

**TOWN OF CAROLINA BEACH
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-12
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A	Statement of Net Position	13
B	Statement of Activities	14-15
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	16
D	Statement of Revenues, Expenditures, and Changes in in Fund Balances - Governmental Funds	17-18
E	Statement of Revenues, Expenditures, and Changes in in Fund Balance - Budget and Actual - General Fund	19
F	Statement of Net Position - Proprietary Funds	20
G	Statement of Revenues, Expenses, and Changes in in Fund Net Position - Proprietary Funds	21
H	Statement of Cash Flows - Proprietary Funds	22
	Notes to the Financial Statements	23-49
	Required Supplementary Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance	50
A-2	Other Post-Employment Benefits	51

TOWN OF CAROLINA BEACH, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Supplementary Information:	
1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	52-56
	Nonmajor Governmental Funds:	
2	Combining Balance Sheet	57
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	58
4	Fire Station Renovation - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	59
5	Motsu Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	60
6	Tourism Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	61
7	Utility Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	62-64
8	Water Project - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	65
9	Water and Sewer Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	66
	Additional Financial Data:	
10	Schedule of Ad Valorem Taxes Receivable	67
11	Analysis of Current Year Levy	68

TOWN OF CAROLINA BEACH, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

Compliance Section:

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	69-70
Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; Report On The Schedule Of Expenditures Of Federal And State Awards As Required By OMB Circular A-133; And The State Single Audit Implementation Act	71-72
Schedule of Findings, Responses and Questioned Costs	73-79
Summary Schedule of Prior Year Findings	80
Schedule of Expenditures of Federal And State Awards	81

This page left blank intentionally.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
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, business-type activities, and each major fund of the Town of Carolina Beach, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Town of Carolina Beach, North Carolina, as of June 30, 2014, and the respective changes in financial position and cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officer's Special Separation Allowance, and the Other Post-Employment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Carolina Beach's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the accompanying Schedule of Expenditures of Federal and State Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards 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, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated January 27, 2015, on our consideration of the Town of Carolina Beach's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the Town of Carolina Beach's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 27, 2015

This page left blank intentionally.

Management's Discussion and Analysis

As management of the Town of Carolina Beach (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Carolina Beach for the fiscal year ended June 30, 2014. 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

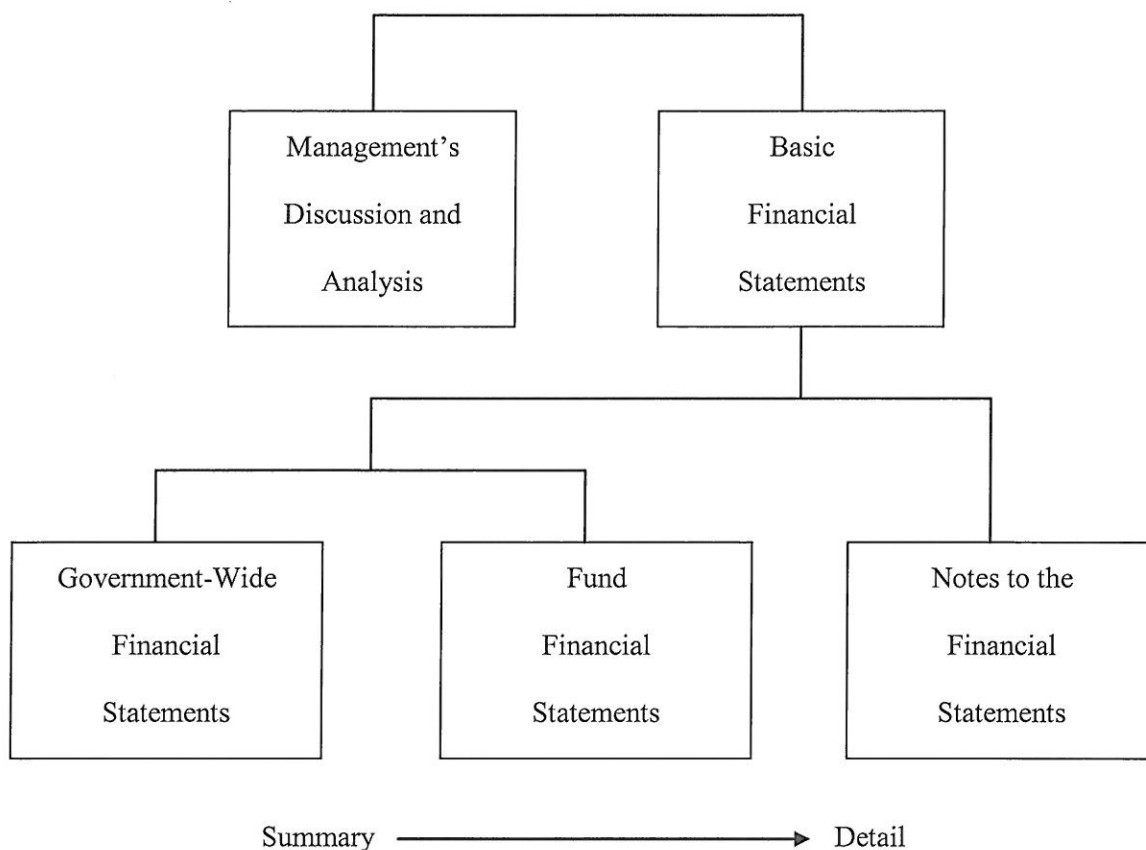
- The assets of the Town of Carolina Beach exceeded its liabilities at the close of the most recent fiscal year by \$41,121,624.
- The government's total net position increased by \$3,456,864, primarily due to increases in governmental activities.
- As of the close of the current fiscal year, the Town of Carolina Beach's governmental funds reported combined ending fund balances of \$9,248,210 with a net change of \$3,389,450. Approximately 23 percent of this total amount, or \$2,093,881, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,225,265, or 68 percent, of total General Fund expenditures for the fiscal year.
- At the beginning of the fiscal year, net assets of the Town's Tourism Fund were transferred to the General Fund.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through H) 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, 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 are those that the Town charges customers to provide. These include water and sewer services and the Tourism Fund. The final category is the component unit. The Town does not have a component unit.

The government-wide financial statements are on Exhibits A and B of the basic financial statements.

Fund Financial Statements

The fund financial statements (see Figure 2) 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 of Carolina Beach can be divided into two categories: governmental funds and proprietary funds.

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

Other Financial Information. In addition to the basic financial statements and accompanying notes, the report also 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.

Town of Carolina Beach's Net Position
Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Current and other assets	\$ 11,741,849	\$ 6,152,681	\$ 14,312,958	\$ 10,148,997	\$ 26,054,807	\$ 16,301,678
Capital assets	16,388,830	10,679,438	21,736,948	25,706,574	38,125,778	36,386,012
Total assets	<u>28,130,679</u>	<u>16,832,119</u>	<u>36,049,906</u>	<u>35,855,571</u>	<u>64,180,585</u>	<u>52,687,690</u>
Liabilities:						
Long-term liabilities						
outstanding	4,499,933	4,614,417	16,772,073	8,863,831	21,272,006	13,478,248
Other liabilities	<u>790,509</u>	<u>144,740</u>	<u>996,446</u>	<u>179,726</u>	<u>1,786,955</u>	<u>324,466</u>
Total liabilities	<u>5,290,442</u>	<u>4,759,157</u>	<u>17,768,519</u>	<u>9,043,557</u>	<u>23,058,961</u>	<u>13,802,714</u>
Net Position:						
Net investment in						
capital assets	13,893,394	7,164,097	12,554,778	17,252,533	26,448,172	24,416,630
Restricted	1,590,980	799,300	-	-	1,590,980	799,300
Unrestricted	<u>7,355,863</u>	<u>4,109,565</u>	<u>5,726,609</u>	<u>9,559,481</u>	<u>13,082,472</u>	<u>13,669,046</u>
Total net position	<u>\$ 22,840,237</u>	<u>\$ 12,072,962</u>	<u>\$ 18,281,387</u>	<u>\$ 26,812,014</u>	<u>\$ 41,121,624</u>	<u>\$ 38,884,976</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 \$41,121,624 as of June 30, 2014. The Town's net position increased by \$3,456,864 for the fiscal year ended June 30, 2014. A large portion, \$26,448,172, 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'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, \$1,590,980, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,082,472 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 98.64 percent
- Continued growth in tax base

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,735,583	\$ 1,764,368	\$ 5,587,517	\$ 8,429,055	\$11,323,100	\$10,193,423
Operating grants	186,527	533,983	-	-	186,527	533,983
Capital grants	545,500	-	-	-	545,500	-
General revenues:						
Property taxes	3,925,196	3,833,980	-	-	3,925,196	3,833,980
Other taxes	103,237	1,977,225	-	-	103,237	1,977,225
Other revenues	2,922,120	249,653	285	1,821	2,922,405	251,474
Total revenues	<u>13,418,163</u>	<u>8,359,209</u>	<u>5,587,802</u>	<u>8,430,876</u>	<u>19,005,965</u>	<u>16,790,085</u>
Expenses:						
General government	3,746,796	2,535,133	-	-	3,746,796	2,535,133
Public safety	3,105,418	2,614,121	-	-	3,105,418	2,614,121
Transportation	73,639	28,877	-	-	73,639	28,877
Public works	224,544	141,294	-	-	224,544	141,294
Environmental protection	2,626,217	2,393,815	-	-	2,626,217	2,393,815
Cultural and recreation	519,223	436,118	-	-	519,223	436,118
Interest on long-term debt	489,471	200,770	-	-	489,471	200,770
Utility operations	-	-	4,763,793	2,732,743	4,763,793	2,732,743
Tourism	-	-	-	1,389,292	-	1,389,292
Total expenses	<u>10,785,308</u>	<u>8,350,128</u>	<u>4,763,793</u>	<u>4,122,035</u>	<u>15,549,101</u>	<u>12,472,163</u>
Increase in net position, before transfers	2,632,855	9,081	824,009	4,308,841	3,456,864	4,317,922
Transfers	2,967,756	732,783	(2,967,756)	(732,783)	-	-
Special items	<u>3,397,552</u>	<u>-</u>	<u>(3,397,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>8,998,163</u>	<u>741,864</u>	<u>(5,541,299)</u>	<u>3,576,058</u>	<u>3,456,864</u>	<u>4,317,922</u>
Net Position:						
Beginning of year - July 1, as previously reported	12,072,962	11,331,098	26,812,014	23,235,956	38,884,976	34,567,054
Prior period adjustment	<u>1,769,112</u>	<u>-</u>	<u>(2,989,328)</u>	<u>-</u>	<u>(1,220,216)</u>	<u>-</u>
Beginning of year - July 1,	<u>13,842,074</u>	<u>11,331,098</u>	<u>23,822,686</u>	<u>23,235,956</u>	<u>37,664,760</u>	<u>34,567,054</u>
End of year - June 30	<u>\$22,840,237</u>	<u>\$12,072,962</u>	<u>\$18,281,387</u>	<u>\$26,812,014</u>	<u>\$41,121,624</u>	<u>\$38,884,976</u>

Governmental Activities. Governmental activities increased the Town's net position by \$8,998,163. Key elements of this increase are as follows:

- Tourism Fund assets were transferred to governmental activities
- Overall increase in tax collection
- Reduction in expenditures

Business-Type Activities. Business-type activities decreased the Town of Carolina Beach's net position by \$5,541,299. Key elements of this decrease are as follows:

- Decrease is due to Tourism Fund assets being transferred to governmental activities in the current year

Financial Analysis of the Town's Funds

The Town of Carolina Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The Town's annual balanced 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 of Carolina Beach's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Carolina Beach's financing requirements. Specifically, available 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. At the end of the current fiscal year, fund balance available in the General Fund was \$8,323,528, while total fund balance reached \$8,815,013. The Town currently has an available fund balance of 78 percent of General Fund expenditures, while total fund balance represents 83 percent of the same amount.

At June 30, 2014, the governmental funds of the Town of Carolina Beach reported a combined fund balance of \$9,248,210 with a net increase of \$3,389,450.

General Fund Budgetary Highlights. The Town's annual balanced budget is prepared in 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 of Carolina Beach's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$5,726,609. The total change in net position for the utility and tourism funds was a decrease of \$5,541,299 in the enterprise funds. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Carolina Beach's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Carolina Beach’s investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$38,125,778 (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):

- A project for a lift station continues
- Major sewer project continues

Additional information on the Town’s capital assets can be found in Note 2.A. of the basic financial statements.

Town of Carolina Beach’s Outstanding Debt Long-Term Debt Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ -	\$ -	\$ 46,000	\$ 94,000	\$ 46,000	\$ 94,000
Revolving loans	-	-	1,818,527	1,972,755	1,818,527	1,972,755
Installment debt	2,998,337	3,515,341	14,509,658	6,387,286	17,507,995	9,902,627
Total	<u>\$ 2,998,337</u>	<u>\$ 3,515,341</u>	<u>\$16,374,185</u>	<u>\$ 8,454,041</u>	<u>\$19,372,522</u>	<u>\$11,969,382</u>

Long-Term Debt. As of June 30, 2014, the Town of Carolina Beach had total debt outstanding of \$19,372,522.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. At June 30, 2014, the Town of Carolina Beach had a legal debt margin of approximately \$130,437,024.

Additional information regarding the Town of Carolina Beach’s long-term debt can be found in Note 4 of this report.

Economic Factors and Next Year’s Budgets and Rates

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

- Construction of a major hotel in downtown business district
- Continued growth Room Occupancy Tax
- Continued increase in building and planning permits
- Completion of Advanced Metering Project
- Purchase of property for waste transfer station

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. 45. Information is provided in Note 2.B. and Schedule A-2.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. The Town Council approved \$11 million annual budget for fiscal year 2015 and established a tax rate at 23.5 cents per \$100 of assessed valuation. The new budget reflects a combination of the General Fund with the Tourism Fund. 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:

- Approximately \$70,000 in recreation center improvements
- Fire station rehabilitation
- Boardwalk renovation project

Business-Type Activities. There are many water/sewer projects anticipated for the 2015 budget year. The Town is planning on rehabilitating 6,100 linear feet of secondary sewer force main for pump station #1, replace 29,000 linear feet of galvanized and cast iron water lines as well as 34,000 linear feet of sanitary sewer main. Replace and or rehabilitate 5,500 linear feet of sanitary sewer main and construct a 3MG ground storage tank along with pump and piping equipment. These projects will be done in phases and completed over the next three years.

Along with the projects above, we are purchasing new VFD blowers for the plant with an anticipated cost of \$43,000 as well as purchasing a VFD controller and generator for the Greenville Avenue Pump Station. SCADA will be installed on four pump station at an anticipated cost of \$42,000.

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, North Carolina 28428.

This page left blank intentionally.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 8,373,113	\$ 5,959,326	\$ 14,332,439
Taxes receivables, net	149,466	-	149,466
Accounts receivable, net	1,813,124	1,074,280	2,887,404
Due from other governments	304,982	-	304,982
Cash and cash equivalents - restricted	1,101,164	7,279,352	8,380,516
Total current assets	<u>11,741,849</u>	<u>14,312,958</u>	<u>26,054,807</u>
Capital assets:			
Land and construction in progress	7,113,138	2,975,065	10,088,203
Other capital assets, net of depreciation	9,275,692	18,761,883	28,037,575
Total capital assets	<u>16,388,830</u>	<u>21,736,948</u>	<u>38,125,778</u>
Total assets	<u>28,130,679</u>	<u>36,049,906</u>	<u>64,180,585</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	790,509	383,456	1,173,965
Payable from restricted assets	-	612,990	612,990
Total current liabilities	<u>790,509</u>	<u>996,446</u>	<u>1,786,955</u>
Long-term liabilities:			
Due within one year	800,871	1,484,831	2,285,702
Due in more than one year	3,699,062	15,287,242	18,986,304
Total long-term liabilities	<u>4,499,933</u>	<u>16,772,073</u>	<u>21,272,006</u>
Total liabilities	<u>5,290,442</u>	<u>17,768,519</u>	<u>23,058,961</u>
Net Position:			
Net investment in capital assets	13,893,394	12,554,778	26,448,172
Stabilization by State statute	492,717	-	492,717
Streets - Powell Bill	598,263	-	598,263
Capital projects	500,000	-	500,000
Unrestricted	7,355,863	5,726,609	13,082,472
Total net position	<u>\$ 22,840,237</u>	<u>\$ 18,281,387</u>	<u>\$ 41,121,624</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 3,746,796	\$ 2,747,733	\$ -	\$ 545,500
Transportation	73,639	-	186,527	-
Environmental protection	2,626,217	1,453,444	-	-
Public safety	3,105,418	211,080	-	-
Public works	224,544	-	-	-
Cultural and recreation	519,223	1,323,326	-	-
Interest on long-term debt	489,471	-	-	-
Total governmental activities	<u>10,785,308</u>	<u>5,735,583</u>	<u>186,527</u>	<u>545,500</u>
Business-Type Activities:				
Utility Fund	<u>4,763,793</u>	<u>5,587,517</u>	-	-
Total business-type activities	<u>4,763,793</u>	<u>5,587,517</u>	-	-
Total primary government	<u>\$ 15,549,101</u>	<u>\$ 11,323,100</u>	<u>\$ 186,527</u>	<u>\$ 545,500</u>

General Revenues:

Taxes:

Ad valorem taxes

Local option sales tax

Other taxes and licenses

Unrestricted intergovernmental revenues

Investments earnings

Miscellaneous

Total general revenues, excluding transfers and special items

Transfers

Special items - See note 7

Change in net position

Net Position:

Beginning of year - July 1

Prior period adjustment

Beginning of year - July 1, as restated

End of year - June 30

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

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (453,563)	\$ -	\$ (453,563)
112,888	-	112,888
(1,172,773)	-	(1,172,773)
(2,894,338)	-	(2,894,338)
(224,544)	-	(224,544)
804,103	-	804,103
(489,471)	-	(489,471)
<u>(4,317,698)</u>	<u>-</u>	<u>(4,317,698)</u>
-	823,724	823,724
-	823,724	823,724
<u>(4,317,698)</u>	<u>823,724</u>	<u>(3,493,974)</u>
3,925,196	-	3,925,196
35,443	-	35,443
67,794	-	67,794
2,589,074	-	2,589,074
5,560	285	5,845
327,486	-	327,486
<u>6,950,553</u>	<u>285</u>	<u>6,950,838</u>
<u>2,967,756</u>	<u>(2,967,756)</u>	<u>-</u>
<u>3,397,552</u>	<u>(3,397,552)</u>	<u>-</u>
<u>8,998,163</u>	<u>(5,541,299)</u>	<u>3,456,864</u>
12,072,962	26,812,014	38,884,976
1,769,112	(2,989,328)	(1,220,216)
<u>13,842,074</u>	<u>23,822,686</u>	<u>37,664,760</u>
<u>\$ 22,840,237</u>	<u>\$ 18,281,387</u>	<u>\$ 41,121,624</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash investments	\$ 8,373,113	\$ -	\$ 8,373,113
Taxes receivable, net	149,466	-	149,466
Accounts receivable, net	1,813,124	-	1,813,124
Due from other governments	303,750	1,232	304,982
Restricted cash and cash equivalents	598,263	502,901	1,101,164
Total assets	<u>\$ 11,237,716</u>	<u>\$ 504,133</u>	<u>\$ 11,741,849</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 647,848	\$ 70,936	\$ 718,784
Total liabilities	<u>647,848</u>	<u>70,936</u>	<u>718,784</u>
Deferred Inflows of Resources	<u>1,774,855</u>	<u>-</u>	<u>1,774,855</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	491,485	1,232	492,717
Public safety	-	502,901	502,901
Streets - Powell Bill	598,263	-	598,263
Capital projects	500,000	-	500,000
Unassigned	<u>7,225,265</u>	<u>(70,936)</u>	<u>7,154,329</u>
Total fund balance	<u>8,815,013</u>	<u>433,197</u>	<u>9,248,210</u>
Total liabilities and fund balances	<u>\$ 11,237,716</u>	<u>\$ 504,133</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,388,830
Liabilities for earned revenues considered deferred inflows for resources in fund statements	1,774,855
Notes payable, OPEB, and pension obligations	(4,148,236)
Accrued interest payable	(71,725)
Compensated absences	<u>(351,697)</u>
Net position of governmental activities	<u>\$ 22,840,237</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 3,925,196	\$ -	\$ 3,925,196
Other taxes and licenses	103,237	-	103,237
Unrestricted intergovernmental revenues	2,589,074	-	2,589,074
Restricted intergovernmental revenues	732,027	-	732,027
Permits and fees	731,757	-	731,757
Sales and services	3,403,880	-	3,403,880
Investment earnings	4,731	829	5,560
Miscellaneous	314,622	-	314,622
Total revenues	<u>11,804,524</u>	<u>829</u>	<u>11,805,353</u>
Expenditures:			
Current:			
General government	3,174,845	24,778	3,199,623
Transportation	47,555	-	47,555
Public safety	2,992,711	742,854	3,735,565
Environmental protection	2,588,692	-	2,588,692
Fleet	224,544	-	224,544
Cultural and recreation	520,260	-	520,260
Non-departmental	132,670	-	132,670
Debt service:			
Principal	529,951	-	529,951
Interest	417,746	-	417,746
Total expenditures	<u>10,628,974</u>	<u>767,632</u>	<u>11,396,606</u>
Revenues over (under) expenditures	<u>1,175,550</u>	<u>(766,803)</u>	<u>408,747</u>
Other Financing Sources (Uses):			
Transfers from (to) other funds	2,967,756	-	2,967,756
Long-term debt issued	12,947	-	12,947
Total other financing sources (uses)	<u>2,980,703</u>	<u>-</u>	<u>2,980,703</u>
Net change in fund balance	<u>4,156,253</u>	<u>(766,803)</u>	<u>3,389,450</u>
Fund Balance:			
Beginning of year - July 1	5,858,760	-	5,858,760
Prior period adjustment	(1,200,000)	1,200,000	-
Beginning of year - July 1, as restated	<u>4,658,760</u>	<u>1,200,000</u>	<u>5,858,760</u>
End of year - June 30	<u>\$ 8,815,013</u>	<u>\$ 433,197</u>	<u>\$ 9,248,210</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

**Total
Governmental
Funds**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net changes in fund balance - total governmental funds \$ 3,389,450

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.

449,549

Addition of capital assets and debt upon closing Tourism Fund.

3,397,552

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

New long-term debt issued	(12,947)
Principal payments on long-term debt	529,951

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	(100,952)
Net pension obligation for law enforcement officers	(8,323)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual).	(71,725)
Other post-employment benefits	(200,066)

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

1,625,674

Total changes in net position of governmental activities

\$ 8,998,163

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,854,000	\$ 3,854,000	\$ 3,925,196	\$ 71,196
Other taxes and licenses	69,800	69,800	103,237	33,437
Unrestricted intergovernmental	2,376,322	2,376,322	2,589,074	212,752
Restricted intergovernmental	266,400	766,400	732,027	(34,373)
Permits and fees	134,300	134,300	731,757	597,457
Sales and services	3,383,400	3,409,144	3,403,880	(5,264)
Investment earnings	3,900	3,900	4,731	831
Miscellaneous	262,000	262,000	314,622	52,622
Total revenues	<u>10,350,122</u>	<u>10,875,866</u>	<u>11,804,524</u>	<u>928,658</u>
Expenditures:				
Current:				
General government	2,402,631	3,761,321	3,174,845	586,476
Transportation	183,000	183,100	47,555	135,545
Public safety	3,329,348	2,992,564	2,992,711	(147)
Environmental protection	2,602,200	2,602,647	2,588,692	13,955
Fleet	253,529	235,530	224,544	10,986
Cultural and recreation	504,988	524,163	520,260	3,903
Non-departmental	145,350	150,550	132,670	17,880
Debt service:				
Principal	465,000	580,000	529,951	50,049
Interest	963,118	857,618	417,746	439,872
Total expenditures	<u>10,849,164</u>	<u>11,887,493</u>	<u>10,628,974</u>	<u>1,258,519</u>
Revenues over (under) expenditures	<u>(499,042)</u>	<u>(1,011,627)</u>	<u>1,175,550</u>	<u>2,187,177</u>
Other Financing Sources (Uses):				
Transfers in	459,692	471,292	2,967,756	2,496,464
Transfers out	(350,000)	(350,000)	-	350,000
Long-term debt issued	348,888	348,888	12,947	(335,941)
Appropriated fund balance	40,462	541,447	-	(541,447)
Total other financing sources (uses)	<u>499,042</u>	<u>1,011,627</u>	<u>2,980,703</u>	<u>1,969,076</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>4,156,253</u>	<u>\$ 4,156,253</u>
Fund Balance:				
Beginning of year - July 1, as previously reported			5,858,760	
Prior period adjustment			(1,200,000)	
Beginning of year - July 1			<u>4,658,760</u>	
End of year - June 30			<u>\$ 8,815,013</u>	

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Utility Fund</u>	<u>Tourism Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,959,326	\$ -	\$ 5,959,326
Accounts receivable	1,074,280	-	1,074,280
Restricted cash	<u>7,279,352</u>	-	<u>7,279,352</u>
Total current assets	<u>14,312,958</u>	-	<u>14,312,958</u>
Capital assets:			
Land and other non-depreciable assets	2,975,065		2,975,065
Other capital assets, net of depreciation	<u>18,761,883</u>	-	<u>18,761,883</u>
Total non-current assets	<u>21,736,948</u>	-	<u>21,736,948</u>
Total assets	<u>36,049,906</u>	-	<u>36,049,906</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	383,456	-	383,456
Liabilities payable from restricted assets	612,990	-	612,990
Current portion of long-term debt	<u>1,484,831</u>	-	<u>1,484,831</u>
Total current liabilities	<u>2,481,277</u>	-	<u>2,481,277</u>
Non-current liabilities:			
Non-current portion of long-term debt	<u>15,287,242</u>	-	<u>15,287,242</u>
Total liabilities	<u>17,768,519</u>	-	<u>17,768,519</u>
Net Position:			
Net investment in capital assets	12,554,778	-	12,554,778
Unrestricted	<u>5,726,609</u>	-	<u>5,726,609</u>
Total net position	<u>\$ 18,281,387</u>	<u>\$ -</u>	<u>\$ 18,281,387</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Enterprise Funds</u>		
	<u>Utility Fund</u>	<u>Tourism Fund</u>	
Operating Revenues:			
Charges for services	\$ 5,236,518	\$ -	\$ 5,236,518
Water and sewer taps	112,500	-	112,500
Other operating revenues	238,499	-	238,499
Total operating revenues	<u>5,587,517</u>	<u>-</u>	<u>5,587,517</u>
Operating Expenses:			
Administration	845,631	-	845,631
Facilities and equipment	92,007	-	92,007
Stormwater	442,024	-	442,024
Water treatment and distribution	1,190,463	-	1,190,463
Waste collection and treatment	627,557	-	627,557
Repairs and maintenance	347,961	-	347,961
Depreciation	899,513	-	899,513
Total operating expenses	<u>4,445,156</u>	<u>-</u>	<u>4,445,156</u>
Operating income (loss)	<u>1,142,361</u>	<u>-</u>	<u>1,142,361</u>
Non-Operating Revenues:			
Investment earnings	285	-	285
Interest and other charges	(318,637)	-	(318,637)
Total non-operating revenues (expenses)	<u>(318,352)</u>	<u>-</u>	<u>(318,352)</u>
Income (loss) before transfers and special items	824,009	-	824,009
Transfers from (to) other funds	(471,292)	(2,496,464)	(2,967,756)
Special item - Loss on disposal of assets	-	(3,397,552)	(3,397,552)
Change in net position	<u>352,717</u>	<u>(5,894,016)</u>	<u>(5,541,299)</u>
Net Position:			
Beginning of year - July 1	20,917,998	5,894,016	26,812,014
Prior period adjustment	(2,989,328)	-	(2,989,328)
Beginning of year -July 1, as restated	<u>17,928,670</u>	<u>5,894,016</u>	<u>23,822,686</u>
End of year - June 30	<u>\$ 18,281,387</u>	<u>\$ -</u>	<u>\$ 18,281,387</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Utility Fund</u>	<u>Tourism Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 5,058,247	\$ -	\$ 5,058,247
Cash paid to employees	(1,486,583)	-	(1,486,583)
Cash paid for goods and services	(1,078,832)	(82,231)	(1,161,063)
Net cash provided (used) by operating activities	<u>2,492,832</u>	<u>(82,231)</u>	<u>2,410,601</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in (out)	(471,292)	(2,496,464)	(2,967,756)
Net cash flows provided (used) by non-capital financing activities	<u>(471,292)</u>	<u>(2,496,464)</u>	<u>(2,967,756)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(3,280,363)	-	(3,280,363)
Loan proceeds	9,300,852	-	9,300,852
Sale of asset	10,000	-	10,000
Principal payments on long-term debt	(1,380,708)	-	(1,380,708)
Interest payments on long-term debt	(318,637)	-	(318,637)
Net cash provided (used) by capital and related financing activities	<u>4,331,144</u>	<u>-</u>	<u>4,331,144</u>
Cash Flows from Investing Activities:			
Interest on investments	285	-	285
Net increase (decrease) in cash and cash equivalents	6,352,969	(2,578,695)	3,774,274
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>6,885,709</u>	<u>2,578,695</u>	<u>9,464,404</u>
End of year - June 30	<u>\$ 13,238,678</u>	<u>\$ -</u>	<u>\$ 13,238,678</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,142,361	\$ -	\$ 1,142,361
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	899,513	-	899,513
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(10,762)	-	(10,762)
Increase (decrease) in accounts payable and accrued liabilities	380,443	(82,231)	298,212
Increase (decrease) in OPEB	81,277	-	81,277
Total adjustments	<u>1,350,471</u>	<u>(82,231)</u>	<u>1,268,240</u>
Net cash provided (used) by operating activities	<u>\$ 2,492,832</u>	<u>\$ (82,231)</u>	<u>\$ 2,410,601</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Significant Accounting Policies

A. Nature of Operations

The accounting policies of the Town of Carolina Beach (the "Town") conform to generally accepted accounting principles as applied to governments. The following is a summary of the more significant accounting policies.

B. Reporting Entity

The Town is a municipal corporation that is governed by an elected Mayor and a four-member Council. As required by generally accepted accounting principles, these financial statements present the funds for which the Town is financially responsible.

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 accounting 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 and charges to external parties.

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

Fund Financial Statements. The fund financial statements provide information about the Town's funds. 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 nonmajor 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.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise funds:

Utility Fund. This fund is used to account for the Town's water and sewer and storm water drainage operations.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services.

The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual, because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund 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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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

Deposits and Investments

All deposits of the Town are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts, such as NOW and SuperNOW accounts, money market 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 with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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 Assets

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 Fire Station Renovation Fund and Utility Fund are restricted for the purpose of the loan.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Restricted cash at June 30, 2014, consists of the following:

Governmental Activities

General Fund:

Powell Bill \$ 598,263

Fire Station Renovation Fund:

Unspent debt proceeds 502,901

Total governmental activities \$ 1,101,164

Business-Type Activities

Utility Fund:

Customer deposits \$ 612,990

Unspent debt proceeds 7,192,015

Total business-type activities \$ 7,805,005

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013.

Allowances for Doubtful Accounts

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

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 are recorded at their estimated fair value at the date of donation. 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.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

<u>Assets</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 Inflows of Resources

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. The Town has two items that meet the criterion for this category – 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 straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized 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.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

On Behalf of Firefighter's and Rescue Squad Workers' Pension Plan

For the fiscal year ended June 30, 2014, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$14,309 for the 30 active volunteer firefighters and the 10 employed firefighters who perform firefighting and rescue squad duties for the Town's fire department. The volunteers and employees elected to be members of the Firefighter's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple employer, public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

The Town has also recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$3,600 for the salary supplement and stipend benefits paid to eligible firemen by the local Board of Trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2014. Under State law, the local Board of Trustees for the Fund receives an amount each year, which the Board may use at its own discretion for eligible firemen or their departments.

Net Investment in Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 16,388,830	\$ 21,736,948
Long-term debt	(2,998,337)	(16,374,185)
Unexpended debt proceeds	<u>502,901</u>	<u>7,192,015</u>
Net investment in capital assets	<u>\$ 13,893,394</u>	<u>\$ 12,554,778</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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 Capital Projects – portion of fund balance that is restricted by donor for capital assets.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for emergency telephone system expenditures.

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$502,901, as of June 30, 2014.

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's governing body (highest level of decision making authority, the Town Council). Any changes or removal of specific purpose restrictions require majority action by the governing body.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the Town of Carolina Beach 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.

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

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

Total fund balance - General Fund	\$ 8,815,013
Less:	
Stabilization by State Statute	<u>491,485</u>
Total available fund balance	<u>\$ 8,323,528</u>

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

F. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations are in violation of State law. The violation as of June 30, 2014, consists of:

Enterprise Fund:	
Tourism Fund	<u>\$ 2,496,464</u>

The Town Council voted to close the Tourism Fund but a formal budget was not approved for the transfer required to close the fund. The Finance Officer will be aware of the requirements regarding this type of unique transaction in the future.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

The Town has fund balance deficits at June 30, 2014, as follows:

Nonmajor Governmental Funds:	
MOTSU Project Fund	\$ <u>24,778</u>
Enterprise Capital Project Fund:	
Water and Sewer Capital Project Fund	\$ <u>456,302</u>

The Finance Officer will monitor the budget closely in the future and make transfers or budget amendments as needed.

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 agent in these units' names. 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 agent 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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2014, the Town's deposits had a carrying amount of \$10,899,532 and a bank balance of \$10,857,844. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. As of June 30, 2014, the Town's petty cash totaled \$303.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Investments

At June 30, 2014, the Town had \$11,813,120 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard & Poor's. The Town has no policy regarding credit risk.

Receivables – Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2014, were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 1,813,124	\$ 154,466	\$ 303,750	\$ 2,271,340
Other governmental funds	-	-	1,232	1,232
Allowance for doubtful accounts	-	(5,000)	-	(5,000)
Total governmental activities	<u>\$ 1,813,124</u>	<u>\$ 149,466</u>	<u>\$ 304,982</u>	<u>\$ 2,267,572</u>
Business-Type Activities:				
Utility Fund	<u>\$ 967,496</u>	<u>\$ -</u>	<u>\$ 106,784</u>	<u>\$ 1,074,280</u>

Due from other governments consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Local option sales tax	\$ 304,982	\$ -
Sales tax reimbursement	-	106,784
Total	<u>\$ 304,982</u>	<u>\$ 106,784</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Capital Assets

Primary Government:

Capital asset activity for the primary government for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Prior Period Adjustment	Restated Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Governmental Activities:							
Non-Depreciable Capital Assets:							
Land	\$ 2,038,205	\$ 3,165,164	\$ 5,203,369	\$ -	\$ -	\$ 1,166,915	\$ 6,370,284
Construction in progress	-	-	-	742,854	(934,055)	934,055	742,854
Total non-depreciable capital assets	<u>2,038,205</u>	<u>3,165,164</u>	<u>5,203,369</u>	<u>742,854</u>	<u>(934,055)</u>	<u>2,100,970</u>	<u>7,113,138</u>
Depreciable Capital Assets:							
Buildings	5,753,060	-	5,753,060	934,055	-	1,283,467	7,970,582
Infrastructure	4,006,101	(2,744,067)	1,262,034	238,302	-	2,013,563	3,513,899
Equipment	1,700,759	856,719	2,557,478	100,402	-	122,117	2,779,997
Vehicles and motorized equipment	2,990,954	91,699	3,082,653	104,669	(42,329)	269,580	3,414,573
Total depreciable capital assets	<u>14,450,874</u>	<u>(1,795,649)</u>	<u>12,655,225</u>	<u>1,377,428</u>	<u>(42,329)</u>	<u>3,688,727</u>	<u>17,679,051</u>
Less Accumulated Depreciation:							
Buildings	1,339,686	-	1,339,686	198,615	-	1,029,483	2,567,784
Infrastructure	836,916	(399,597)	437,319	113,547	-	1,100,047	1,650,913
Equipment	1,550,722	-	1,550,722	169,580	-	43,125	1,763,427
Vehicles and motorized equipment	2,082,317	-	2,082,317	242,072	(29,465)	126,311	2,421,235
Total accumulated depreciation	<u>5,809,641</u>	<u>\$ (399,597)</u>	<u>\$ 5,410,044</u>	<u>\$ 723,814</u>	<u>\$ (29,465)</u>	<u>\$ 2,298,966</u>	<u>8,403,359</u>
Total depreciable capital assets, net	<u>8,641,233</u>						<u>9,275,692</u>
Governmental activity capital assets, net	<u>\$ 10,679,438</u>						<u>\$ 16,388,830</u>

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

Governmental Activities:	
General government	\$ 353,387
Public safety	221,119
Transportation	26,084
Environmental protection	51,960
Cultural and recreation	71,264
Total	<u>\$ 723,814</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Business-Type Activities:

	<u>Balance</u>	<u>Prior Period</u>	<u>Restated</u>	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
	<u>July 1, 2013</u>	<u>Adjustment</u>	<u>July 1, 2013</u>				<u>June 30, 2014</u>
Utility Fund:							
Non-Depreciable Capital Assets:							
Land	\$ 98,742	\$ 195,097	\$ 293,839	\$ -	\$ -		\$ 293,839
Construction in progress	<u>5,372,776</u>	-	<u>5,372,776</u>	<u>3,040,457</u>	<u>(5,732,007)</u>		<u>2,681,226</u>
Total non-depreciable capital assets	<u>5,471,518</u>	-	<u>5,666,615</u>	<u>3,040,457</u>	<u>(5,732,007)</u>		<u>2,975,065</u>
Depreciable Capital Assets:							
Plant and distribution systems	21,721,820	(32,489)	21,689,331	5,862,762	-		27,552,093
Furniture and maintenance equipment	3,035,798	-	3,035,798	109,151	-		3,144,949
Vehicles	<u>804,383</u>	-	<u>804,383</u>	-	<u>(26,664)</u>		<u>777,719</u>
Total depreciable capital assets	<u>25,562,001</u>	<u>(32,489)</u>	<u>25,529,512</u>	<u>5,971,913</u>	<u>(26,664)</u>		<u>31,474,761</u>
Less Accumulated Depreciation:							
Plant and distribution systems	6,220,570	3,012,353	9,232,923	582,307	-		9,815,230
Furniture and maintenance equipment	2,043,001	-	2,043,001	230,496	-		2,273,497
Vehicles	<u>554,105</u>	-	<u>554,105</u>	<u>86,710</u>	<u>(16,664)</u>		<u>624,151</u>
Total accumulated depreciation	<u>8,817,676</u>	<u>\$ -</u>	<u>\$ 11,830,029</u>	<u>\$ 899,513</u>	<u>\$ (16,664)</u>		<u>12,712,878</u>
Total depreciable capital assets, net	<u>16,744,325</u>						<u>18,761,883</u>
Utility Fund capital assets, net	<u>\$ 22,215,843</u>						<u>\$ 21,736,948</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Tourism Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 1,166,915	\$ -	\$ -	\$ (1,166,915)	\$ -
Construction in progress	934,055	-	-	(934,055)	-
Total non-depreciable capital assets	<u>2,100,970</u>	-	-	<u>(2,100,970)</u>	-
Depreciable Capital Assets:					
Buildings	1,283,467			(1,283,467)	-
Tourism - boardwalk, seawall	2,013,563	-	-	(2,013,563)	-
Furniture and equipment	122,117	-	-	(122,117)	-
Vehicles	269,580	-	-	(269,580)	-
Total depreciable capital assets	<u>3,688,727</u>	-	-	<u>(3,688,727)</u>	-
Less Accumulated Depreciation:					
Buildings	1,029,483			(1,029,483)	-
Tourism - boardwalk, seawall	1,100,047	-	-	(1,100,047)	-
Furniture and equipment	43,125	-	-	(43,125)	-
Vehicles	126,311	-	-	(126,311)	-
Total accumulated depreciation	<u>2,298,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,298,966)</u>	-
Total depreciable capital assets, net	<u>1,389,761</u>				-
Tourism Fund capital assets, net	<u>3,490,731</u>				-
Total business-type activities	<u>\$ 25,706,574</u>				<u>\$ 21,736,948</u>

B. Liabilities

Payables at the government-wide level at June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General Fund	\$ 536,635	\$ 182,938	\$ 719,573
Other governmental funds	70,936	-	70,936
Total governmental activities	<u>\$ 607,571</u>	<u>\$ 182,938</u>	<u>\$ 790,509</u>
Business-Type Activities:			
Utility Fund	<u>\$ 313,786</u>	<u>\$ 69,670</u>	<u>\$ 383,456</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town contributes to the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. 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. 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 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6 percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.35 and 6.41 percent, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$261,546, \$288,488, and \$261,546, respectively. The contributions made by the Town equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>28</u>
Total	<u>31</u>

A separate report was not issued for the Plan.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25-7.85 percent per year. Both (a) and (b) included an inflation component of 3 percent. The assumptions did not include post-employment benefit increases. The unfunded actuarial accrued liability is being amortized as level dollar on a closed basis. The remaining amortization period at December 31, 2013, was 17 years.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$	42,497
Interest on net pension obligation		4,439
Adjustment to annual required contribution		<u>(7,773)</u>
Annual pension cost		39,163
Employer contributions made		<u>30,840</u>
Increase (decrease) in net pension obligation		8,323
Net Pension Obligation:		
Beginning of year - July 1		<u>89,313</u>
End of year - June 30	\$	<u>97,636</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 40,618	57.30%	\$ 76,210
2013	36,859	65.92%	89,313
2014	39,163	78.75%	97,636

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$413,025. The covered payroll (annual payroll of active employees covered by the plan) was \$1,166,849, and the ratio of the UAAL to the covered payroll was 35.4 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (the “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 percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2014, were \$84,743, which consisted of \$58,521 from the Town and \$26,222 from the law enforcement officers.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Carolina Beach, to the Firefighter's and Rescue Squad Workers' Pension Fund (the "Fund"), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund 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 the Fund. 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. Plan members are required to contribute \$10 per month to the Fund, which the Town contributes on their behalf. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Other Post-Employment Benefits

Plan Description. The Town (by local ordinance) administers a single-employer defined benefit plan and provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and meet the following criteria. The retiree must have at least five years of creditable service with the Town, and the retirement must be due to a medical condition, which is subject to review by the North Carolina Medical Review Board. In addition, the Town pays the full cost of coverage for these benefits for retirees with a minimum of 30 years of creditable service with the Town. Retirees who do not meet the aforementioned criteria have the option to purchase basic medical insurance for themselves and their dependents through the Town for 18 months. The entire cost of this insurance is borne by the retirees. The Town maintains healthcare coverage through a combination of self-insurance and private insurers. A separate report is not issued for the plan.

Membership of the post-employment health benefit plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	90
Active plan members	<u>14</u>
Total	<u><u>104</u></u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funding Policy. The Town agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. For members that retire with at least 30 years of service, or that retire with approved disability retirement, the Town pays 100 percent of the cost for pre-65 healthcare coverage for the retire. Years of service are considered years of creditable service with the Local Governmental Employees' Retirement System. Retirees will cease to be eligible for group health insurance at age 65. The retiree will be responsible for paying the cost of dependent coverage if dependent coverage is elected. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current annual required contribution rate (ARC) is 9.66% of annual covered payroll. For fiscal year 2014, the Town contributed \$70,000, or 1.94%, of annual covered payroll. Contributions by employees for the fiscal year ended June 30, 2014, were \$0. The Town's obligation to contribute to the post-retirement benefit plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due from the General Fund, which is maintained on the modified accrual basis of accounting.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the post-retirement benefits:

Annual required contribution	\$ 348,083
Interest on net OPEB obligation	23,752
Adjustment to annual required contribution	<u>(20,492)</u>
Annual OPEB cost (expense)	351,343
Contributions made	<u>70,000</u>
Increase (decrease) in net OPEB obligation	281,343
Net OPEB Obligation:	
Beginning of year - July 1	<u>1,168,808</u>
End of year - June 30	<u>\$ 1,450,151</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 351,343	17.60%	\$ 883,290
2013	351,343	18.74%	1,168,808
2014	351,343	19.92%	1,450,151

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,087,723. The covered payroll (annual payroll of active employees covered by the plan) was \$3,604,502, and the ratio of the UAAL to the covered payroll was 85.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The annual required contribution for the current year was determined as part of the December 31, 2011, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4 percent investment rate of return, which included an inflation component of 3 percent and (b) a 9.5-5 percent medical cost trend rate with 2018, the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as level percentage of pay on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (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. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer had contributed as of December 31, 2010, was established by the State. The Town contributed more than 20 years and was relieved for two years. Contributions from the Town will resume in the fiscal year beginning July 1, 2015.

Deferred Inflows of Resources

	Unavailable Revenues
Taxes receivable	\$ 149,466
Assessments receivable	1,625,389
Total	<u>\$ 1,774,855</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$2 million lifetime limit. 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 requested. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

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

3. Claims, Judgments, and Contingent Liabilities

At June 30, 2014, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

4. Long-Term Obligations

Governmental Activities:

Installment purchase contracts at June 30, 2014 are comprised of the following:

The Town of Carolina Beach currently has seven installment purchase contracts ranging from 3% to 6% interest-bearing notes. The note maturities range from 2015 to 2028. The outstanding balances are:

\$ 2,998,337

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 501,929	\$ 83,915
2016	457,700	68,924
2017	459,901	55,825
2018	337,172	42,656
2019	339,516	31,595
2020-2024	559,265	65,699
2025-2028	342,854	17,400
Total	\$ 2,998,337	\$ 366,014

Business-Type Activities:

Installment purchase contracts at June 30, 2014 are comprised of the following:

The Utility Fund currently has 12 installment purchase contracts ranging from 3% to 6% interest-bearing notes. The note maturities range from 2015 to 2029. The outstanding balances are:

\$ 14,509,658

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Utility Fund	
	Principal	Interest
2015	\$ 1,283,381	\$ 393,128
2016	1,295,501	355,052
2017	1,204,889	316,189
2018	1,143,680	281,023
2019	966,340	247,357
2020-2024	4,949,315	838,091
2025-2029	3,666,552	304,033
Total	<u>\$14,509,658</u>	<u>\$ 2,734,873</u>

General Obligation Indebtedness

The Town's general obligation bonds serviced by the business-type funds were issued for the water and sewer lines. All general obligation bonds are collateralized by the full-faith credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2014, are comprised of the following:

General Obligation Bonds – Serviced by the Utility Fund:

\$1,100,000 Water and Sewer Refunding Bonds dated January 31, 1977, and
due in annual principal installments through June 1, 2015; interest at 5% \$ 46,000

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 46,000	\$ 2,300	\$ 48,300

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 percent 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, 2014, was \$834,579.

On May 1, 2010, the Town was approved for a maximum loan amount of \$1,686,234 for a Federal revolving 50 percent forgiveness loan for treatment of a beach storm water pond. The loan is repayable at 0 percent 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, 2014 was \$654,942.

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% 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, 2014, was \$329,006.

Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
June 30		
2015	\$ 155,450	\$ 21,449
2016	155,450	19,066
2017	155,450	16,682
2018	155,450	14,299
2019	155,450	11,916
2020-2024	684,518	23,832
2025-2029	313,594	-
2030	43,165	-
Total	<u>\$ 1,818,527</u>	<u>\$ 107,244</u>

At June 30, 2014, the Town had a legal debt margin of \$130,437,024.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Changes in Long-Term Liabilities

A summary of long-term debt is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Installment purchases	\$ 3,515,341	\$ 12,947	\$ (529,951)	\$ 2,998,337	\$ 501,929
Compensated absences	250,745	314,085	(213,133)	351,697	298,942
OPEB	759,018	363,245	(70,000)	1,052,263	-
Net pension obligation	89,313	39,163	(30,840)	97,636	-
Total	<u>\$ 4,614,417</u>	<u>\$ 729,440</u>	<u>\$ (843,924)</u>	<u>\$ 4,499,933</u>	<u>\$ 800,871</u>
Business-Type Activities:					
Installment purchases	\$ 6,387,286	\$ 9,300,852	\$ (1,178,480)	\$ 14,509,658	\$ 1,283,381
General obligation bonds	94,000	-	(48,000)	46,000	46,000
Revolving loans	1,972,755	-	(154,228)	1,818,527	155,450
OPEB	409,790	81,277	(93,179)	397,888	-
Total	<u>\$ 8,863,831</u>	<u>\$ 9,382,129</u>	<u>\$ (1,473,887)</u>	<u>\$ 16,772,073</u>	<u>\$ 1,484,831</u>

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.

Interfund Activity

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2014, consist of the following:

From Tourism Fund to General Fund (to close the Tourism Fund)	\$ 2,496,464
From the Utility Fund to the General Fund (to fund operations)	<u>471,292</u>
Total	<u>\$ 2,967,756</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

5. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

6. Prior Period Adjustment

During the year ended June 30, 2014, the Town determined that an error occurred in the prior year in accounting for the capital assets and debt in the Town's governmental activities and the capital assets of the Utility Fund. An adjustment to beginning governmental activities and business-type activities net position in the government-wide financial statement and the enterprise fund financials has been recorded to account for this error. In addition, a prior period adjustment was posted to the fund balance of the General Fund for an error in accounting for debt proceeds.

7. Special Item

Under enabling legislation, the Town of Carolina Beach elected to levy room occupancy taxes to be collected by New Hanover County and be partially retained by the County and partially remitted to the New Hanover County Tourism Development Authority for use in specified activities. As of July 1, 2013, the Town Council voted to close the Tourism Fund. The Tourism Fund was dissolved and all assets and long-term obligations were merged into the governmental activities of the Town.

This page left blank intentionally.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued		Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Liability (AAL) Projected Unit Credit (B)					
12/31/2007	\$ -	\$ 217,781		\$ 217,781	0.00%	\$ 1,213,348	17.95%
12/31/2008	-	218,366		218,366	0.00%	1,154,049	18.92%
12/31/2009	-	320,427		320,427	0.00%	1,332,567	24.05%
12/31/2010	-	318,181		318,181	0.00%	1,255,618	25.34%
12/31/2011	-	289,045		289,045	0.00%	1,181,224	24.47%
12/31/2013	-	413,025		413,025	0.00%	1,166,849	35.40%

Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 44,720	60.59%
2013	41,187	56.51%
2014	42,497	72.57%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5%
Projected salary increases*	4.25 - 7.85%
Cost-of-living adjustments	N/A

*Includes inflation at 3.00%

TOWN OF CAROLINA BEACH, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued		Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Liability (AAL) Projected Unit Credit (B)					
12/31/2006	\$ -	\$ 3,424,206		\$ 3,424,206	0.00%	\$ 3,940,002	86.90%
12/31/2009	-	2,943,234		2,943,234	0.00%	4,273,355	68.90%
12/31/2011	-	3,087,723		3,087,723	0.00%	3,604,502	85.70%

Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 335,502	11.75%
2013	348,083	17.77%
2014	348,083	20.11%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.0%
Medical cost trend rate	9.5% - 5.0%
Year of ultimate trend rate	2018

* Includes inflation at 3.00%

TOWN OF CAROLINA BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 3,909,595	
Penalties and interest		15,601	
Total	\$ 3,854,000	<u>3,925,196</u>	\$ 71,196
Other Taxes and Licenses:			
Auto licenses		35,443	
Privilege licenses		67,794	
Total	69,800	<u>103,237</u>	33,437
Unrestricted Intergovernmental:			
Local option sales taxes		1,278,373	
Utility franchise tax		348,883	
ABC distribution		266,850	
Beer and wine tax		25,454	
Other taxes		568,866	
Cable franchise tax		100,648	
Total	2,376,322	<u>2,589,074</u>	212,752
Restricted Intergovernmental:			
Powell Bill allocation		186,527	
Other grants		545,500	
Total	766,400	<u>732,027</u>	(34,373)
Permits and Fees:			
Building permits		179,460	
Assessments		524,173	
Inspection fees		28,124	
Total	134,300	<u>731,757</u>	597,457
Sales and Services:			
Rents		245,873	
Recreation fees		1,148,744	
Court fees		16,856	
Parking		538,963	
Refuse fees		1,453,444	
Total	3,409,144	<u>3,403,880</u>	(5,264)

TOWN OF CAROLINA BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Investment Earnings	3,900	4,731	831
Miscellaneous:			
Other miscellaneous		314,622	
Total	262,000	314,622	52,622
Total revenues	10,875,866	11,804,524	928,658
Expenditures:			
General Government:			
Salaries and employee benefits		83,010	
Other operating expenditures		109,050	
Total	197,278	192,060	5,218
Administration:			
Salaries and employee benefits		216,679	
Other operating expenditures		95,367	
Capital outlay		10,342	
Total	320,652	322,388	(1,736)
Clerk:			
Salaries and employee benefits		144,384	
Other operating expenditures		53,484	
Capital outlay		1,550	
Total	201,546	199,418	2,128
Finance:			
Salaries and employee benefits		154,271	
Other operating expenditures		109,023	
Capital outlay		350	
Total	286,337	263,644	22,693
Human Resources:			
Salaries and employee benefits		300,653	
Other operating expenditures		85,389	
Total	383,686	386,042	(2,356)

TOWN OF CAROLINA BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Legal:			
Contracted services	120,693	120,693	-
Public Works Administration:			
Salaries and employee benefits		36,904	
Other operating expenditures		53,520	
Total	<u>90,949</u>	<u>90,424</u>	<u>525</u>
Planning:			
Salaries and employee benefits		438,342	
Other operating expenditures		53,656	
Total	<u>495,785</u>	<u>491,998</u>	<u>3,787</u>
Parking:			
Other operating expenditures		300,723	
Total	<u>317,298</u>	<u>300,723</u>	<u>16,575</u>
Beach Maintenance:			
Salaries and employee benefits		339,612	
Other operating expenditures		154,149	
Capital outlay		204,635	
Total	<u>1,227,156</u>	<u>698,396</u>	<u>528,760</u>
Marina:			
Salaries and employee benefits		75,159	
Other operating expenditures		16,163	
Capital outlay		17,737	
Total	<u>119,941</u>	<u>109,059</u>	<u>10,882</u>
Total general government	<u>3,761,321</u>	<u>3,174,845</u>	<u>586,476</u>
Public Safety:			
Police:			
Salaries and employee benefits		1,497,448	
Other operating expenditures		174,664	
Capital outlay		97,633	
Total	<u>1,751,690</u>	<u>1,769,745</u>	<u>(18,055)</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Fire:			
Salaries and employee benefits		590,386	
Other operating expenditures		175,480	
Capital outlay		108,578	
Total	<u>890,226</u>	<u>874,444</u>	<u>15,782</u>
Lifeguard:			
Salaries and employee benefits		308,593	
Other operating expenditures		35,059	
Capital outlay		4,870	
Total	<u>350,648</u>	<u>348,522</u>	<u>2,126</u>
Total public safety	<u>2,992,564</u>	<u>2,992,711</u>	<u>(147)</u>
Transportation:			
Streets and Highways:			
Street maintenance		47,555	
Total	<u>183,100</u>	<u>47,555</u>	<u>135,545</u>
Fleet Maintenance:			
Salaries and employee benefits		9,343	
Other operating expenditures		215,201	
Total	<u>235,530</u>	<u>224,544</u>	<u>10,986</u>
Environmental Protection:			
Solid Waste:			
Salaries and employee benefits		382,052	
Other operating expenditures		2,183,530	
Capital outlay		23,110	
Total	<u>2,602,647</u>	<u>2,588,692</u>	<u>13,955</u>
Cultural and Recreation:			
Parks and Recreation:			
Salaries and employee benefits		307,023	
Other operating expenditures		108,426	
Capital outlay		104,811	
Total	<u>524,163</u>	<u>520,260</u>	<u>3,903</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Non-Departmental:			
Other operating expenditures	150,550	132,670	17,880
Debt Service:			
Principal retirement		529,951	
Interest and other charges		417,746	
Total	1,437,618	947,697	489,921
Total expenditures	11,887,493	10,628,974	1,258,666
Revenues over (under) expenditures	(1,011,627)	1,175,550	2,187,177
Other Financing Sources (Uses):			
Transfers in	471,292	2,967,756	2,496,464
Transfers out	(350,000)	-	350,000
Long-term debt issued	348,888	12,947	(335,941)
Appropriated fund balance	541,447	-	(541,447)
Total other financing sources (uses)	1,011,627	2,980,703	1,969,076
Net change in fund balance	\$ -	4,156,253	\$ 4,156,253
Fund Balance:			
Beginning of year - July 1, as previously reported		5,858,760	
Prior period adjustment		(1,200,000)	
Beginning of year - July 1		4,658,760	
End of year - June 30		\$ 8,815,013	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Fire Station Renovation Fund	MOTSU Project Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Current assets:			
Due from other governments	\$ 1,232	\$ -	\$ 1,232
Restricted cash and cash equivalents	502,901	-	502,901
Total assets	<u>\$ 504,133</u>	<u>\$ -</u>	<u>\$ 504,133</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and other current liabilities	<u>\$ 46,158</u>	<u>\$ 24,778</u>	<u>\$ 70,936</u>
Total liabilities	<u>46,158</u>	<u>24,778</u>	<u>70,936</u>
Fund Balances:			
Restricted - stabilization by State statute	1,232	-	1,232
Restricted - capital project	502,901	-	502,901
Unassigned	(46,158)	(24,778)	(70,936)
Total fund balances	<u>457,975</u>	<u>(24,778)</u>	<u>433,197</u>
Total liabilities and fund balances	<u>\$ 504,133</u>	<u>\$ -</u>	<u>\$ 504,133</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2014

	Fire Station Renovation Fund	MOTSU Project Fund	Total Nonmajor Governmental Funds
Revenues:			
Investment income	\$ 829	\$ -	\$ 829
Total revenues	<u>829</u>	<u>-</u>	<u>829</u>
Expenditures:			
Public safety	742,854	-	742,854
General government	<u>-</u>	<u>24,778</u>	<u>24,778</u>
Total expenditures	<u>742,854</u>	<u>24,778</u>	<u>767,632</u>
Net change in fund balance	<u>(742,025)</u>	<u>(24,778)</u>	<u>(766,803)</u>
Fund Balance:			
Prior period adjustment	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
Beginning of year - July 1, as restated	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
End of year - June 30	<u>\$ 457,975</u>	<u>\$ (24,778)</u>	<u>\$ 433,197</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

FIRE STATION RENOVATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	
			<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment income	\$ -	\$ -	\$ 829	\$ 829
Total revenues	-	-	829	829
Expenditures:				
Renovations	1,200,000	-	742,854	742,854
Total expenditures	1,200,000	-	742,854	742,854
Revenues over (under) expenditures	(1,200,000)	-	(742,025)	(742,025)
Other Financing Sources (Uses):				
Long-term borrowing issued	1,200,000	1,200,000	-	1,200,000
Total other financing sources (uses)	1,200,000	1,200,000	-	1,200,000
Net change in fund balance	\$ -	\$ 1,200,000	(742,025)	\$ 457,975
Fund Balance:				
Beginning of year - July 1			-	
Prior period adjustment			1,200,000	
Beginning of year - July 1, as restated			1,200,000	
End of year - June 30			\$ 457,975	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

MOTSU PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Professional services	\$ 55,000	\$ -	\$ 24,778	\$ 24,778
Total expenditures	<u>55,000</u>	<u>-</u>	<u>24,778</u>	<u>24,778</u>
Revenues over (under) expenditures	<u>(55,000)</u>	<u>-</u>	<u>(24,778)</u>	<u>(24,778)</u>
Other Financing Sources (Uses):				
Transfers in (out)	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(24,778)</u>	<u>\$ (24,778)</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ (24,778)</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

TOURISM FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfer to General Fund	\$ -	\$ (2,496,464)	\$ (2,496,464)
Total other financing sources (uses)	<u>-</u>	<u>(2,496,464)</u>	<u>(2,496,464)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (2,496,464)</u>	<u>\$ (2,496,464)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (2,496,464)	
Reconciling items:			
Special item - Loss on disposal **		<u>(3,397,552)</u>	
Change in net position		<u>\$ (5,894,016)</u>	

** See Note 7 - Tourism Fund ceased operations in 2014 transferring assets and debt to the General Fund.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Customer charges:			
Water and sewer charges		\$ 3,674,433	
User fees		484,075	
Other municipals		220,449	
Stormwater fees		857,561	
Total	\$ 4,724,000	5,236,518	\$ 512,518
Other operating revenues:			
Water and sewer taps	50,000	112,500	62,500
Other operating revenues	639,000	238,499	(400,501)
Total other operating revenues	689,000	350,999	(338,001)
Non-Operating Revenues:			
Interest	1,600	181	(1,419)
Total revenues	5,414,600	5,587,698	173,098
Expenditures:			
Water and Sewer Administration:			
Salaries and employee benefits		393,410	
Other operating expenditures		452,221	
Total	852,965	845,631	7,334
Facilities and Equipment:			
Salaries and employee benefits		9,757	
Other operating expenditures		82,250	
Total	115,559	92,007	23,552
Water Treatment and Distribution:			
Salaries and employee benefits		269,990	
Chemicals		43,260	
Utilities		130,742	
Other operating expenditures		114,692	
Total	563,101	558,684	4,417

TOWN OF CAROLINA BEACH, NORTH CAROLINA

UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Water Distribution:			
Salaries and employee benefits		95,774	
Utilities		62,000	
Other operating expenditures		<u>364,080</u>	
Total	<u>789,063</u>	<u>521,854</u>	<u>267,209</u>
Waste Collection and Treatment:			
Sewer Collection System:			
Salaries and employee benefits		468,037	
Other operating expenditures		<u>159,520</u>	
Total	<u>740,153</u>	<u>627,557</u>	<u>112,596</u>
Stormwater Drainage:			
Salaries and employee benefits		330,892	
Other operating expenditures		<u>111,132</u>	
Total	<u>468,951</u>	<u>442,024</u>	<u>26,927</u>
Repairs and Maintenance	<u>437,897</u>	<u>347,961</u>	<u>89,936</u>
Total operating expenditures	<u>3,967,689</u>	<u>3,435,718</u>	<u>531,971</u>
Debt Service:			
Interest expense		318,637	
Principal retirement		<u>1,380,708</u>	
Total	<u>1,407,402</u>	<u>1,699,345</u>	<u>(291,943)</u>
Capital Outlay:			
System improvements	<u>834,133</u>	<u>349,831</u>	<u>484,302</u>
Total expenditures	<u>6,209,224</u>	<u>5,484,894</u>	<u>724,330</u>
Revenues over (under) expenditures	<u>(794,624)</u>	<u>102,804</u>	<u>897,428</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Appropriated fund balance	915,916	-	(915,916)
Loan proceeds	350,000	-	(350,000)
Transfer to General Fund	(471,292)	(471,292)	-
Total other financing sources (uses)	<u>794,624</u>	<u>(471,292)</u>	<u>(1,265,916)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (368,488)</u>	<u>\$ (368,488)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (368,488)	
Reconciling items:			
Capital Project Fund - interest		104	
Principal retirement		1,380,708	
Capital outlay		239,906	
Depreciation		(899,513)	
Change in net position		<u>\$ 352,717</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

WATER PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Interest income	\$ -	\$ -	\$ 104	\$ 104
Total revenues	-	-	104	104
Expenditures:				
Cormix Project:				
Professional services	60,000	-	24,380	24,380
Lake Park Intersection Project:				
Replacement and repair	1,006,134	-	885,625	885,625
Pipe replacement	108,560	-	109,810	109,810
Total	1,114,694	-	995,435	995,435
AMI Project:				
Water meter replacement	1,674,616	-	1,261,689	1,261,689
Phase 1A Project:				
Infrastructure	6,374,489	-	404,843	404,843
Streetscape	1,693,551	-	4,878	4,878
Total	8,068,040	-	409,721	409,721
Total expenditures	10,917,350	-	2,691,225	2,691,225
Revenues over (under) expenditures	(10,917,350)	-	(2,691,121)	(2,691,121)
Other Financing Sources (Uses):				
Long-term borrowing issued	9,742,656	-	9,300,852	9,300,852
Transfers in (out)	1,174,694	-	-	-
Total other financing sources (uses)	10,917,350	-	9,300,852	9,300,852
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	6,609,731	\$ 6,609,731
Fund Balance:				
Beginning of year - July 1			-	-
End of year - June 30			\$ 6,609,731	\$ 6,609,731

TOWN OF CAROLINA BEACH, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Lake Park Rehabilitation	\$ 3,231,051	\$ 2,956,242	\$ 83,114	\$ 3,039,356
Stormwater	<u>5,900,000</u>	<u>4,390,799</u>	<u>266,118</u>	<u>4,656,917</u>
Total expenditures	<u>9,131,051</u>	<u>7,347,041</u>	<u>349,232</u>	<u>7,696,273</u>
Revenues over (under) expenditures	<u>(9,131,051)</u>	<u>(7,347,041)</u>	<u>(349,232)</u>	<u>(7,696,273)</u>
Other Financing Sources (Uses):				
Long-term borrowing issued	8,881,051	6,784,657	-	6,784,657
Transfers in (out)	<u>250,000</u>	<u>455,314</u>	<u>-</u>	<u>455,314</u>
Total other financing sources (uses)	<u>9,131,051</u>	<u>7,239,971</u>	<u>-</u>	<u>7,239,971</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (107,070)</u>	<u>\$ (349,232)</u>	<u>\$ (456,302)</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 3,926,600	\$ (3,865,189)	\$ 61,411
2012-2013	63,566	-	(39,878)	23,688
2011-2012	17,598	-	(3,605)	13,993
2010-2011	11,038	-	(2,707)	8,331
2009-2010	8,339	-	(1,321)	7,018
2008-2009	7,372	-	(1,069)	6,303
2007-2008	8,131	-	(125)	8,006
2006-2007	10,126	-	(261)	9,865
2005-2006	8,226	-	(52)	8,174
2004-2005	7,677	-	-	7,677
2003-2004	12,108	-	(12,108)	-
Total	<u>\$ 154,181</u>	<u>\$ 3,926,600</u>	<u>\$ (3,926,315)</u>	154,466
Less: allowance for uncollectible ad valorem taxes receivable				<u>5,000</u>
Ad valorem taxes receivable, net				<u>\$ 149,466</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes:				
General Fund				\$ 3,925,196
Reconciling items:				
Releases and refunds and other adjustments				(10,989)
Amounts written off for tax years per statute of limitations				<u>12,108</u>
Total collections and credits				<u>\$ 3,926,315</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,603,710,977	\$ 0.235	\$ 3,768,718	\$ 3,768,718	\$ -
Registered motor vehicles taxed at prior year's rate	71,806,889	0.235	168,735	-	168,735
Penalties	-		4,091	4,091	-
Total original levy	<u>1,675,517,866</u>		<u>3,941,544</u>	<u>3,772,809</u>	<u>168,735</u>
Discoveries:					
Current year levy	-		1,509	1,509	-
Abatements:					
Current year levy	<u>(7,000,851)</u>		<u>(16,453)</u>	<u>(16,453)</u>	<u>-</u>
Total property valuation	<u>\$ 1,668,517,015</u>				
Net Levy			3,926,600	3,757,865	168,735
Uncollected taxes at June 30, 2014			<u>(61,411)</u>	<u>(55,414)</u>	<u>(5,997)</u>
Current Year's Taxes Collected			<u>\$ 3,865,189</u>	<u>\$ 3,702,451</u>	<u>\$ 162,738</u>
Current Levy Collection Percentage			<u>98.44%</u>	<u>98.53%</u>	<u>96.45%</u>

This page left blank intentionally.

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

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

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

Independent Auditor's Report

To the Honorable Mayor and
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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carolina Beach, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 27, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identified deficiencies in internal control that we consider to be material weaknesses.

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 reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, and 2014-006 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Carolina Beach's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2014-003 and 2014-005.

Town of Carolina Beach's Responses to Findings

The Town of Carolina Beach's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 result 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 27, 2015

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; Report On The Schedule Of Expenditures Of Federal And State Awards As Required By OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

Honorable Mayor and
Members of the Town Council
Town of Carolina Beach

Report on Compliance for Each Major Federal Program

We have audited the Town of Carolina Beach's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Carolina Beach's major Federal programs for the year ended June 30, 2014. The Town of Carolina Beach's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Carolina Beach'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 of Carolina Beach's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Carolina Beach complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town of Carolina Beach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Carolina Beach'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 OMB Circular A-133, 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 of Carolina Beach'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, non-compliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
January 27, 2015

TOWN OF CAROLINA BEACH, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(s) identified that are not considered to be material weaknesses? Yes X None reported

Non-compliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major Federal programs:

<u>C DFA #</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

2. Financial Statement Findings

2014-001:

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicated that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Context: The external auditor identified significant audit adjustments as defined above.

Effect: Internal financial statements provided to management during the year may report results that are significantly different than the audited results provided after year-end.

Cause: Insufficient monthly reconciliations and inherent limitations due to the size of finance staff.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the Town's available resources.

Name of Contact Person: Debbie Hall, Finance Director

Management's Response: Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statement Findings (continued)

2014-002:

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by the Town's personnel with regards to drafting full accrual, full disclosure financial statements.

Context: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules.

Effect: The Town requires assistance from the external auditor in drafting the financial statements.

Cause: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above is cost prohibitive.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the Town should exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

Name of Contact Person: Debbie Hall, Finance Director

Management's Response: Management is aware of the weakness but, due to the cost versus benefit analysis, it will continue to rely on the external auditor to draft the year-end financial statements. The Town will exercise due care in reviewing the financial statements drafted by the external auditor. The Town acknowledges and accepts responsibility for the accuracy of the audited financial statements. The Town Manager, Finance Officer, and Town Council will carefully review the audited financial statements and inquire directly of the auditor if they have questions regarding the audited financial statements.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statement Findings (continued)

Finding 2014-003:

Criteria: General Statutes require that all money received and expended by a local government should be included in the budget ordinance. The Statutes require that funds be appropriated before incurring the obligation for funds and that amounts be pre-audited prior to disbursements being made. These requirements imply the Town has a responsibility to design a system to monitor its compliance with the budget ordinance and the General Statutes pertaining to local government finance.

Condition: In the current year, there was a violation of the N.C. General Statute 159-8(a) expenditures exceed appropriations. Budget amendments were not completed during the fiscal year as required by the Town's budget amendment policy.

Context: While performing audit procedures, we noted the condition described above.

Effect: Budget amendments were not completed and approved by the Board during the current year causing the Town to be over-expended in the Tourism Fund Enterprise Fund.

Cause: Lack of budget monitoring by management. The Town expended more than what had been appropriated because budget amendments were not made for those items.

Recommendation: Management and the Council should ensure that amounts are pre-audited prior to disbursement of funds and proper review of budget reports is completed to ensure compliance in future years.

Name of Contact Person: Debbie Hall, Finance Director

Management's Response: Management concurs with the condition, context, and recommendations. Management and the Council will ensure that pre-audit of expenditures is completed prior to disbursement of funds to ensure compliance in future years.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statement Findings (continued)

Finding 2014-004:

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Audit and accounting standards require that errors in prior periods, which are detected in a subsequent year, be reported as prior period adjustments, resulting in a restatement of net position and/or fund balance. A prior period adjustment made in the current year indicates that the systems of internal control are not operating as intended. A material error was not detected by the Town's system of internal controls prior to report issuance in the last fiscal year.

Cause: In the current year, the Town conducted an audit of their capital assets and noted land acquisitions that had not been added. We also determined depreciation was not calculating properly and corrected it in the current year.

Effect: Fund balance in the General Fund, net position of the enterprise funds, and net position of governmental activities was misstated at June 30, 2013.

Context: During our audit procedures, we noted the condition stated above

Recommendation: Management should continue to compare tax records to asset records to determine all assets are added to the capital asset report.

Name of Contact Person: Debbie Hall, Finance Director

Management's Response: Management concurs with the condition and the recommendation.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statement Findings (continued)

Finding 2014-005:

Criteria: North Carolina General Statutes preclude units from having funds that operate in a deficit.

Condition: In the current year, there were violations of the General Statutes regarding deficit fund equity in the MOTSU Project Fund and the Water and Sewer Capital Project Fund.

Cause: The Town adopted a balance budget; however, revenues were insufficient to cover the cost of operations.

Effect: The Town was in violation of North Carolina General Statutes.

Context: During our audit procedures, we noted General Statutes violations stated above.

Recommendation: The Town should ensure that revenues cover all related cost.

Name of Contact Person: Debbie Hall, Finance Director

Management's Response: Management concurs with the condition and the recommendation.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statement Findings (continued)

Finding 2014-006:

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Due to the limited number of personnel in the Town's office, there are inherent limitations to segregation of duties among Town personnel.

Context: While performing documentation and testing of major systems of internal controls, we noted the condition described above.

Effect: Adequate segregation of duties is not in place.

Cause: There are a limited number of personnel for certain functions.

Recommendation: Access to the books and records of the Town should be separated from access to the assets of the Town as much as possible. Alternative controls should be used to compensate for any lack of segregation of duties. The Town Council members should provide some of these controls.

Name of Contact Person: Debbie Hall, Finance Director

Management Response: Management is aware of the weakness and will evaluate the accounting function to make changes where possible and request oversight from elected officials.

3. Federal Award Findings and Questioned Costs

None reported.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding 2013-001 – Repeated in the current year as finding 2014-001.

Finding 2013-002 – Repeated in the current year as finding 2014-002.

TOWN OF CAROLINA BEACH, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Federal Direct and Pass-Through Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
US Environmental Protection Agency				
Passed-through the NC Department of Environment and Natural Resources - Division of Water Infrastructure				
Capitalization Grants for Drinking Water State Revolving Funds	66.468		\$ 1,261,689	\$ -
Total US Environmental Protection Agency			<u>1,261,689</u>	<u>-</u>
State Grants:				
NC Department of Transportation				
Non-state System Street Aid Allocation (Powell Bill)		DOT-4	-	46,590
Total NC Department of Transportation			<u>-</u>	<u>46,590</u>
Total Federal expenditures			<u>\$ 1,261,689</u>	
Total State expenditures				<u>\$ 46,590</u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of Town of Carolina Beach, North Carolina, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of, the basic financial statements.

Note 2. Loans Outstanding

Town of Carolina Beach had the following loan balances outstanding at June 30, 2014.

	<u>CFDA Number</u>	<u>Amount Outstanding</u>
NC Department of Environment and Natural Resources:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ <u>1,674,616</u>

This page left blank intentionally.