	<u>5,192,489</u>
Long-term liabilities:			
Pension liability	1,150,348	-	1,150,348
Other post employment benefit liability	6,519,782	1,947,467	8,467,249
Due in more than one year	5,252,832	31,162,302	36,415,134
Total liabilities	<u>15,046,035</u>	<u>36,179,185</u>	<u>51,225,220</u>
<b>Deferred Inflows of Resources</b>			
Total deferred inflows of resources	<u>772,269</u>	<u>228,005</u>	<u>1,000,274</u>
<b>Net Position</b>			
Net investment in capital assets	19,419,612	18,267,335	37,686,947
Restricted for:			
Stabilization by State Statute	1,292,199	-	1,292,199
Streets - Powell Bill	373,941	-	373,941
Grant funds	29,223	-	29,223
Unrestricted	(3,039,744)	(129,853)	(3,169,597)
Total net position	<u>\$ 18,075,231</u>	<u>\$ 18,137,482</u>	<u>\$ 36,212,713</u>

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Statement of Activities**  
**Year Ended June 30, 2018**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,882,816	\$ 513,797	\$ -	\$ 1,095,885
Transportation	680,673	-	185,433	37,111
Public safety	4,337,269	11,615	-	-
Environmental protection	3,236,097	1,600,185	-	-
Fleet	261,161	-	-	-
Cultural and recreation	762,429	2,849,613	-	-
Non-departmental	386,965	-	-	-
Interest on long-term debt	144,300	-	-	-
Total governmental activities	<u>14,691,710</u>	<u>4,975,210</u>	<u>185,433</u>	<u>1,132,996</u>
Business-type activities:				
Utility fund	<u>6,413,273</u>	<u>7,814,704</u>	<u>-</u>	<u>188,943</u>
Total business-type activities	<u>6,413,273</u>	<u>7,814,704</u>	<u>-</u>	<u>188,943</u>
Total primary government	<u>\$ 21,104,983</u>	<u>\$ 12,789,914</u>	<u>\$ 185,433</u>	<u>\$ 1,321,939</u>

**General Revenues:**

Taxes:

Ad valorem taxes

Local option sales tax

Other taxes, licenses and fees

Investment earnings, unrestricted

Miscellaneous

Transfers

Total general revenues, excluding transfers and special items

Change in net position

Net position - beginning, previously reported

Restatement

Net position - beginning, restated

Net position - ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,273,134)	\$ -	\$ (3,273,134)
(458,129)	-	(458,129)
(4,325,654)	-	(4,325,654)
(1,635,912)	-	(1,635,912)
(261,161)	-	(261,161)
2,087,184	-	2,087,184
(386,965)	-	(386,965)
(144,300)	-	(144,300)
<u>(8,398,071)</u>	<u>-</u>	<u>(8,398,071)</u>
-	1,590,374	1,590,374
-	1,590,374	1,590,374
<u>(8,398,071)</u>	<u>1,590,374</u>	<u>(6,807,697)</u>
4,343,222	-	4,343,222
787,165	-	787,165
2,231,585	-	2,231,585
87,842	456,407	544,249
(5,921)	-	(5,921)
786,264	(786,264)	-
<u>8,230,157</u>	<u>(329,857)</u>	<u>7,900,300</u>
(167,914)	1,260,517	1,092,603
23,128,543	18,304,815	41,433,358
(4,885,398)	(1,427,850)	(6,313,248)
<u>18,243,145</u>	<u>16,876,965</u>	<u>35,120,110</u>
<u>\$ 18,075,231</u>	<u>\$ 18,137,482</u>	<u>\$ 36,212,713</u>

## Balance Sheet

## Governmental Funds

June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 5,195,224	\$ 485,813	\$ 5,681,037
Taxes receivables, net	165,920	-	165,920
Accounts receivable, net	783,104	4,916	788,020
Due from other governments	780,342	291,359	1,071,701
Due from other funds	-	260,007	260,007
Restricted cash and cash equivalents	373,941	35,050	408,991
Total assets	<u>\$ 7,298,531</u>	<u>\$ 1,077,145</u>	<u>\$ 8,375,676</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 772,915	\$ 555,041	\$ 1,327,956
Due to other funds	27,389	232,618	260,007
Total liabilities	<u>800,304</u>	<u>787,659</u>	<u>1,587,963</u>
<b>Deferred Inflow of Resources</b>	<u>437,167</u>	<u>-</u>	<u>437,167</u>
<b>Fund Balances</b>			
Restricted for:			
Stabilization by State Statute	1,292,199	-	1,292,199
Streets - Powell Bill	373,941	-	373,941
Grant funds	29,223	-	29,223
Assigned:			
Capital projects	-	289,486	289,486
Storm damage prevention	1,250,000	-	1,250,000
Unassigned	3,115,697	-	3,115,697
Total fund balances	<u>6,061,060</u>	<u>289,486</u>	<u>\$ 6,350,546</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,298,531</u>	<u>\$ 1,077,145</u>	

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**Governmental Funds**  
**June 30, 2018**

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Exhibit 4

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

Total fund balance		\$ 6,350,546
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets	34,121,342	
Less: accumulated depreciation	<u>9,711,861</u>	24,409,481
Other assets utilized in the following period and therefore not reported in the fund:		
Deferred outflows of resources related to pensions are not reported in the funds		1,368,385
Deferred inflows of resources related to OPEB are not reported in the funds		(710,573)
Earned revenues considered deferred inflows of resources for fund statements		437,167
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Installment purchases	(4,989,868)	
Other post-employment benefits	(6,519,782)	
LGERS pension	(1,150,348)	
Law enforcement officers' pension	(597,760)	
Compensated absences	<u>(436,549)</u>	(13,694,307)
Other liabilities payable until the following period and therefore are not reported in the funds:		
Accrued interest		(23,772)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(61,696)</u>
Net position of governmental activities		<u>\$ 18,075,231</u>

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2018**

Exhibit 5

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Ad valorem taxes	\$ 4,335,869	\$ -	\$ 4,335,869
Other taxes and licenses	28,663	-	28,663
Unrestricted intergovernmental	2,990,087	-	2,990,087
Restricted intergovernmental	189,012	1,132,996	1,322,008
Permits and fees	663,871	-	663,871
Sales and services	4,449,798	-	4,449,798
Investment earnings	87,790	52	87,842
Miscellaneous	58,366	-	58,366
Total revenues	<u>12,803,456</u>	<u>1,133,048</u>	<u>13,936,504</u>
<b>Expenditures:</b>			
Current:			
General government	4,473,079	549,206	5,022,285
Transportation	633,324	-	633,324
Public safety	3,944,361	1,601,019	5,545,380
Environmental protection	3,054,238	-	3,054,238
Fleet	242,994	-	242,994
Cultural and recreation	784,741	-	784,741
Non-departmental	386,965	-	386,965
Debt service:			
Principal	868,875	-	868,875
Interest	146,170	-	146,170
Total expenditures	<u>14,534,747</u>	<u>2,150,225</u>	<u>16,684,972</u>
Revenues under expenditures	<u>(1,731,291)</u>	<u>(1,017,177)</u>	<u>(2,748,468)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	798,745	730,643	1,529,388
Transfers to other funds	(730,643)	(12,481)	(743,124)
Total other financing sources	<u>68,102</u>	<u>718,162</u>	<u>786,264</u>
Net change in fund balances	<u>(1,663,189)</u>	<u>(299,015)</u>	<u>(1,962,204)</u>
Fund balances, beginning prior to restatement	<u>7,666,018</u>	<u>646,732</u>	<u>8,312,750</u>
Restatement	<u>58,231</u>	<u>(58,231)</u>	<u>-</u>
Fund balances, beginning after restatement	<u>7,724,249</u>	<u>588,501</u>	<u>8,312,750</u>
Fund balances, ending	<u>\$ 6,061,060</u>	<u>\$ 289,486</u>	<u>\$ 6,350,546</u>

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of the Governmental Funds to the Statement of Activities**  
**Governmental Funds**  
**Year Ended June 30, 2018**

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Exhibit 6

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

Net change in fund balances - total governmental funds \$ (1,962,204)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was less than capital outlays and loss on disposal in the current period. 1,227,127

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities (81,972)

Benefit payments paid and administrative expense for the law enforcement officers' special separation allowance are not included on the Statement of Activities 216,470

Other post employment benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities 135,829

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.  
Principal payments on long-term debt 868,875

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences (12,590)  
Pension expense (29,228)  
Other post employment benefit plan expense (294,667)  
Net obligation for law enforcement officers and other postemployment benefits (102,739)  
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual) 1,870

Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. (134,685)

Total changes in net position of governmental activities \$ (167,914)

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Annual Budget and Actual - General Fund**  
**Year Ended June 30, 2018**

Exhibit 7

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 4,233,366	\$ 4,233,366	\$ 4,335,869	\$ 102,503
Other taxes and licenses	50,625	50,625	28,663	(21,962)
Unrestricted intergovernmental	3,230,182	3,230,182	2,990,087	(240,095)
Restricted intergovernmental	187,000	187,000	189,012	2,012
Permits and fees	354,500	354,500	663,871	309,371
Sales and services	4,335,486	4,335,486	4,449,798	114,312
Investment earnings	40,000	40,000	87,790	47,790
Miscellaneous	9,000	9,000	58,366	49,366
Total revenues	<u>12,440,159</u>	<u>12,440,159</u>	<u>12,803,456</u>	<u>363,297</u>
<b>Expenditures</b>				
Current:				
General government	4,531,461	4,916,062	4,473,079	442,983
Transportation	836,000	836,000	633,324	202,676
Public safety	4,284,836	4,241,160	3,944,361	296,799
Fleet maintenance	304,500	247,964	242,994	4,970
Environmental protection	2,968,695	3,100,134	3,054,238	45,896
Cultural and recreation	697,413	802,629	784,741	17,888
Non-departmental	419,868	419,788	386,965	32,823
Debt service:				
Principal	879,394	879,394	868,875	10,519
Interest	172,186	127,791	146,170	(18,379)
Total expenditures	<u>15,094,353</u>	<u>15,570,922</u>	<u>14,534,747</u>	<u>1,036,175</u>
Revenues over (under) expenditures	<u>(2,654,194)</u>	<u>(3,130,763)</u>	<u>(1,731,291)</u>	<u>1,399,472</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	1,003,264	285,103	798,745	513,642
Transfers to other funds	-	-	(730,643)	(730,643)
Total other financing sources (uses)	<u>1,003,264</u>	<u>285,103</u>	<u>68,102</u>	<u>(217,001)</u>
<b>Fund balance appropriated</b>	<u>1,650,930</u>	<u>2,845,660</u>	<u>-</u>	<u>(2,845,660)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(1,663,189)</u>	<u>\$ (1,663,189)</u>
Fund balances, beginning after restatement			<u>7,724,249</u>	
Fund balances, ending			<u>\$ 6,061,060</u>	

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



## Statement of Net Position

## Proprietary Fund

June 30, 2018

	Business-Type Activities
	Enterprise Funds
	Utility Fund
<b>Assets</b>	
Current assets:	
Cash and equivalents	\$ 2,488,044
Accounts receivable	822,519
Due from other governments	255,660
Restricted cash	2,932,461
Total current assets	<u>6,498,684</u>
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	16,472,552
Other capital assets, net of depreciation	31,402,683
Total capital assets	<u>47,875,235</u>
Total non-current assets	<u>47,875,235</u>
Total assets	<u>54,373,919</u>
<b>Deferred Outflows of Resources</b>	
Total deferred outflows of resources	<u>170,753</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	1,332,163
Utility deposits	108,647
Current portion of long-term liabilities	1,628,606
Total current liabilities	<u>3,069,416</u>
Noncurrent liabilities:	
Non-current portion of long-term liabilities	33,109,769
Total liabilities	<u>36,179,185</u>
<b>Deferred Inflows of Resources</b>	
Total deferred inflows of resources	<u>228,005</u>
<b>Net Position</b>	
Net investment in capital assets	18,267,335
Unrestricted	(129,853)
Total net position	<u>\$ 18,137,482</u>

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenses, and Changes in Net Fund Position**  
**Proprietary Fund**  
**Year Ended June 30, 2018**

Exhibit 9

	Business-Type Activities
	<u>Enterprise Funds</u>
	Utility Fund
	<u>Fund</u>
Operating revenues:	
Charges for services	\$ 7,436,292
Water and sewer taps	313,455
Other operating revenues	64,957
Total operating revenues	<u>7,814,704</u>
Operating expenses:	
Administration	816,499
Facilities and equipment	70,748
Stormwater	771,583
Water treatment and distribution	1,222,873
Waste collection and treatment	983,850
Repairs and maintenance	(75,858)
Depreciation	1,448,881
Total operating expenses	<u>5,238,576</u>
Operating income	<u>2,576,128</u>
Non-operating revenues (expenses):	
Intergovernmental grants	188,943
Investment earnings	456,407
Miscellaneous	(23,892)
Interest and other charges	(1,150,805)
Total non-operating revenues (expenses)	<u>(529,347)</u>
Net income before transfers	2,046,781
Transfers to other funds	(786,264)
Change in net fund position	<u>1,260,517</u>
Total net position - beginning, as previously reported	18,304,815
Restatement	(1,427,850)
Total net position - beginning, restated	<u>16,876,965</u>
Total net position, ending	<u>\$ 18,137,482</u>

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2018**

Exhibit 10

	<u>Business-Type Activities</u>
	<u>Enterprise Funds</u>
	<u>Utility Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 7,718,898
Cash paid for goods and services	(2,550,457)
Cash paid to employees for services	(1,413,620)
Net cash provided by operating activities	<u>3,754,821</u>
Cash flows from noncapital financing activities:	
Transfers in (out)	(786,264)
Intergovernmental grant	188,943
Total cash flows used in noncapital financing activities	<u>(597,321)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(10,377,561)
Proceeds from issuance of long-term debt	400,000
Principal payment on long-term debt	(1,192,920)
Interest payment on long-term debt	(1,150,805)
Net cash capital and related used in financing activities	<u>(12,321,286)</u>
Cash flows from investing activities:	
Interest on investments	456,407
Net cash provided by investing activities	<u>456,407</u>
Net decrease in cash and cash equivalents	(8,707,379)
Balances, beginning	14,127,884
Balances, ending	<u>\$ 5,420,505</u>

(Continued)

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Statement of Cash Flows (Continued)**  
**Proprietary Fund**  
**Year Ended June 30, 2018**

Exhibit 10

	Business-Type Activities
	<u>Enterprise Funds</u>
	Utility Fund
Operating income	<u>\$ 2,576,128</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,448,881
Pension expense	(65,732)
Loss on disposal of capital assets	23,892
Amortization of bond issuance premiums	329,999
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(92,723)
Due from other governments	(3,083)
Deferred outflows of resources for pensions	238,894
Increase (decrease) in:	
Accounts payable and accrued liabilities	(845,664)
Deferred inflows of resources for pensions	(6,900)
Deferred inflows of resources for OPEB	212,249
Other postemployment benefits payable	(61,120)
Total adjustments	<u>1,178,693</u>
Net cash provided by operating activities	<u>\$ 3,754,821</u>

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Reporting Entity**

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

**Basis of Presentation**

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following major enterprise fund:

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

**Measurement Focus and Basis of Accounting**

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

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

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

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

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

The Town considers all revenues available if they are collected within 60 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

**Budgetary Data**

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value. The NCCMT Cash Portfolio, a SEC-registered (2a-7) external investment pool is measured at amortized costs, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**Restricted Cash**

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

Restricted cash at June 30, 2018, consists of the following:

**Governmental Activities**

General Fund:

Streets - Powell Bill	\$ 373,941
Unspent grant proceeds	35,050
Total governmental activities	<u>\$ 408,991</u>

**Business-Type Activities**

Utility Fund:

Customer deposits	\$ 108,647
Unspent debt proceeds	2,823,814
Total business-type activities	<u>\$ 2,932,461</u>

Total restricted cash	<u>\$ 3,341,452</u>
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**Ad Valorem Taxes Receivable**

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**Allowance for Doubtful Accounts**

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



**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Capital Assets**

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

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

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

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element called deferred outflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an expense until then. The Town has one item that meets the criterion for this category – pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. On the statement of net position, the Town has several items that meets the criterion for this category – deferrals of pension expense, property taxes receivable, and assessments receivable.

**Long-Term Obligations**

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

**Compensated Absences**

The vacation policies of the Town provide for the accumulation of up to 30 days earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Town's sick leave policies provide for unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Net Investment in Capital Assets**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 24,409,481	\$ 47,875,235
Long-term debt	(4,989,869)	(32,431,714)
Unexpended debt proceeds	-	2,823,814
Net investment in capital assets	<u>\$ 19,419,612</u>	<u>\$ 18,267,335</u>

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

*Restricted for Stabilization by State Statute* - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

**Committed Fund Balance** – This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Carolina Beach, North Carolina's governing body (highest level of decision making authority, the Town Council). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Any changes or removal of specific purpose restrictions require majority action by the governing body.

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

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

*Assigned for Storm Damage Prevention* – portion of the fund balance that has been appropriated by the Board to fund future storm damage reduction and inlet dredging projects.

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

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	\$ 6,061,060
Less:	
Stabilization by State Statute	1,292,199
Streets- Powell Bill	373,941
Grant Funds	29,223
Storm Damage Prevention	1,250,000
Remaining Fund Balance	<u>\$ 3,115,697</u>

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

**Pensions**

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

NOTE 2 – DETAIL NOTES ON ALL FUNDS

**A. Assets**

**Deposits**

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

At June 30, 2018, the Town’s deposits had a carrying amount of \$1,170,385 and a bank balance of \$1,310,467. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral under the Pooling Method. As of June 30, 2018, the Town’s petty cash fund totaled \$600.

**Investments**

At June 30, 2018, the Town’s investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value</u>	<u>Maturity</u>
NC Capital Management Trust:			
Cash Portfolio	Amortized Cost	\$ 520,773	N/A
Term Portfolio	Fair Value: Level 1	9,824,775	0.14 years
		<u>\$ 10,345,548</u>	

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

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

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

*Credit risk:* The Town has no formal policy regarding credit risk, but has an internal management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to either the NC Capital Management Trust Cash Portfolio, which carries a credit rating of AAAM by Standard & Poor’s as of June 30, 2018, or the NC Capital Management Trust Term Portfolio, which is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under G.S. 159-30 as amended.

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

*Concentration of credit risk:* The Town’s Board places no limit on the amount that the Town may invest in any one issuer. At year end, all of the Town’s investments are held in either NC Capital Management Trust Cash Portfolio or the NC Capital Management Trust Term Portfolio, which represents 39.6% and 60.4% of the Town’s total investment, respectively.

**Receivables**

Governmental activities receivables for the General Fund consist of \$158,567 for outstanding taxes; \$516,759 for customer accounts; \$271,261 for outstanding assessments; and \$1,071,701 due from other governments.

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Business-Type activities receivables for the Utility Fund consist of \$682,808 for customer accounts and \$43,518 for outstanding assessments.

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

Due from other governments consisted of the following:

	Governmental Activities	Business-Type Activities
Local option sales tax	\$ 28,076	\$ 35,952
Grant reimbursements	984,925	143,000
Sales tax reimbursement	58,700	76,708
Total	<u>\$ 1,071,701</u>	<u>\$ 255,660</u>

**Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 6,108,517	\$ 523,395	\$ -	\$ -	\$ 6,631,912
Construction in progress	3,304,458	1,120,884	158,769	(3,338,872)	927,701
Total capital assets not being depreciated	<u>9,412,975</u>	<u>1,644,279</u>	<u>158,769</u>	<u>(3,338,872)</u>	<u>7,559,613</u>
Capital assets being depreciated:					
Buildings	10,344,851	30,249	77,869	890,560	11,187,791
Infrastructure	6,629,967	510,361	14,946	2,448,312	9,573,694
Equipment	2,004,346	15,127	507,750	-	1,511,723
Vehicles and motorized equipment	4,231,698	270,679	213,856	-	4,288,521
Total capital assets being depreciated	<u>23,210,862</u>	<u>826,416</u>	<u>814,421</u>	<u>3,338,872</u>	<u>26,561,729</u>
Less accumulated depreciation for:					
Buildings	3,397,589	264,308	77,870	-	3,584,027
Infrastructure	1,920,584	342,474	14,946	-	2,248,112
Equipment	1,761,623	67,066	507,750	-	1,320,939
Vehicles and motorized equipment	2,372,406	400,178	213,801	-	2,558,783
Total accumulated depreciation	<u>9,452,202</u>	<u>1,074,026</u>	<u>814,367</u>	<u>-</u>	<u>9,711,861</u>
Total capital assets being depreciated, net	<u>13,758,660</u>				<u>16,849,868</u>
Government activity capital assets, net	<u>\$ 23,171,635</u>				<u>\$ 24,409,481</u>

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

<b>Governmental Activities:</b>	
General government	\$ 352,946
Transportation	44,508
Public safety	389,707
Environmental protection	214,640
Fleet	17,077
Cultural and recreation	55,148
Total depreciation expense	<u>\$ 1,074,026</u>

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

	Beginning Balances	Increases	Decreases	Transfer	Ending Balances
<b>Utility Fund:</b>					
Capital assets not being depreciated:					
Land	\$ 355,957	\$ 120,000	\$ -	\$ -	\$ 475,957
Construction in progress	9,010,658	8,171,513	-	(1,185,576)	15,996,595
Total capital assets not being depreciated	<u>9,366,615</u>	<u>8,291,513</u>	<u>-</u>	<u>(1,185,576)</u>	<u>16,472,552</u>
Capital assets being depreciated:					
Plant and distribution systems	42,842,988	1,145,030	543,903	1,185,576	44,629,691
Furniture and maintenance equipment	1,528,375	62,986	132,964	-	1,458,397
Vehicles	1,991,277	147,047	301,933	-	1,836,391
Total capital assets being depreciated	<u>46,362,640</u>	<u>1,355,063</u>	<u>978,800</u>	<u>1,185,576</u>	<u>47,924,479</u>
Less accumulated depreciation for:					
Plant and distribution systems	13,894,112	670,699	520,011	-	14,044,800
Furniture and maintenance equipment	1,024,352	620,427	132,964	-	1,511,815
Vehicles	1,109,359	157,755	301,933	-	965,181
Total accumulated depreciation	<u>16,027,823</u>	<u>1,448,881</u>	<u>954,908</u>	<u>-</u>	<u>16,521,796</u>
Total capital assets being depreciated, net	<u>30,334,817</u>				<u>31,402,683</u>
Utility fund capital assets, net	<u>\$ 39,701,432</u>				<u>\$ 47,875,235</u>

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**B. Liabilities**

**Accounts Payable and Accrued Expenses**

Payables at the government-wide level at June 30, 2018, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General Fund	\$ 506,980	\$ 289,706	\$ 796,686
Other Governmental Funds	555,042	-	555,042
Total governmental activities	<u>\$ 1,062,022</u>	<u>\$ 289,706</u>	<u>\$ 1,351,728</u>
Business-Type Activities:			
Utility Fund	<u>\$ 1,263,455</u>	<u>\$ 68,708</u>	<u>\$ 1,332,163</u>

**Long Term Obligations**

Installment Purchases

Installment purchase contracts at June 30, 2018 are comprised of the following:

**Governmental Activities:**

The Town of Carolina Beach, North Carolina currently has nine installment purchase contracts ranging from 1.71% to 3.21% interest-bearing notes. The notes maturities range from 2019 to 2032.

\$ 4,989,869

Annual debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 771,345	\$ 120,430
2020	781,700	116,742
2021	611,217	96,224
2022	495,607	80,317
2023	495,607	66,161
2024-2028	1,448,711	156,869
2029-2032	385,682	18,273
Total	<u>\$ 4,989,869</u>	<u>\$ 655,016</u>



**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**Business-Type Activities:**

The Utility Fund currently has three installment purchase contracts ranging from 0% to 3.28% interest-bearing notes. The notes maturities range from 2020 to 2034.

\$ 1,859,540

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 228,692	\$ 3,634
2020	228,692	1,817
2021	117,901	-
2022	117,901	-
2023	117,901	-
2024-2028	589,507	-
2029-2033	389,507	-
2034	69,439	-
Total	<u>\$ 1,859,540</u>	<u>\$ 5,451</u>

Revenue Bond

Revenue Bond at June 30, 2018 is comprised of the following:

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

\$ 25,235,000

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 910,000	\$ 1,113,300
2020	1,060,000	1,076,900
2021	1,105,000	1,034,500
2022	1,100,000	990,300
2023	1,150,000	935,300
2024-2028	6,250,000	3,834,250
2029-2033	4,845,000	2,365,350
2034-2038	5,180,000	1,365,000
2039-2041	3,635,000	294,600
Total	<u>\$ 25,235,000</u>	<u>\$ 13,009,500</u>

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The Town has covenants related to the revenue bond for rates, fees, rentals and charges in Section 704 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2016. Section 704(a) of the Bond Order requires a debt service coverage ratio of no less than 120% at the end of any year. The debt services coverage ratio calculation for the year ended June 30, 2018, is as follows:

Operating revenues and investment earnings	\$ 8,271,111
Operating expenses, excluding OPEB (net of depreciation)	<u>3,670,527</u>
Net revenue available for debt service	4,600,584
Add 20% surplus account (expendable net position)	<u>(25,971)</u>
Adjusted net revenues	4,574,613
Senior debt service	25,235,000
Subordinate debt service	<u>1,859,540</u>
Total Debt Service	<u>27,094,540</u>
Add 20% senior debt service	<u>5,047,000</u>
Adjusted debt service	<u><u>\$ 32,141,540</u></u>
Coverage Test 1	
Adjusted net revenues/adjusted debt service	14%
Coverage Test 2	
Net revenues/total debt service	17%
Coverage Test 3	
Stormwater revenues	\$ 1,424,207
Stormwater expenses, plus 200% of required principal and interest on related debt	<u>1,598,914</u>
Excess	<u><u>\$ (174,707)</u></u>

The Town has pledged future water and sewer customer revenues, net of specific operating expenses, to repay the water and sewer revenue bonds issued in June 2016. Proceeds from the bonds provided financing for several Utility Fund capital projects and refinanced outstanding debt on several current and past capital projects of the Utility Fund. The bonds are payable solely from water and sewer customer net revenues in which annual principal and interest payments on the bonds are expected to require less than 6% of net revenues.

Revolving Loan Payables

On May 1, 2001, the Town received \$1,854,260 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund Program. The loan is repayable at 2.57% interest for 20 years. The loan repayment schedule based on the loan amount of \$1,854,260 calls for annual principal repayments and semi-annual interest repayments for 20 years. The total amount outstanding at June 30, 2018 was \$463,655.

On May 1, 2010, the Town was approved for a maximum loan amount of \$1,686,234 for a Federal revolving 50% forgiveness loan for treatment of a beach storm water pond. The loan is repayable at 0% interest for 20 years. The loan repayment schedule is based on the outstanding amount of the loan at year-end. The total amount outstanding at June 30, 2018 was \$491,206.

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

On May 1, 2010, the Town was approved for a maximum loan amount of \$1,000,000 for a Federal revolving 50% forgiveness loan for Lake Park Boulevard sewer rehabilitation. The loan is repayable at 0% interest for 20 years. The loan repayment schedule is based on the outstanding amount of the loan at year-end. The total amount outstanding at June 30, 2018 was \$246,755.

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 154,228	\$ 5,958
2020	154,228	4,766
2021	154,228	3,575
2022	154,228	2,383
2023	154,228	1,192
2024-2028	307,484	-
2029-2030	122,992	-
Total	<u>\$ 1,201,616</u>	<u>\$ 17,874</u>

Changes in Long-Term Liabilities

A summary of long-term debt as of June 30, 2018, is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Installment purchases	\$ 5,858,744	\$ -	\$ 868,875	\$ 4,989,869	\$ 771,345
Compensated absences	423,959	12,590	-	436,549	-
Net pension liability (LGERS)	1,528,068	-	377,720	1,150,348	-
Total OPEB liability	1,839,001	4,680,781	-	6,519,782	-
Net pension obligation (LEO)	503,725	94,034	-	597,759	-
Total governmental activity long-term liabilities	<u>\$ 10,153,497</u>	<u>\$ 4,787,405</u>	<u>\$ 1,246,595</u>	<u>\$ 13,694,307</u>	<u>\$ 771,345</u>
<b>Business-Type Activities:</b>					
Installment purchases	\$ 1,648,232	\$ 400,000	\$ 188,692	\$ 1,859,540	\$ 228,692
Revenue bonds	26,085,000	-	850,000	25,235,000	910,000
Deferred amounts:					
Issuance premiums	4,465,557	-	329,999	4,135,558	335,686
Revolving loans	1,355,844	-	154,228	1,201,616	154,228
Net pension liability (LGERS)	472,021	-	112,827	359,194	-
Total OPEB liability	580,737	1,366,730	-	1,947,467	-
Total business-type long-term liabilities	<u>\$ 34,607,391</u>	<u>\$ 1,766,730</u>	<u>\$ 1,635,746</u>	<u>\$ 34,738,375</u>	<u>\$ 1,628,606</u>

The LGERS pension plan had a net pension plan asset as of June 30, 2018; however, the plan had a net pension liability at the beginning of the fiscal year. Compensated absences, net pension obligation, and other post-employment benefits are typically liquidated in the General Fund. Compensated absences are accounted for on a first-in, first-out basis.

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

At June 30, 2018, the Town had a legal debt margin of \$155,949,840.

**Interfund Activity**

Balances due to/from other funds at June 30, 2018, consisted of \$923,775 due to the General Fund from the Grant Project Fund (nonmajor fund) resulting from the time lag for reimbursable expenditures that occur and repayment between funds are made.

Transfers to/from other funds at June 30, 2018, consist of the following:

<u>Transfers to</u>	<u>Transfers from</u>	<u>Amount</u>
General Fund	Boardwalk Improvements (Non Major)	\$ 12,481
Marina (Non Major)	General Fund	633,724
Island Greenway (Non Major)	General Fund	96,919
General Fund	Utility Fund	786,264
		<u>\$ 1,529,388</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, to close out completed capital project funds or to cover cost allocation attributed to the Utility Fund.

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions* - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Carolina Beach, North Carolina employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Carolina Beach, North Carolina's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Carolina Beach, North Carolina were \$430,496 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Town reported a liability of \$1,509,542 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.099%, which was an increase of 0.05% from its proportion measured as of June 30, 2016.

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

For the year ended June 30, 2018, the Town recognized pension expense of \$515,427. At June 30, 2018, 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	\$ 86,964	\$ 42,730
Net difference between projected and actual earnings on pension plan investments	366,519	-
Changes of assumptions	215,584	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	30,024	25,241
Town contributions subsequent to the measurement date	430,496	-
	<u>\$ 1,129,587</u>	<u>\$ 67,971</u>

\$430,496 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows: 2019 - \$87,041; 2020 - \$443,991; 2021 - \$214,010; and 2022 - (\$113,922).

*Actuarial Assumptions* - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate* - The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate* - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town' proportionate share of the net pension liability (asset)	\$ 4,531,683	\$ 1,509,543	\$ (1,012,989)

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

b. Law Enforcement Officers Special Separation Allowance

*Plan Description* - The Town of Carolina Beach, North Carolina administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	28
	30
	30

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73:

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.13%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.



**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

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

At June 30, 2018, the Town reported a pension liability of \$597,760. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$64,287. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to Separation Allowance from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,008	\$ -
Changes of assumptions	39,244	9,481
Town benefit payments and plan administrative expenses made subsequent to the measurement date	216,470	-
	<u>\$ 273,722</u>	<u>\$ 9,481</u>

\$216,470 paid as benefits came due subsequent to the measurement date, are reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows: 2019 - \$8,794; 2020 - \$8,794; 2021 - \$8,794; 2022 - \$8,794; 2023 - \$9,353 and thereafter - \$3,242.

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

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Total pension liability	\$ 657,565	\$ 597,760	\$ 543,972

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

Annual required contributions	\$ 36,109
Interest on net pension obligation	18,884
Changes in assumptions and other inputs	46,648
Difference between expected and actual experience	21,406
Benefit payments	(29,012)
Annual pension cost	<u>94,035</u>
Contributions made	<u>-</u>
Increase in net pension obligation	94,035
Net pension obligation, beginning of year	<u>503,725</u>
Net pension obligation, end of year	<u><u>\$ 597,760</u></u>

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

The actuarial assumptions used in the December 31, 2016 valuation was based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2018 were \$222,794 which consisted of \$128,986 from the Town and \$93,808 from the law enforcement officers.

d. Other Post-Employment Benefits

*Plan Description:* The Town (by local ordinance) administers a single-employer defined benefit plan and provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and meet the following criteria. The retiree must have at least five years of creditable service with the Town, and the

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

retirement must be due to a medical condition, which is subject to review by the North Carolina Medical Review Board. In addition, the Town pays the full cost of coverage for these benefits for retirees with a minimum of 20 years of continuous service with the Town and meet the eligibility of the plan. The Town pays half the cost of coverage for the benefits of retirees with 15-19 years of continuous service. Any less than 15 years of continuous service and the Town does not cover the cost of coverage. Employees hired before July 1, 2015 will receive coverage paid for by the Town based on criteria met. Employees hired after July 1, 2015 are not eligible for coverage. Retirees who do not meet the aforementioned criteria have the option to purchase basic medical insurance for themselves and their dependents through the Town. The entire cost of this insurance is borne by the retirees. The Town maintains healthcare coverage through private insurers and has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. A separate report is not issued for the plan.

Membership of the post-employment health benefit plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	25
Active plan members	96
	<u>121</u>

Total OPEB Liability

The Town's total OPEB liability of \$8,467,249 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs*

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases, including wage inflation of 3.5%	
General Employees	3.50% to 7.75%
Firefighters	3.50% to 7.75%
Law Enforcement Officers	3.50% to 7.35%
Discount rate	3.56%
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

Changes in the Total OPEB liability

Service cost	\$ 514,672
Interest	264,641
Differences between expected and actual experience	(2,628)
Changes in assumptions or other inputs	(1,042,422)
Benefit payments	<u>(117,256)</u>
Net changes	(382,993)
OPEB balance, beginning of year	<u>8,850,242</u>
OPEB balance, end of year	<u><u>\$ 8,467,249</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56%) or 1 percentage point higher (4.56%) than the current discount rate:

	1%	Discount Rate	1%
	<u>Decrease</u>	<u>(3.56)</u>	<u>Increase</u>
Total OPEB liability	\$ 10,493,685	\$ 8,467,249	\$ 6,935,032

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

	1%	Discount Rate	1%
	<u>Decrease</u>	<u>(Pre-Medicare 7.5% Medicare 5.50%)</u>	<u>Increase</u>
Total OPEB liability	\$ 6,743,447	\$ 8,467,249	\$ 10,834,953

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

For the year ended June 30, 2018, the Town Recognized OPEB expense of \$657,085. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ -	\$ 2,321
Changes of assumptions or other inputs	-	920,501
Total	<u>\$ -</u>	<u>\$ 922,822</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows: 2018 – (\$122,228); 2019 - (\$122,228); 2020 - (\$122,228); 2021 - (\$122,228); 2022 - (\$122,228) and thereafter - (\$311,682).

Other Employment Benefits

The Town has elected to provide death benefits to law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (the "Death Benefit Plan"), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Deferred Outflows and Inflows of Resources

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

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

	LGERS	LEOSSA	OPEB	Total
Plan Expense	\$ 515,427	\$ 64,287	\$ 657,085	\$ 1,236,799
Plan Liability	1,509,543	597,760	8,467,249	10,574,552
Proportionate share of the net plan liability	0.099%	N/A	N/A	
<b>Deferred of Outflows of Resources</b>				
Differences between expected and actual experience	86,964	18,008	-	104,972
Changes of assumptions	215,584	39,244	-	254,828
Net difference between projected and actual earnings on plan investments	366,519	-	-	366,519
Changes in proportion and differences between contributions and proportionate share of contributions	30,024	-	-	30,024
Benefit payments and administrative costs paid subsequent to the measurement date	430,496	216,470	135,829	782,795
<b>Deferred of Inflows of Resources</b>				
Differences between expected and actual experience	42,730	-	2,321	45,051
Changes of assumptions	-	9,481	920,501	929,982
Changes in proportion and differences between contributions and proportionate share of contributions	25,241	-	-	25,241

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Contributions to pension plans in current fiscal year	\$ -	\$ -
Benefit payments and administrative expenses for plans made subsequent to measurement date	782,795	-
Changes in assumptions	254,828	-
Differences between expected and actual experience	104,972	-
Net difference between projected and actual	366,519	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,024	-
	<u>\$ 1,539,138</u>	<u>\$ -</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivables	\$ -	\$ 165,919
Assessment receivables	-	271,248
Changes in assumptions	929,982	-
Differences between expected and actual experience	45,051	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,241	-
	<u>\$ 1,000,274</u>	<u>\$ 437,167</u>

**Risk Management**

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

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

## TOWN OF CAROLINA BEACH, NORTH CAROLINA

### Notes to Financial Statements

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#### NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. Each structure is insured at an appropriate level. In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket for \$100,000.

#### NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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

#### NOTE 4 – CONDUIT DEBT OBLIGATIONS

The Town assisted a local not-for-profit organization to obtain a loan from a financial institution to provide financial assistance to develop local properties for the benefit of the residents of Carolina Beach. This debt is secured by properties owned by the not-for-profit and are payable solely from the payments received from the not-for-profit. The Town is not obligated in any manner for the repayment of this debt and accordingly, is not reported as a liability in the accompanying financial statements. The Town contributes to the not-for-profit an annual amount to help in making the debt service payments of this debt. At year end, the amount outstanding is approximately \$1,479,052.

#### NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENTS

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ended June 30, 2017). As a result, net position for the governmental activities decreased \$4,885,398, and \$1,427,850 for business-type activities.

#### NOTE 6 – SUBSEQUENT EVENTS

Subsequent to year end, on September 14, 2018, Hurricane Florence made landfall on the coast of North Carolina. The Hurricane caused damage to property of the Town of Carolina beach. As of October 25, 2018, the estimated costs related to the Hurricane are \$1,250,700 for debris removal, damages to Town property, and preventative measures taken. For the damages FEMA will cover 75% of the repair costs and the State of North Carolina will cover 25%.



**REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

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Proportionate Share of Net Pension Liability:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportionate of the net pension liability (asset)	0.099%	0.094%	0.090%
Proportionate of the net pension liability (asset)	\$ 1,509,543	\$ 2,000,089	\$ 406,069
Covered-employee payroll	4,892,879	5,508,904	4,919,007
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	30.85%	36.31%	8.26%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%

Contributions:

Contractually required contribution	\$ 408,178	\$ 332,667	\$ 295,139
Contributions in relation to the contractually required contribution	<u>408,178</u>	<u>332,667</u>	<u>295,139</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,892,879	\$ 5,508,904	\$ 4,919,007
Contribution as a percentage of covered-employee payroll	8.34%	6.04%	6.00%

Exhibit 11

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<u>2015</u>	<u>2014</u>
0.077%	0.077%
\$ (454,753)	\$ 932,967
4,520,727	3,777,410
-10.06%	24.70%
102.64%	94.35%
\$ 269,615	\$ 211,078
<u>269,615</u>	<u>211,078</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 4,520,727	\$ 3,777,410
5.96%	5.59%

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Year Ended June 30, 2018**

Exhibit 12

Schedule of Changes in Total Pension Liability:	2018	2017
Beginning balance	\$ 503,725	\$ 496,594
Service cost	36,109	32,649
Interest on the total pension liability	18,884	17,207
Differences between expected and actual experience in the measurement of the total pension liability	21,406	-
Changes of assumptions or other inputs	46,648	(13,497)
Benefit payments	(29,012)	(29,228)
Ending balance of the total pension liability	<u>\$ 597,760</u>	<u>\$ 503,725</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll:		
Total pension liability	\$ 597,760	\$ 503,725
Covered payroll	1,539,776	1,402,866
Total pension liability as a percentage of covered payroll	38.82%	35.91%

Notes to the Schedules:

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

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Other Post-Employment Benefits**  
**Required Supplementary Information**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Year Ended June 30, 2018**

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Exhibit 13

Total OPEB Liability	
Service Cost	\$ 514,672
Interest	264,641
Changes of benefit terms	-
Differences between expected and actual experience	(2,628)
Changes of assumptions	(1,042,422)
Benefit payments	<u>(117,256)</u>
Net change in total OPEB liability	(382,993)
Total OPEB liability - beginning	<u>8,850,242</u>
Total OPEB liability - ending	<u>\$ 8,467,249</u>
Covered payroll	\$ 4,892,879
Total OPEB liability as a percentage of covered payroll	173.05%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.01%

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2018**

**Schedule 1**  
**Page 1 of 5**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes		\$ 4,321,319	
Penalties and interest		14,550	
Total ad valorem taxes	<u>\$ 4,233,366</u>	<u>4,335,869</u>	<u>\$ 102,503</u>
Other taxes and licenses:			
Auto licenses		12,229	
Privilege licenses		16,434	
Total other taxes and licenses	<u>50,625</u>	<u>28,663</u>	<u>(21,962)</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,492,779	
Utility sales tax		477,548	
ABC distribution		368,049	
Beer and wine tax		26,053	
Other taxes		513,499	
Cable franchise tax		112,159	
Total unrestricted intergovernmental	<u>3,230,182</u>	<u>2,990,087</u>	<u>(240,095)</u>
Restricted intergovernmental:			
Powell Bill allocation		185,433	
Other grants		3,579	
Total restricted intergovernmental	<u>187,000</u>	<u>189,012</u>	<u>2,012</u>
Permits and fees:			
Building permits		423,930	
Assessments		158,745	
Inspection fees		81,196	
Total permits and fees	<u>354,500</u>	<u>663,871</u>	<u>309,371</u>
Sales and services:			
Rents		229,419	
Recreation fees		1,619,147	
Court fees		23,080	
Parking		977,967	
Refuse fees		1,600,185	
Total sales and services	<u>4,335,486</u>	<u>4,449,798</u>	<u>114,312</u>
Investment earnings	<u>40,000</u>	<u>87,790</u>	<u>47,790</u>

(Continued)

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

**Schedule 1**  
**Page 2 of 5**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues (Continued):</b>			
Miscellaneous	\$ 9,000	\$ 58,366	\$ 49,366
Total Revenues	<u>12,440,159</u>	<u>12,803,456</u>	<u>363,297</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits		79,087	
Other operating expenses		438,636	
Capital outlay		50,139	
Total	<u>784,002</u>	<u>567,862</u>	<u>216,140</u>
Administration:			
Salaries and employee benefits		273,085	
Other operating expense		476,057	
Total	<u>802,671</u>	<u>749,142</u>	<u>53,529</u>
Clerk:			
Salaries and employee benefits		153,264	
Other operating expenses		43,871	
Total	<u>206,166</u>	<u>197,135</u>	<u>9,031</u>
Finance:			
Salaries and employee benefits		230,989	
Other operating expenses		108,495	
Total	<u>348,499</u>	<u>339,484</u>	<u>9,015</u>
Human Resources:			
Salaries and employee benefits		271,700	
Other operating expenses		97,425	
Total	<u>394,356</u>	<u>369,125</u>	<u>25,231</u>
Public Works Administration:			
Salaries and employee benefits		47,127	
Other operating expense		52,862	
Total	<u>111,346</u>	<u>99,989</u>	<u>11,357</u>

(Continued)



**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

**Schedule 1**  
**Page 3 of 5**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Expenditures (Continued):</b>			
Planning:			
Salaries and employee benefits		\$ 661,375	
Other operating expense		78,906	
Total	<u>\$ 773,326</u>	<u>740,281</u>	<u>\$ 33,045</u>
Parking:			
Other operating expense		360,792	
Total	<u>364,000</u>	<u>360,792</u>	<u>3,208</u>
Beach Maintenance:			
Salaries and benefits		175,813	
Other operating expenses		322,847	
Capital outlay		527,404	
Total	<u>1,105,923</u>	<u>1,026,064</u>	<u>79,859</u>
Marina:			
Other operating expenses		23,205	
Total	<u>25,773</u>	<u>23,205</u>	<u>2,568</u>
Total general government	<u>4,916,062</u>	<u>4,473,079</u>	<u>442,983</u>
Public Safety:			
Police:			
Salaries and employee benefits		2,161,987	
Other operating expenses		353,717	
Total	<u>2,667,762</u>	<u>2,515,704</u>	<u>152,058</u>
Fire:			
Salaries and employee benefits		854,558	
Other operating expenses		170,740	
Capital outlay		3,390	
Total	<u>1,119,874</u>	<u>1,028,688</u>	<u>91,186</u>

(Continued)

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

**Schedule 1**  
**Page 4 of 5**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Continued):</b>			
Lifeguard:			
Salaries and employee benefits		\$ 352,674	
Other operating expenses		36,193	
Capital outlay		11,102	
Total	\$ 453,524	399,969	\$ 53,555
Total public safety	4,241,160	3,944,361	296,799
Transportation:			
Street and Highways:			
Street maintenance		633,324	
Total transportation	836,000	633,324	202,676
Fleet Maintenance:			
Other operating expenses		242,994	
Total fleet maintenance	247,964	242,994	4,970
Environmental Protection:			
Solid Waste:			
Salaries and employee benefits		546,139	
Other operating expenses		2,461,618	
Capital outlay		46,481	
Total environmental protection	3,100,134	3,054,238	45,896
Cultural and Recreation:			
Parks and Recreation:			
Salaries and employee benefits		413,881	
Other operating expenses		288,243	
Capital outlay		82,617	
Total cultural and recreation	802,629	784,741	17,888
Non-Departmental:			
Other operating expenses		386,965	
Total non-departmental	419,788	386,965	32,823

(Continued)

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	\$ 896,329	\$ 868,875	\$ 27,454
Interest and other charges	110,856	146,170	(35,314)
Total debt service	<u>1,007,185</u>	<u>1,015,045</u>	<u>(7,860)</u>
Total expenditures	<u>15,570,922</u>	<u>14,534,747</u>	<u>1,036,175</u>
Revenue over (under) expenditures	<u>(3,130,763)</u>	<u>(1,731,291)</u>	<u>1,399,472</u>
<b>Other financing sources (uses):</b>			
Transfers in	1,015,746	798,745	(217,001)
Transfers out	(730,643)	(730,643)	-
Total other financing sources (uses)	<u>285,103</u>	<u>68,102</u>	<u>(217,001)</u>
<b>Fund balance appropriated</b>	<u>2,845,660</u>	<u>-</u>	<u>(2,845,660)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,663,189)</u>	<u>\$ (1,663,189)</u>
Fund balances, beginning		<u>7,724,249</u>	
Fund balances, ending		<u>\$ 6,061,060</u>	

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Grant Project Fund	Island Greenway Improvement Fund	Marina Project Fund
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ 394,090
Accounts receivable	-	4,916	-
Due from other governments	240,395	36,837	14,127
Due from other funds	-	-	260,007
Restricted cash and cash equivalents	-	-	35,050
Total assets	<u>\$ 240,395</u>	<u>\$ 41,753</u>	<u>\$ 703,274</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable and other current liabilities	\$ 35,245	\$ 397,649	122,147
Due to other funds	195,506	37,112	-
Total liabilities	<u>230,751</u>	<u>434,761</u>	<u>122,147</u>
<b>Fund Balances:</b>			
Assigned:			
Capital projects	9,644	(393,008)	581,127
Total fund balances	<u>9,644</u>	<u>(393,008)</u>	<u>581,127</u>
Total liabilities and fund balances	<u>\$ 240,395</u>	<u>\$ 41,753</u>	<u>\$ 703,274</u>

**Schedule 2**

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<u>Cape Fear Multi-Use Path Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 91,723	\$ 485,813
-	4,916
-	291,359
-	260,007
-	35,050
<u>\$ 91,723</u>	<u>\$ 1,077,145</u>
\$ -	\$ 555,041
-	232,618
<u>-</u>	<u>787,659</u>
<u>91,723</u>	<u>289,486</u>
<u>91,723</u>	<u>289,486</u>
<u>\$ 91,723</u>	<u>\$ 1,077,145</u>

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2018**

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	Grant Project Fund	Boardwalk Improvements Fund	Island Greenway Improvement Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 635,426	\$ -	\$ 37,111
Investment earnings	-	-	-
Total revenues	<u>635,426</u>	<u>-</u>	<u>37,111</u>
<b>Expenditures:</b>			
Current:			
General government	-	-	156,896
Public safety	<u>625,782</u>	<u>-</u>	<u>370,716</u>
Total expenditures	<u>625,782</u>	<u>-</u>	<u>527,612</u>
 Revenues over (under) expenditures	<u>9,644</u>	<u>-</u>	<u>(490,501)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from (to) other funds	<u>-</u>	<u>(12,481)</u>	<u>96,919</u>
Total other financing sources	<u>-</u>	<u>(12,481)</u>	<u>96,919</u>
 Net change in fund balances	<u>9,644</u>	<u>(12,481)</u>	<u>(393,582)</u>
 Fund balances, beginning	<u>-</u>	<u>12,481</u>	<u>574</u>
 Fund balances, ending	<u>\$ 9,644</u>	<u>\$ -</u>	<u>\$ (393,008)</u>

**Schedule 3**

Marina Project Fund	Cape Fear Multi-Use Path Project Fund	Total Nonmajor Governmental Funds
\$ 460,459	\$ -	\$ 1,132,996
52	-	52
<u>460,511</u>	<u>-</u>	<u>1,133,048</u>
392,310	-	549,206
<u>604,521</u>	<u>-</u>	<u>1,601,019</u>
<u>996,831</u>	<u>-</u>	<u>2,150,225</u>
<u>(536,320)</u>	<u>-</u>	<u>(1,017,177)</u>
633,724	-	718,162
<u>633,724</u>	<u>-</u>	<u>718,162</u>
<u>97,404</u>	<u>-</u>	<u>(299,015)</u>
<u>483,723</u>	<u>91,723</u>	<u>588,501</u>
<u>\$ 581,127</u>	<u>\$ 91,723</u>	<u>\$ 289,486</u>

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

MOTSU Project Fund 1

From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Expenditures:</b>				
Professional services	\$ 217,000	\$ 158,769	\$ 38,201	\$ 196,970
Total expenditures	<u>217,000</u>	<u>158,769</u>	<u>38,201</u>	<u>196,970</u>
<b>Other financing sources (uses):</b>				
Transfers from general fund	217,000	217,000	-	217,000
Total other financing sources	<u>217,000</u>	<u>217,000</u>	<u>-</u>	<u>217,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 58,231</u>	(38,201)	<u>\$ 20,030</u>
Fund balances, beginning			<u>58,231</u>	
Fund balances, ending			<u>\$ 20,030</u>	



TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 5

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

Boardwalk Improvement Fund

From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental	\$ 849,367	\$ 849,367	\$ -	\$ 849,367
Miscellaneous	93,398	105,880	-	105,880
Total revenues	<u>942,765</u>	<u>955,247</u>	<u>-</u>	<u>955,247</u>
<b>Expenditures:</b>				
Construction	2,325,303	2,325,304	-	2,325,304
Total expenditures	<u>2,325,303</u>	<u>2,325,304</u>	<u>-</u>	<u>2,325,304</u>
Revenues over (under) expenditures	<u>(1,382,538)</u>	<u>(1,370,057)</u>	<u>-</u>	<u>(1,370,057)</u>
<b>Other financing sources (uses):</b>				
Transfers from general fund	1,382,538	1,382,538	(12,481)	1,370,057
Total other financing sources	<u>1,382,538</u>	<u>1,382,538</u>	<u>(12,481)</u>	<u>1,370,057</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,481</u>	<u>(12,481)</u>	<u>\$ -</u>
Fund balances, beginning			<u>12,481</u>	
Fund balances, ending			<u>\$ -</u>	

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

## Island Greenway Improvement Fund

From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental	\$ 973,671	\$ 14,210	\$ 37,111	\$ 51,321
Total revenues	<u>973,671</u>	<u>14,210</u>	<u>37,111</u>	<u>51,321</u>
<b>Expenditures:</b>				
Construction	402,580	160,144	527,612	687,756
Total expenditures	<u>402,580</u>	<u>160,144</u>	<u>527,612</u>	<u>687,756</u>
Revenues over (under) expenditures	<u>571,091</u>	<u>(145,934)</u>	<u>(490,501)</u>	<u>(636,435)</u>
<b>Other financing sources (uses):</b>				
Transfers from general fund	243,427	146,508	96,919	243,427
Total other financing sources	<u>243,427</u>	<u>146,508</u>	<u>96,919</u>	<u>243,427</u>
Net change in fund balance	<u>\$ 814,518</u>	<u>\$ 574</u>	(393,582)	<u>\$ (393,008)</u>
Fund balances, beginning			<u>574</u>	
Fund balances, ending			<u>\$ (393,008)</u>	

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**

**Schedule 7**

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

**Marina Project Fund**

**From Inception and for the Fiscal Year Ended June 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Investment income	\$ -	\$ 9	\$ 52	\$ 61
Restricted intergovernmental	891,432	430,973	460,459	891,432
Total revenues	<u>891,432</u>	<u>430,982</u>	<u>460,511</u>	<u>891,493</u>
<b>Expenditures:</b>				
Construction	2,076,656	498,750	996,831	1,495,581
Total expenditures	<u>2,076,656</u>	<u>498,750</u>	<u>996,831</u>	<u>1,495,581</u>
Revenues over (under) expenditures	<u>(1,185,224)</u>	<u>(67,768)</u>	<u>(536,320)</u>	<u>(604,088)</u>
<b>Other financing sources (uses):</b>				
Long-term borrowing issued	520,000	520,000	-	520,000
Transfers in	665,224	31,500	633,724	665,224
Total other financing sources	<u>1,185,224</u>	<u>551,500</u>	<u>633,724</u>	<u>1,185,224</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 483,732</u>	97,404	<u>\$ 581,136</u>
Fund balances, beginning			<u>483,723</u>	
Fund balances, ending			<u>\$ 581,127</u>	

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

## Cape Fear Multi-Use Path Project Fund

From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental	\$ 425,639	\$ 13,419	\$ -	\$ 13,419
Total revenues	<u>425,639</u>	<u>13,419</u>	<u>-</u>	<u>13,419</u>
<b>Expenditures:</b>				
Construction	487,712	-	-	-
Total expenditures	<u>487,712</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(62,073)</u>	<u>13,419</u>	<u>-</u>	<u>13,419</u>
<b>Other financing sources (uses):</b>				
Transfers from general fund	106,410	106,410	-	106,410
Total other financing sources	<u>106,410</u>	<u>106,410</u>	<u>-</u>	<u>106,410</u>
Net change in fund balance	<u>\$ 44,337</u>	<u>\$ 119,829</u>	<u>-</u>	<u>\$ 119,829</u>
Fund balances, beginning			<u>91,723</u>	
Fund balances, ending			<u>\$ 91,723</u>	

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Utility Fund**  
**Year Ended June 30, 2018**

**Schedule 9**  
**Page 1 of 3**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Customer charges:			
Water and sewer		\$ 3,139,951	
User fees		755,899	
Other municipals		289,522	
Stormwater fees		<u>3,250,920</u>	
Total customer charges	<u>\$ 7,139,863</u>	<u>7,436,292</u>	<u>\$ 296,429</u>
Other Operating Revenues:			
Water and sewer taps	343,300	313,455	(29,845)
Other operating revenues	<u>59,215</u>	<u>64,957</u>	<u>5,742</u>
Total other operating revenues	<u>402,515</u>	<u>378,412</u>	<u>(24,103)</u>
Non-Operating Revenues:			
Interest	<u>15,000</u>	<u>456,407</u>	<u>441,407</u>
Total non-operating revenues	<u>15,000</u>	<u>456,407</u>	<u>441,407</u>
Total revenues	<u>7,557,378</u>	<u>8,271,111</u>	<u>713,733</u>
<b>Expenditures:</b>			
Water and Sewer Administration:			
Salaries and employee benefits		395,163	
Other operating expenditures		<u>151,039</u>	
Total water and sewer administration	<u>573,125</u>	<u>546,202</u>	<u>26,923</u>
Facilities and Equipment:			
Other operating expenditures		<u>70,748</u>	
Total facilities and equipment	<u>98,000</u>	<u>70,748</u>	<u>27,252</u>
Water Treatment:			
Salaries and employee benefits		310,049	
Chemicals		43,211	
Utilities		120,600	
Other operating expenditures		<u>194,279</u>	
Total water treatment	<u>767,291</u>	<u>668,139</u>	<u>99,152</u>

(Continued)

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Utility Fund**  
**Year Ended June 30, 2018**

**Schedule 9**  
**Page 2 of 3**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Water Distribution:			
Salaries and employee benefits		\$ 106,965	
Utilities		68,354	
Other operating expenditures		<u>379,415</u>	
Total water distribution	<u>\$ 743,853</u>	<u>554,734</u>	<u>\$ 189,119</u>
Waste Collection and Treatment:			
Sewer Collection System:			
Salaries and employee benefits		584,663	
Other operating expenditures		<u>399,187</u>	
Total water collection and treatment	<u>1,080,551</u>	<u>983,850</u>	<u>96,701</u>
Stormwater Drainage:			
Salaries and employee benefits		468,150	
Other operating expenditures		<u>303,433</u>	
Total stormwater drainage	<u>884,125</u>	<u>771,583</u>	<u>112,542</u>
Repairs and Maintenance	<u>1,293,002</u>	<u>994,747</u>	<u>298,255</u>
Total operating expenditures	<u>5,439,947</u>	<u>4,590,003</u>	<u>849,944</u>
Non-Operating Expenses:			
Miscellaneous	<u>-</u>	<u>23,892</u>	<u>23,892</u>
Debt service:			
Interest and fees		1,150,805	
Principal retirement		<u>1,522,919</u>	
Total debt service	<u>2,353,554</u>	<u>2,673,724</u>	<u>(320,170)</u>
Capital Outlay:			
System improvements	<u>1,621,862</u>	<u>1,003,370</u>	<u>618,492</u>
Total expenditures	<u>9,415,363</u>	<u>8,290,989</u>	<u>1,124,374</u>
Revenues over expenditures	<u>(1,857,985)</u>	<u>(19,878)</u>	<u>1,838,107</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	3,166,894	-	(3,166,894)
Loan proceeds	400,000	400,000	-
Transfer to other funds	<u>(1,708,909)</u>	<u>(740,144)</u>	<u>968,765</u>
Total other financing sources	<u>1,857,985</u>	<u>(340,144)</u>	<u>(2,198,129)</u>

(Continued)

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Utility Fund**  
**Year Ended June 30, 2018**

**Schedule 9**  
**Page 3 of 3**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (360,022)</u>	<u>\$ (360,022)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Capital project fund - capital outlay		(7,603,998)	
Capital project fund - intergovernmental grant		188,943	
Capital project fund - transfer from other funds		(46,120)	
Principal retirement		1,522,919	
Capital outlay		9,646,576	
Loan proceeds		(400,000)	
Changes in related pension liability		(119,168)	
Increase in Deferred inflows of resources- OPEB		(212,249)	
Increase in OPEB liability		61,120	
Miscellaneous adjustments		31,397	
Depreciation		<u>(1,448,881)</u>	
Total reconciling items		<u>1,620,539</u>	
Change in net position		<u>\$ 1,260,517</u>	

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Water Project**  
**From Inception and Year Ended June 30, 2018**

**Schedule 10**

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Revenues:</b>				
Interest income	\$ -	\$ 638	\$ -	\$ 638
Total revenues	-	638	-	638
<b>Expenditures:</b>				
Lake Park Intersection Project:				
Replacement and repair	-	1,000,584	-	1,000,584
Pipe replacement	-	108,560	-	108,560
	-	1,109,144	-	1,109,144
AMI Project:				
Water meter replacement	-	1,558,986	-	1,558,986
Phase 1A Project:				
Infrastructure	-	6,950,700	-	6,950,700
Streetscape	-	971,256	-	971,256
	-	7,921,956	-	7,921,956
Water and Sewer Infrastructure Projects:				
Phases B, C, D, and E	14,233,654	6,628,647	6,073,313	12,701,960
Wastewater Treatment Plant	731,963	730,933	1,030	731,963
Water Lines, Lakes and Wells	4,932,749	2,494,218	968,322	3,462,540
	19,898,366	9,853,798	7,042,665	16,896,463
Phase 1D Project:				
Infrastructure	-	1,650,816	-	1,650,816
Total expenditures	19,898,366	22,094,700	7,042,665	29,137,365
Revenues over expenditures	(19,898,366)	(22,094,062)	(7,042,665)	(29,136,727)
<b>Other financing sources (uses):</b>				
Long-term borrowing issued	-	9,626,030	-	9,626,030
Transfers in (out)	19,898,366	22,222,755	289,845	22,512,600
Total other financing sources	19,898,366	31,848,785	289,845	32,138,630
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 9,754,723	\$ (6,752,820)	\$ 3,001,903



**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Stormwater Improvement**  
**From Inception and Year Ended June 30, 2018**

**Schedule 11**

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Revenues:</b>				
Intergovernmental grants:				
CWMTF Grant	\$ 285,000	\$ -	\$ 96,193	\$ 96,193
Total Revenues	<u>285,000</u>	<u>-</u>	<u>96,193</u>	<u>96,193</u>
<b>Expenditures:</b>				
Stormwater improvements	570,189	3,227	202,066	205,293
Total expenditures	<u>570,189</u>	<u>3,227</u>	<u>202,066</u>	<u>205,293</u>
<b>Other financing sources:</b>				
Transfers in	285,189	285,189	-	285,189
Total other financing sources	<u>285,189</u>	<u>285,189</u>	<u>-</u>	<u>285,189</u>
Other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 281,962</u>	<u>\$ (105,873)</u>	<u>\$ 176,089</u>

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - AIA Wastewater Project**  
**From Inception and Year Ended June 30, 2018**

**Schedule 12**

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Revenues:</b>				
Intergovernmental grants:				
AIA Grant	\$ 300,000	\$ 50,250	\$ 92,750	\$ 143,000
Total Revenues	<u>300,000</u>	<u>50,250</u>	<u>92,750</u>	<u>143,000</u>
<b>Expenditures:</b>				
Professional Services	360,000	147,500	-	147,500
Total expenditures	<u>360,000</u>	<u>147,500</u>	<u>-</u>	<u>147,500</u>
<b>Other financing sources:</b>				
Transfers in	60,000	210,000	-	210,000
Transfers out	-	-	(150,000)	(150,000)
Total other financing sources	<u>60,000</u>	<u>210,000</u>	<u>(150,000)</u>	<u>60,000</u>
Revenues and Other financing sources over expenditures	<u>\$ -</u>	<u>\$ 112,750</u>	<u>\$ (57,250)</u>	<u>\$ 55,500</u>

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Winner Ave. Stormwater Project**  
**From Inception and Year Ended June 30, 2018**

**Schedule 13**

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Expenditures:</b>				
Stormwater improvements	\$ -	\$ 216,765	\$ 8,704	\$ 225,469
Total expenditures	-	216,765	8,704	225,469
<b>Other financing sources:</b>				
Transfers in (out)	-	275,000	(275,001)	(1)
Total other financing sources	-	275,000	(275,001)	(1)
Other financing sources over expenditures	\$ -	\$ 58,235	\$ (283,705)	\$ (225,470)

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Northend Project**  
**From Inception and Year Ended June 30, 2018**

**Schedule 14**

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Expenditures:</b>				
Stormwater improvements	\$ 820,999	\$ -	350,563	\$ 350,563
Total expenditures	820,999	-	350,563	350,563
<b>Other financing sources:</b>				
Transfers in	820,999	-	820,999	820,999
Total other financing sources	820,999	-	820,999	820,999
Other financing sources over (under) expenditures	\$ -	\$ -	\$ 470,436	\$ 470,436

## **OTHER SCHEDULES**

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2018**

**Schedule 1**

Fiscal Year	Uncollected Balance July 1, 2017	Additions	Collections, and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 4,338,995	\$ 4,305,902	\$ 33,093
2016-2017	41,889	-	15,293	26,596
2015-2016	26,387	-	3,178	23,209
2014-2015	23,154	-	1,764	21,390
2013-2014	20,847	-	1,269	19,578
2012-2013	14,642	-	722	13,920
2011-2012	9,534	-	343	9,191
2010-2011	7,097	-	250	6,847
2009-2010	6,229	-	-	6,229
2008-2009	5,900	-	33	5,867
Prior to 2008	7,473	-	7,473	-
Total	\$ 163,152	\$ 4,338,995	\$ 4,336,227	165,920
Less: allowance for uncollectible ad valorem taxes receivable				-
Ad valorem taxes receivable - net				\$ 165,920
<u>Reconciliation of collections and credits with revenues:</u>				
Ad valorem taxes - general fund				\$ 4,321,319
Reconciling items:				
Releases and refunds and other adjustments				7,831
Amounts written off for tax years per statute of limitations				(7,473)
Interest and penalties collected				14,550
Total collections and credits				\$ 4,336,227

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Analysis of Current Year Tax Levy**  
**For the Fiscal Year Ended June 30, 2018**

**Schedule 2**

	Property Valuation (in Thousand)	Rate	Amount of Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
Property taxes at current year rate	\$ 1,866,594,667	0.2250	\$ 4,199,838	\$ 4,199,838	\$ -
Registered motor vehicles at current year rates	57,407,937	0.2250	129,175	-	129,175
Registered motor vehicles at prior year rates	14,812,143	0.2350	34,809	-	34,809
Penalties	-		4,219	4,219	-
<b>Total</b>	<b>1,938,814,747</b>		<b>4,368,041</b>	<b>4,204,057</b>	<b>163,984</b>
<b>Discoveries:</b>					
Current year taxes	-	-	1,790	1,790	-
<b>Abatements:</b>					
Current year taxes	(13,641,272)	-	(30,836)	(30,836)	-
<b>Total property value</b>	<b>\$ 1,925,173,475</b>				
<b>Net levy</b>			<b>4,338,995</b>	<b>4,175,011</b>	<b>163,984</b>
Uncollected taxes at June 30, 2018			33,093	33,093	-
Current year's taxes collected			<u>\$ 4,305,902</u>	<u>\$ 4,141,918</u>	<u>\$ 163,984</u>
Current levy collection percentage			<u>99.24%</u>	<u>99.21%</u>	<u>100.00%</u>

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

MOTSU Project Fund 1

From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Expenditures:</b>				
Professional services	\$ 217,000	\$ 158,769	\$ 38,201	\$ 196,970
Total expenditures	<u>217,000</u>	<u>158,769</u>	<u>38,201</u>	<u>196,970</u>
<b>Other financing sources (uses):</b>				
Transfers from general fund	217,000	217,000	-	217,000
Total other financing sources	<u>217,000</u>	<u>217,000</u>	<u>-</u>	<u>217,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 58,231</u>	(38,201)	<u>\$ 20,030</u>
Fund balances, beginning			<u>58,231</u>	
Fund balances, ending			<u>\$ 20,030</u>	



TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 4

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

MOTSU Project Fund 2

From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Expenditures:</b>				
Professional services	\$ -	\$ -	\$ 160,706	\$ 160,706
Total expenditures	<u>-</u>	<u>-</u>	<u>160,706</u>	<u>160,706</u>
<b>Other financing sources (uses):</b>				
Transfers from general fund	186,264	-	186,264	186,264
Total other financing sources	<u>186,264</u>	<u>-</u>	<u>186,264</u>	<u>186,264</u>
Net change in fund balance	<u>\$ 186,264</u>	<u>\$ -</u>	25,558	<u>\$ 25,558</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ 25,558</u>	

## **COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregated remaining fund information of the Town of Carolina Beach, North Carolina (the "Town") as of and for the year ended June 30, 2018, 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 25, 2018.

Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
October 25, 2018



**Independent Auditor’s Report on Compliance for The Major Federal Program;  
Report on Internal Control Over Compliance; With OMB Uniform  
Guidance and the State Single Audit Implementation Act**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Carolina Beach, North Carolina (the “Town”), compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town’s major federal program for the year ended June 30, 2018. The Town’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Town’s compliance.

**Opinion on The Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control Over Compliance**

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

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

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

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

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
October 25, 2018



**Independent Auditor's Report on Compliance For The Major State Program; Report on Internal Control Over Compliance; in Accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act**

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

**Report on Compliance for Each Major State Program**

We have audited the Town of Carolina Beach, North Carolina (the "Town"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town's major state programs for the year ended June 30, 2018. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state programs. However, our audit does not provide a legal determination of the Town's compliance.

## **Opinion on Each Major State Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

## **Report on Internal Control Over Compliance**

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

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

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

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

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
October 25, 2018



**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures
<b>Federal Grants:</b>				
<b>Department of Homeland Security</b>				
<b>Passed-through N.C. Department of Public Safety</b>				
Disaster Grants - Public Assistance	97.036	FEMA 4285 DR-NC FMA-PJ-04-NC-2015- 001; FMA-PJ-04-NC-2014- 009; FMA-PJ-04-NC-2016-	\$ 393,285	\$ -
Flood Mitigation Assistance	97.029	015	632,512	-
<b>Department of Transportation</b>				
<b>Passed-through N.C. Department of Transportation</b>				
Highway Planning and Construction	20.205	STPDA-0332(54)	134,605	
<b>Department of Agriculture</b>				
<b>Passed-through N.C. Forest Service</b>				
Cooperative Forestry Assistance	10.664	P.L. 95-313	1,163	-
Total assistance - federal program			<u>1,161,565</u>	<u>-</u>
<b>State Grants:</b>				
<b>N.C. Department of Environmental Quality</b>				
Water and Wastewater Asset Inventory		DEQ-19	-	147,500
<b>N.C. Department of Insurance</b>				
State Fire Protection Grant		GOV-4	-	721
<b>N.C. Department of Environment and Natural Resources</b>				
Clean Water Management		DENR-4	-	164,171
<b>N.C. Department of Transportation</b>				
Non-state System Street Aid Allocation (Powell Bill)	-	DOT-4	-	633,325
Total assistance - state program			<u>-</u>	<u>945,717</u>
Total federal expenditures			<u>\$ 1,161,565</u>	
Total state expenditures				<u>\$ 945,717</u>

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Carolina Beach under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Carolina Beach, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Carolina Beach.

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Findings, Responses, and Questioned Costs**  
**Year Ended June 30, 2018**

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**Section I - Summary of Auditor's Results**

*Financial Statements*

- (i) Type of auditor's report issued: Unmodified
- (ii) Internal control over financial reporting
  - (a) Material weakness(es) identified?  Yes  No
  - (b) Significant deficiencies identified?  Yes  No
- (iii) Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

- (i) Internal control over major programs
  - (a) Material weakness(es) identified  Yes  No
  - (b) Significant deficiencies identified  Yes  No
- (ii) Type of auditor's report issued on compliance for major programs: Unmodified
- (iii) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance  Yes  No

(iv) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
97.036	Public Assistance

- (v) Dollar threshold used to distinguish between type A and type B programs: \$750,000
- (vi) Auditee qualified as low-risk auditee  Yes  No

**Section II - Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:**

**Deficiencies**

None reported

**Section III - Findings and questioned costs relating to the major programs which are required to be reported in accordance with Uniform Guidance:**

**Findings and Questioned Costs**

None reported

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Findings, Responses, and Questioned Costs (Continued)**  
**Year Ended June 30, 2018**

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**Section I - Summary of Auditor's Results**

*State Awards*

- (i) Internal control over major programs
  - (a) Material weakness(es) identified \_\_\_\_\_ Yes   X   No
  - (b) Significant deficiencies identified \_\_\_\_\_ Yes   X   No
- (ii) Type of auditor's report issued on compliance  
for major programs: Unmodified
- (iii) Any audit findings disclosed that are required to be  
reported in accordance with the State Single  
Audit Implementation Act \_\_\_\_\_ Yes   X   No
- (iv) Identification of major State programs:

Program Name

Non-state System Street Aid Allocation (Powell Bill)

**Section II - Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:**

**Deficiencies**

None reported

**Section III - Findings and questioned costs relating to the major programs which are required to be reported in accordance with the State Single Audit Implementation Act:**

**Findings and Questioned Costs**

None reported

**TOWN OF CAROLINA BEACH, NORTH CAROLINA**  
**Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2018**

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None