

TOWN OF CAROLINA BEACH, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015



Town Council Members

Dan Wilcox, Mayor
LeAnn Pierce, Mayor Pro Tem
Sarah Friede
Gary Doetsch
Steve Shuttleworth

Administrative and Financial Staff

Debbie Hall, Finance Director

TOWN OF CAROLINA BEACH, NORTH CAROLINA

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Carolina Beach, North Carolina (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Carolina Beach, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11; the Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress and Schedule of Employer Contributions on page 46; and the Other Post-Employment Benefits - Schedule of Funding Progress and Schedule of Employer Contributions on page 47, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on page 48, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2015 on our consideration of the Town of Carolina Beach, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
October 5, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2015

As management of the Town of Carolina Beach, North Carolina (the “Town”), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

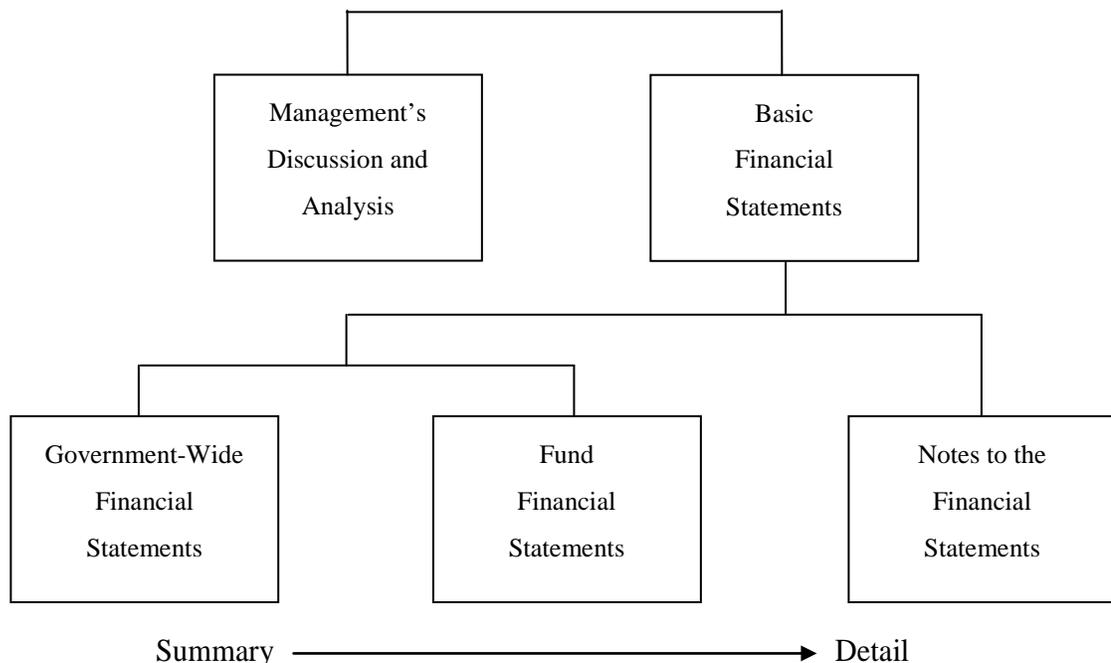
- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$42,036,706 (net position).
- The government's total net position increased by \$1,551,842, primarily due to increases in governmental activities.
- As of the close of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of \$10,000,660 with a net change of \$752,450 in fund balance. Approximately 15.63% of this total amount or \$1,584,825 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,111,490, or 54.78% of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; and 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, community planning and development, and general administration. Property taxes, other taxes, grants, and contributions finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the 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 1 and 2 of the basic financial statements.

Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 12,235,060	\$ 11,741,849	\$ 7,468,539	\$ 14,312,958	\$ 19,703,599	\$ 26,054,807
Capital assets	20,924,033	16,388,830	25,883,010	21,736,948	46,807,043	38,125,778
Deferred outflows of resources	246,271	226,302	76,073	69,905	322,344	296,207
Total assets	<u>33,405,364</u>	<u>28,356,981</u>	<u>33,427,622</u>	<u>36,119,811</u>	<u>66,832,986</u>	<u>64,476,792</u>
Liabilities:						
Long-term liabilities	7,787,323	5,212,720	13,063,912	16,992,253	20,851,235	22,204,973
Other liabilities	938,896	790,509	1,888,465	996,446	2,827,361	1,786,955
Deferred inflows of resources	853,911	-	263,773	-	1,117,684	-
Total liabilities	<u>9,580,130</u>	<u>6,003,229</u>	<u>15,216,150</u>	<u>17,988,699</u>	<u>24,796,280</u>	<u>23,991,928</u>
Net Position:						
Net invested in capital						
assets	14,378,750	13,893,394	11,241,999	12,554,778	25,620,749	26,448,172
Restricted	1,584,825	1,590,980	-	-	1,584,825	1,590,980
Unrestricted	<u>7,861,659</u>	<u>6,869,378</u>	<u>6,969,473</u>	<u>5,576,334</u>	<u>14,831,132</u>	<u>12,445,712</u>
Total net position	<u>\$ 23,825,234</u>	<u>\$ 22,353,752</u>	<u>\$ 18,211,472</u>	<u>\$ 18,131,112</u>	<u>\$ 42,036,706</u>	<u>\$ 40,484,864</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 \$42,036,706 as of June 30, 2015. The Town's net position increased by \$1,551,842 for the fiscal year ended June 30, 2015. A large portion, \$25,620,749, reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Carolina Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town of Carolina Beach, North Carolina's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Carolina Beach's net position, \$1,584,825, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,831,132 is unrestricted. Also the Town of Carolina Beach, North Carolina implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$636,760. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Carolina Beach, North Carolina's management.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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 98.60%.
- Continued growth in tax base.

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

	Business-Type					
	Governmental Activities		Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 4,329,931	\$ 5,735,583	\$ 5,908,948	\$ 5,587,517	\$ 10,238,879	\$ 11,323,100
Operating grants	247,881	186,527	-	-	247,881	186,527
Capital grants	595,651	545,500	-	-	595,651	545,500
General revenues:						
Property taxes	3,917,035	3,925,196	-	-	3,917,035	3,925,196
Other taxes	2,983,834	1,950,476	-	-	2,983,834	1,950,476
Other revenues	(1,077,564)	1,074,881	1,074,973	285	(2,591)	1,075,166
Total revenues	<u>10,996,768</u>	<u>13,418,163</u>	<u>6,983,921</u>	<u>5,587,802</u>	<u>17,980,689</u>	<u>19,005,965</u>
Expenses:						
General government	4,134,577	3,951,120	-	-	4,134,577	3,951,120
Public safety	3,121,711	3,237,207	-	-	3,121,711	3,237,207
Transportation	145,413	78,407	-	-	145,413	78,407
Environmental protection	2,875,862	342,809	-	-	2,875,862	342,809
Fleet	235,564	2,633,952	-	-	235,564	2,633,952
Cultural and recreation	517,978	538,827	-	-	517,978	538,827
Non departmental	396,429	-	-	-	396,429	-
Interest on long-term debt	104,756	489,471	-	-	104,756	489,471
Utility operations	-	-	4,896,557	4,914,068	4,896,557	4,914,068
Total expenses	<u>11,532,290</u>	<u>11,271,793</u>	<u>4,896,557</u>	<u>4,914,068</u>	<u>16,428,847</u>	<u>16,185,861</u>
Increase (decrease) in net position before transfers	\$ (535,522)	\$ 2,146,370	\$ 2,087,364	\$ 673,734	\$ 1,551,842	\$ 2,820,104
Transfers/Special items	<u>2,007,004</u>	<u>6,365,308</u>	<u>(2,007,004)</u>	<u>(6,365,308)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	1,471,482	8,511,678	80,360	(5,691,574)	1,551,842	2,820,104
Net position, July 1,	<u>22,353,752</u>	<u>13,842,074</u>	<u>18,131,112</u>	<u>23,822,686</u>	<u>40,484,864</u>	<u>37,664,760</u>
Net position, June 30,	<u>\$ 23,825,234</u>	<u>\$ 22,353,752</u>	<u>\$ 18,211,472</u>	<u>\$ 18,131,112</u>	<u>\$ 42,036,706</u>	<u>\$ 40,484,864</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Governmental Activities - Governmental activities increased the Town's net position by \$1,471,482. The key element of this increase was maintaining expenditures as compared with prior year's amount.

Business-Type Activities - Business-type activities increased the Town of Carolina Beach's net position by \$80,360. The key element of this increase was maintaining expenditures as compared with prior year's amount.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Carolina Beach, North Carolina. At the end of the current fiscal year, fund balance available in the General Fund was \$7,111,490, while the total fund balance reached \$9,396,315. The Town currently has an available fund balance of 54.78% of General Fund expenditures, while total fund balance represents 72.37% of the same amount.

At June 30, 2015, the governmental funds of the Town of Carolina Beach reported a combined fund balance of \$10,000,660 with a net increase of \$752,450.

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

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$6,969,473. The total change in net position for the utility and tourism fund was an increase of \$80,360 in the enterprise funds. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$46,807,043 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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

- Land for a municipal parking lot
- Land for municipal storage and laydown yard
- Fire department expansion
- Boardwalk improvement programs
- Major sewer project continuation

**Town of Carolina Beach, North Carolina's Capital Assets
(net of depreciation)
Figure 4**

	Business-Type					
	Governmental Activities		Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 6,805,526	\$ 6,370,284	\$ 355,957	\$ 293,839	\$ 7,161,483	\$ 6,664,123
Construction in progress	3,092,154	742,854	8,931,402	2,681,226	12,023,556	3,424,080
Buildings/Plant	4,269,466	5,402,798	16,010,564	17,736,863	20,280,030	23,139,661
Infrastructure	4,748,236	1,862,986	-	-	4,748,236	1,862,986
Equipment	1,067,049	1,016,570	110,529	871,452	1,177,578	1,888,022
Vehicles and motorized equipment	941,602	993,338	474,558	153,568	1,416,160	1,146,906
Total	<u>\$ 20,924,033</u>	<u>\$ 16,388,830</u>	<u>\$ 25,883,010</u>	<u>\$ 21,736,948</u>	<u>\$ 46,807,043</u>	<u>\$ 38,125,778</u>

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

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

	Business-Type					
	Governmental Activities		Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ -	\$ -	\$ -	\$ 46,000	\$ -	\$ 46,000
Revolving loans	-	-	1,664,300	1,818,527	1,664,300	1,818,527
Installment debt	6,037,283	2,998,337	10,991,860	14,509,658	17,029,143	17,507,995
Total	<u>\$ 6,037,283</u>	<u>\$ 2,998,337</u>	<u>\$ 12,656,160</u>	<u>\$ 16,374,185</u>	<u>\$ 18,693,443</u>	<u>\$ 19,372,522</u>

Long-Term Debt - As of June 30, 2015, the Town had total debt outstanding of \$18,693,443.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. At June 30, 2015, the Town of Carolina Beach had a legal debt margin of approximately \$132,373,398.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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 new Municipal Parking Lot.

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, 2016

Governmental Activities - The Town Council approved \$12.8 million annual budget for fiscal year 2016 and established a tax rate at 23.5 cents per \$100 of assessed valuation. The Town Council has provided for the following projects for this fiscal year through the Capital Improvement Program and appropriations in the annual budget as follows:

- Approximately \$78,200 in recreation center improvements
- Dedicated \$350,000 to Storm Damage Reduction
- Approximately \$148,000 in new Police Vehicles
- Investment of \$94,710 in staff efficiency improvements

Business-Type Activities - There are many water/sewer projects anticipated for the 2016 budget year. Purchase of a push camera system for inspection and filming of the Sewer System. Perform Wet Well Rehab for Lift Stations #4, #10 and #13. Continuation of the Phase 1A Infrastructure Improvement Project. Phase B consists of replacement of water, sewer, force main, raw water, stormwater and street infrastructure in the area bordered by Raleigh to the North, Woody Hewitt/Canal in the East, Atlanta and Clarendon to the South and 5th Street to the West.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Carolina Beach, 1121 North Lake Park Boulevard, Carolina Beach, NC 28428. You can also call (910) 458-8216, visit our website www.townofcarolinabeach.org or send an email to debbie.hall@carolinabeach.org for more information.

BASIC FINANCIAL STATEMENTS

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Net Position
June 30, 2015

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 8,776,211	\$ 4,538,660	\$ 13,314,871
Taxes receivables, net	160,007	-	160,007
Accounts receivable, net	1,118,845	837,706	1,956,551
Due from other governments	673,918	-	673,918
Cash and cash equivalents - restricted	1,158,648	1,984,851	3,143,499
Total current assets	<u>11,887,629</u>	<u>7,361,217</u>	<u>19,248,846</u>
Non Current Assets:			
Net pension asset	347,431	107,322	454,753
Capital assets:			
Land and construction in progress	9,897,680	9,287,359	19,185,039
Other capital assets, net of depreciation	11,026,353	16,595,651	27,622,004
Total capital assets	<u>20,924,033</u>	<u>25,883,010</u>	<u>46,807,043</u>
Total assets	<u>33,159,093</u>	<u>33,351,549</u>	<u>66,510,642</u>
Deferred Outflows of Resources			
Contributions to pension plan in current fiscal year	246,271	76,073	322,344
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	938,896	1,802,399	2,741,295
Utility deposit	-	86,066	86,066
Long-term liabilities due within one year	966,180	1,209,728	2,175,908
Total current liabilities	<u>1,905,076</u>	<u>3,098,193</u>	<u>5,003,269</u>
Long-term liabilities:			
Due in more than one year	6,821,143	11,854,184	18,675,327
Total liabilities	<u>8,726,219</u>	<u>14,952,377</u>	<u>23,678,596</u>
Deferred Inflows of Resources			
Pension deferrals	853,911	263,773	1,117,684
Net Position			
Net investment in capital assets	14,378,750	11,241,999	25,620,749
Restricted for:			
Stabilization by State Statute	912,739	-	912,739
Streets - Powell Bill	650,648	-	650,648
Grant funds	21,438	-	21,438
Unrestricted	7,861,659	6,969,473	14,831,132
Total net position	<u>\$ 23,825,234</u>	<u>\$ 18,211,472</u>	<u>\$ 42,036,706</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,134,577	\$ 514,472	\$ -	\$ 595,651
Transportation	145,413	-	187,754	-
Public safety	3,121,711	15,310	60,127	-
Environmental protection	2,875,862	1,512,679	-	-
Fleet	235,564	-	-	-
Cultural and recreation	517,978	2,287,470	-	-
Non-departmental	396,429	-	-	-
Interest on long-term debt	104,756	-	-	-
Total governmental activities	11,532,290	4,329,931	247,881	595,651
Business-type activities:				
Utility fund	4,896,557	5,908,948	-	-
Total business-type activities	4,896,557	5,908,948	-	-
Total primary government	\$ 16,428,847	\$ 10,238,879	\$ 247,881	\$ 595,651

General Revenues:

Taxes:

Ad valorem taxes

Local option sales tax

Other taxes, licenses and fees

Investment earnings, unrestricted

Miscellaneous

Transfers

Total general revenues, excluding transfers and special items

Change in net position

Restatement

Net position - beginning

Net position - ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,024,454)	\$ -	\$ (3,024,454)
42,341	-	42,341
(3,046,274)	-	(3,046,274)
(1,363,183)	-	(1,363,183)
(235,564)	-	(235,564)
1,769,492	-	1,769,492
(396,429)	-	(396,429)
(104,756)	-	(104,756)
<u>(6,358,827)</u>	<u>-</u>	<u>(6,358,827)</u>
-	1,012,391	1,012,391
-	1,012,391	1,012,391
<u>(6,358,827)</u>	<u>1,012,391</u>	<u>(5,346,436)</u>
3,917,035	-	3,917,035
734,562	-	734,562
2,249,272	-	2,249,272
5,006	1,083	6,089
(1,082,570)	1,073,890	(8,680)
2,007,004	(2,007,004)	-
<u>7,830,309</u>	<u>(932,031)</u>	<u>6,898,278</u>
1,471,482	80,360	1,551,842
(486,485)	(150,275)	(636,760)
22,840,237	18,281,387	41,121,624
<u>\$ 23,825,234</u>	<u>\$ 18,211,472</u>	<u>\$ 42,036,706</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 8,532,598	\$ 243,613	\$ 8,776,211
Taxes receivables, net	160,007	-	160,007
Accounts receivable, net	1,118,845	-	1,118,845
Due from other governments	365,614	308,304	673,918
Due from other funds	252,556	-	252,556
Restricted cash and cash equivalents	650,648	508,000	1,158,648
Total assets	<u>\$ 11,080,268</u>	<u>\$ 1,059,917</u>	<u>\$ 12,140,185</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 699,670	\$ 203,016	\$ 902,686
Due to other funds	-	252,556	252,556
Total liabilities	<u>699,670</u>	<u>455,572</u>	<u>1,155,242</u>
Deferred Inflow of Resources			
	984,283	-	984,283
	<u>984,283</u>	<u>-</u>	<u>984,283</u>
Fund Balances			
Restricted for:			
Stabilization by State Statute	912,739	-	912,739
Streets - Powell Bill	650,648	-	650,648
Grant funds	21,438	-	21,438
Assigned:			
Capital projects	-	604,345	604,345
Storm damage prevention	700,000	-	700,000
Unassigned	7,111,490	-	7,111,490
Total fund balances	<u>9,396,315</u>	<u>604,345</u>	<u>10,000,660</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,080,268</u>	<u>\$ 1,059,917</u>	

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
Governmental Funds
June 30, 2015

Exhibit 4

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

Total fund balance		\$ 10,000,660
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Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds:

Gross capital assets	30,166,929	
Less: accumulated depreciation	<u>9,242,896</u>	20,924,033

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

Net pension asset	347,431	
Contributions for pension plans	<u>246,271</u>	593,702

Earned revenues considered deferred inflows of resources for fund statements		984,283
---	--	---------

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

Installment purchases	(6,037,283)	
Other post-employment benefits	(1,292,930)	
Law enforcement officers' pension	<u>(102,874)</u>	(7,433,087)

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

Compensated absences	(354,236)	
Accrued interest	(36,210)	
Pension deferrals	<u>(853,911)</u>	(1,244,357)

Net position of governmental activities		<u><u>\$ 23,825,234</u></u>
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TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

Exhibit 5

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 3,906,494	\$ -	\$ 3,906,494
Other taxes and licenses	52,498	-	52,498
Unrestricted intergovernmental	2,931,336	-	2,931,336
Restricted intergovernmental	268,786	530,500	799,286
Permits and fees	1,148,865	-	1,148,865
Sales and services	3,800,149	-	3,800,149
Investment earnings	4,870	136	5,006
Miscellaneous	176,307	65,151	241,458
Total revenues	<u>12,289,305</u>	<u>595,787</u>	<u>12,885,092</u>
Expenditures:			
Current:			
General government	4,134,295	1,685,862	5,820,157
Transportation	136,057	-	136,057
Public safety	3,140,260	613,510	3,753,770
Environmental protection	3,343,881	25,150	3,369,031
Fleet	219,837	-	219,837
Cultural and recreation	558,477	-	558,477
Non-departmental	396,429	-	396,429
Debt service:			
Principal	906,873	-	906,873
Interest	146,794	-	146,794
Total expenditures	<u>12,982,903</u>	<u>2,324,522</u>	<u>15,307,425</u>
Revenues over (under) expenditures	<u>(693,598)</u>	<u>(1,728,735)</u>	<u>(2,422,333)</u>
Other Financing Sources (Uses):			
Transfers from (to) other funds	261,946	1,433,673	1,695,619
Long-term debt issued	1,012,954	466,210	1,479,164
Total other financing sources	<u>1,274,900</u>	<u>1,899,883</u>	<u>3,174,783</u>
Net change in fund balances	<u>581,302</u>	<u>171,148</u>	<u>752,450</u>
Fund balances, beginning	<u>8,815,013</u>	<u>433,197</u>	<u>9,248,210</u>
Fund balances, ending	<u>\$ 9,396,315</u>	<u>\$ 604,345</u>	<u>\$ 10,000,660</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2015

Exhibit 6

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

Net change in fund balances - total governmental funds	\$ 752,450
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.	1,750,640
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	246,271
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	(1,479,164)
Principal payments on long-term debt	913,396
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	(2,539)
Pension expense	(19,995)
Net obligation for law enforcement officers and other postemployment benefits	(245,905)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	35,515
Transfer from the Utility Fund for capital assets, net of related debt utilized by the Governmental Activities	311,385
Revenues in the statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.	<u>(790,572)</u>
Total changes in net position of governmental activities	<u><u>\$ 1,471,482</u></u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual - General Fund
Year Ended June 30, 2015

Exhibit 7

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 3,892,435	\$ 3,892,435	\$ 3,906,494	\$ 14,059
Other taxes and licenses	77,100	77,100	52,498	(24,602)
Unrestricted intergovernmental	2,438,200	2,438,200	2,931,336	493,136
Restricted intergovernmental	216,325	216,325	268,786	52,461
Permits and fees	540,500	540,500	1,148,865	608,365
Sales and services	3,446,170	3,446,170	3,800,149	353,979
Investment earnings	4,300	4,300	4,870	570
Miscellaneous	218,000	218,000	176,307	(41,693)
Total revenues	<u>10,833,030</u>	<u>10,833,030</u>	<u>12,289,305</u>	<u>1,456,275</u>
Expenditures				
Current:				
General government	3,804,902	4,711,809	4,134,295	577,514
Transportation	211,000	213,364	136,057	77,307
Public safety	3,206,455	3,244,439	3,140,260	104,179
Fleet maintenance	264,000	223,507	219,837	3,670
Environmental protection	2,593,575	3,345,352	3,343,881	1,471
Cultural and recreation	543,425	564,996	558,477	6,519
Non-departmental	480,550	398,562	396,429	2,133
Debt service:				
Principal	906,873	906,873	906,873	-
Interest	226,127	187,729	146,794	40,935
Total expenditures	<u>12,236,907</u>	<u>13,796,631</u>	<u>12,982,903</u>	<u>813,728</u>
Revenues over (under) expenditures	<u>(1,403,877)</u>	<u>(2,963,601)</u>	<u>(693,598)</u>	<u>2,270,003</u>
Other Financing Sources (Uses)				
Transfers from (to) other funds	600,000	(833,673)	261,946	1,095,619
Long-term debt issued	-	163,280	1,012,954	849,674
Total other financing sources (uses)	<u>600,000</u>	<u>(670,393)</u>	<u>1,274,900</u>	<u>1,945,293</u>
Fund balance appropriated	<u>803,877</u>	<u>3,633,994</u>	<u>-</u>	<u>(3,633,994)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>581,302</u>	<u>\$ 581,302</u>
Fund balances, beginning			<u>8,815,013</u>	
Fund balances, ending			<u>\$ 9,396,315</u>	

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2015

Exhibit 8

	Business-Type Activities <u>Enterprise Funds</u> Utility Fund
Assets	
Current assets:	
Cash and equivalents	\$ 4,538,660
Accounts receivable	837,706
Restricted cash	1,984,851
Total current assets	<u>7,361,217</u>
Non-current assets:	
Net pension asset	<u>107,322</u>
Capital assets:	
Land and other non-depreciable assets	9,287,359
Other capital assets, net of depreciation	16,595,651
Total capital assets	<u>25,883,010</u>
Total non-current assets	<u>25,990,332</u>
Total assets	<u>33,351,549</u>
Deferred Outflows of Resources	
Contributions to pension plan	<u>76,073</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	1,802,399
Utility deposits	86,066
Current portion of long-term debt	1,209,728
Total current liabilities	<u>3,098,193</u>
Noncurrent liabilities:	
Non-current portion of long-term debt	<u>11,854,184</u>
Total liabilities	<u>14,952,377</u>
Deferred Inflows of Resources	
Pension deferrals	<u>263,773</u>
Net Position	
Net investment in capital assets	11,241,999
Unrestricted	6,969,473
Total net position	<u>\$ 18,211,472</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Net Fund Position
Proprietary Fund
Year Ended June 30, 2015

Exhibit 9

	Business-Type Activities <u>Enterprise Funds</u> Utility Fund
Operating revenues:	
Charges for services	\$ 5,579,911
Water and sewer taps	190,900
Other operating revenues	138,137
Total operating revenues	<u>5,908,948</u>
Operating expenses:	
Administration	695,110
Facilities and equipment	71,803
Stormwater	473,875
Water treatment and distribution	961,954
Waste collection and treatment	848,699
Repairs and maintenance	522,295
Depreciation	927,946
Total operating expenses	<u>4,501,682</u>
Operating income	<u>1,407,266</u>
Non-operating revenues (expenses):	
Investment earnings	1,083
Miscellaneous	1,073,890
Interest and other charges	(394,875)
Total non-operating revenues (expenses)	<u>680,098</u>
Net income before transfers	2,087,364
Transfers to other funds	<u>(2,007,004)</u>
Change in net fund position	80,360
Total net position, beginning	18,281,387
Restatement	(150,275)
Total net position, beginning, restated	<u>18,131,112</u>
Total net position, ending	<u><u>\$ 18,211,472</u></u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2015

Exhibit 10

	Business-Type Activities
	<u>Enterprise Funds</u>
	Utility Fund
	<u>Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 6,145,522
Cash paid for goods and services	(1,153,008)
Cash paid to employees for services	(1,578,348)
Net cash provided by operating activities	<u>3,414,166</u>
Cash flows from noncapital financing activities:	
Transfers in (out)	(1,695,619)
Total cash flows used in noncapital financing activities	<u>(1,695,619)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(6,807,723)
Sale of asset	13,190
Principal payment on long-term debt	(1,245,389)
Interest payment on long-term debt	(394,875)
Net cash used in capital and related financing activities	<u>(8,434,797)</u>
Cash flows from investing activities:	
Interest on investments	1,083
Net cash provided by investing activities	<u>1,083</u>
Net decrease in cash and cash equivalents	(6,715,167)
Balances, beginning	13,238,678
Balances, ending	<u>\$ 6,523,511</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,407,266</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	927,946
Pension expense	188,333
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	236,574
Deferred outflows of resources for pensions	(6,168)
Increase (decrease) in:	
Accounts payable and accrued liabilities	892,019
Other postemployment benefits payable	(231,804)
Total adjustments	<u>2,006,900</u>
Net cash provided by operating activities	<u>\$ 3,414,166</u>

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The Town considers all revenues available if they are collected within 60 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by New Hanover County and then remitted to and distributed by the State. 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data

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

Assets, Liabilities, Deferred Inflow of Resources, and Fund Equity

Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT").

The Town's investments 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, a 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.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

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

Restricted cash at June 30, 2015, consists of the following:

Governmental Activities

General Fund:

Powell Bill \$ 650,648

Fire Station Renovation Fund:

Unspent debt proceeds 508,000

Total governmental activities \$1,158,648

Business-Type Activities

Utility Fund:

Unspent debt proceeds \$1,984,851

Total business-type activities \$1,984,851

Total restricted cash \$3,143,499

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015.

Allowance for Doubtful Accounts

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets 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 Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element called deferred outflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an expense until then. The Town has one item that meets the criterion for this category – contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – property taxes receivable, assessments receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

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.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets	\$ 20,924,033	\$ 25,883,010
Long-term debt	(6,037,283)	(12,656,160)
Unexpended debt proceeds	(508,000)	(1,984,851)
Net investment in capital assets	<u>\$ 14,378,750</u>	<u>\$ 11,241,999</u>

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Total fund balance - General Fund	\$ 9,396,315
Less:	
Stabilization by State Statute	912,739
Streets- Powell Bill	650,648
Grant Funds	21,438
Storm Damage Prevention	700,000
Remaining Fund Balance	<u>\$ 7,111,490</u>

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

Pensions

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 – DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

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

At June 30, 2015, the Town's deposits had a carrying amount of \$4,846,481 and a bank balance of \$4,854,038. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral under the Pooling Method. As of June 30, 2015, the Town's petty cash fund totaled \$450.

Investments

At June 30, 2015, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust:			
Cash Portfolio	\$ 4,600,247	N/A	AAAm
Term Portfolio	7,011,643	0.19 years	Unrated
	<u>\$ 11,611,890</u>		

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

Credit risk: The Town has no formal policy regarding credit risk, but has an internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to either the NC Capital Management Trust Cash Portfolio, which carries a credit rating of AAAM by Standard & Poor's as of June 30, 2015, or the NC Capital Management Trust Term Portfolio, which is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under G.S. 159-30 as amended.

Custodial credit risk: For any investment, the custodial risk is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

are in the possession of an outside party. The Town has no formal policy on custodial risk, but management procedures are that the Town shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the Town's name.

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

Receivables

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

	<u>Taxes</u>	<u>Accounts</u>	<u>Assessments</u>
Governmental Activities:			
General Fund	\$ 160,007	\$ 294,555	\$ 824,290
Other governmental funds	-	-	-
Total Governmental Activities	<u>\$ 160,007</u>	<u>\$ 294,555</u>	<u>\$ 824,290</u>
Business-Type Activities:			
Utility Fund	\$ -	\$ 625,536	\$ 125,859
Total Business-Type Activities	<u>\$ -</u>	<u>\$ 625,536</u>	<u>\$ 125,859</u>
	<u>Due from other</u>		
	<u>Governments</u>	<u>Total</u>	
Governmental Activities:			
General Fund	\$ 365,614	\$ 1,644,466	
Other governmental funds	308,304	308,304	
Total Governmental Activities	<u>\$ 673,918</u>	<u>\$ 1,952,770</u>	
Business-Type Activities:			
Utility Fund	\$ 86,311	\$ 837,706	
Total Business-Type Activities	<u>\$ 86,311</u>	<u>\$ 837,706</u>	

Due from other governments consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
Local option sales tax	\$ 252,210	\$ -
Grant reimbursements	318,723	-
Sales tax reimbursement	102,985	86,311
Total	<u>\$ 673,918</u>	<u>\$ 86,311</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 6,370,284	\$ 849,674	\$ -	\$ (414,432)	\$ 6,805,526
Construction in progress	742,854	2,349,300	-	-	3,092,154
Total capital assets not being depreciated	<u>7,113,138</u>	<u>3,198,974</u>	<u>-</u>	<u>(414,432)</u>	<u>9,897,680</u>
Capital assets being depreciated:					
Buildings	7,970,582	-	-	(1,673,999)	6,296,583
Infrastructure	3,513,899	-	-	3,033,922	6,547,821
Equipment	2,779,997	199,276	72,874	865,129	3,771,528
Vehicles and motorized equipment	3,414,573	388,204	57,350	(92,110)	3,653,317
Total capital assets being depreciated	<u>17,679,051</u>	<u>587,480</u>	<u>130,224</u>	<u>2,132,942</u>	<u>20,269,249</u>
Less accumulated depreciation for:					
Buildings	2,567,784	123,080	-	(663,747)	2,027,117
Infrastructure	1,650,913	228,753	-	(80,081)	1,799,585
Equipment	1,763,427	146,176	62,278	857,154	2,704,479
Vehicles and motorized equipment	2,421,235	213,777	54,429	131,132	2,711,715
Total accumulated depreciation	<u>8,403,359</u>	<u>711,786</u>	<u>116,707</u>	<u>244,458</u>	<u>9,242,896</u>
Total capital assets being depreciated, net	<u>9,275,692</u>				<u>11,026,353</u>
Government activity capital assets, net	<u>\$16,388,830</u>				<u>\$20,924,033</u>

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

Governmental Activities:	
General government	\$ 298,954
Transportation	6,989
Public safety	192,814
Environmental protection	173,051
Fleet	11,292
Cultural and recreation	28,686
Total depreciation expense	<u>\$ 711,786</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

	Beginning Balances	Increases	Decreases	Transfer	Ending Balances
Utility Fund:					
Capital assets not being depreciated:					
Land	\$ 293,839	\$ -	\$ -	\$ 62,118	\$ 355,957
Construction in progress	2,681,226	6,250,176	-	-	8,931,402
Total capital assets not being depreciated	<u>2,975,065</u>	<u>6,250,176</u>	<u>-</u>	<u>62,118</u>	<u>9,287,359</u>
Capital assets being depreciated:					
Plant and distribution systems	27,552,093	312,055	-	195,795	28,059,943
Furniture and maintenance equipment	3,144,949	24,484	-	(2,110,102)	1,059,331
Vehicles	777,719	221,008	75,337	610,871	1,534,261
Total capital assets being depreciated	<u>31,474,761</u>	<u>557,547</u>	<u>75,337</u>	<u>(1,303,436)</u>	<u>30,653,535</u>
Less accumulated depreciation for:					
Plant and distribution systems	9,815,230	791,738	-	1,442,411	12,049,379
Furniture and maintenance equipment	2,273,497	37,290	-	(1,361,985)	948,802
Vehicles	624,151	98,918	75,337	411,971	1,059,703
Total accumulated depreciation	<u>12,712,878</u>	<u>927,946</u>	<u>75,337</u>	<u>492,397</u>	<u>14,057,884</u>
Total capital assets being depreciated, net	<u>18,761,883</u>				<u>16,595,651</u>
Utility fund capital assets, net	<u>\$ 21,736,948</u>				<u>\$ 25,883,010</u>

B. Liabilities

Accounts Payable and Accrued Expenses

Payables at the government-wide level at June 30, 2015, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General Fund	\$ 584,104	\$ 151,776	\$ 735,880
Other Governmental Funds	203,016	-	203,016
Total governmental activities	<u>\$ 787,120</u>	<u>\$ 151,776</u>	<u>\$ 938,896</u>
Business-Type Activities:			
Utility Fund	<u>\$ 1,680,720</u>	<u>\$ 121,679</u>	<u>\$ 1,802,399</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Long Term Obligations

Governmental Activities:

Installment purchase contracts at June 30, 2015 are comprised of the following:

The Town of Carolina Beach, North Carolina currently has seven installment purchase contracts ranging from 1.24% to 3.49% interest-bearing notes. The note maturities range from 2015 to 2030.

\$ 6,037,283

Annual debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 746,180	\$ 128,640
2017	709,095	133,138
2018	656,939	115,386
2019	659,283	98,237
2020	583,923	81,012
2021-2025	1,900,378	223,722
2026-2030	781,485	48,586
Total	<u>\$ 6,037,283</u>	<u>\$ 828,721</u>

Business-Type Activities:

Installment purchase contracts at June 30, 2015 are comprised of the following:

The Utility Fund currently has nine installment purchase contracts ranging from 1.63% to 4.77% interest-bearing notes. The note maturities range from 2016 to 2029.

\$ 10,991,860

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,055,500	\$ 297,648
2017	964,889	265,698
2018	903,681	237,444
2019	726,340	210,689
2020	745,641	191,388
2021-2025	3,789,204	659,410
2026-2029	2,806,605	181,644
Total	<u>\$ 10,991,860</u>	<u>\$ 2,043,921</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Revolving Loan Payables

On May 1, 2001, the Town received \$1,854,260 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund Program. The loan is repayable at 2.57% interest for 20 years. The loan repayment schedule based on the loan amount of \$1,854,260 calls for annual principal repayments and semi-annual interest repayments for 20 years. The total amount outstanding at June 30, 2015 was \$741,848.

On May 1, 2010, the Town was approved for a maximum loan amount of \$1,686,234 for a Federal revolving 50% forgiveness loan for treatment of a beach storm water pond. The loan is repayable at 0% interest for 20 years. The loan repayment schedule is based on the outstanding amount of the loan at year-end. The total amount outstanding at June 30, 2015 was \$614,008.

On May 1, 2010, the Town was approved for a maximum loan amount of \$1,000,000 for a Federal revolving 50% forgiveness loan for Lake Park Boulevard sewer rehabilitation. The loan is repayable at 0% interest for 20 years. The loan repayment schedule is based on the outstanding amount of the loan at year-end. The total amount outstanding at June 30, 2015 was \$308,443.

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 154,228	\$ 19,066
2017	154,228	16,682
2018	154,228	14,299
2019	154,228	11,916
2020	154,228	9,533
2021-2025	585,677	14,299
2026-2030	307,483	-
Total	<u>\$ 1,664,300</u>	<u>\$ 85,795</u>

At June 30, 2015, the Town had a legal debt margin of \$132,373,398.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

A summary of long-term debt as of June 30, 2015, is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental Activities:					
Installment purchases	\$ 2,998,337	\$ 3,945,819	\$ 906,873	\$ 6,037,283	\$ 746,180
Compensated absences	351,697	218,807	216,268	354,236	220,000
Net LGERS pension liability	486,485	-	486,485	-	-
OPEB	1,052,263	240,667	-	1,292,930	-
Net pension obligation	97,636	5,238	-	102,874	-
Total governmental activity long-term liabilities	<u>\$ 4,986,418</u>	<u>\$ 4,410,531</u>	<u>\$ 1,609,626</u>	<u>\$ 7,787,323</u>	<u>\$ 966,180</u>
Business-Type Activities:					
Installment purchases	\$ 14,509,658	\$ -	\$ 3,517,798	\$ 10,991,860	\$ 1,055,500
General obligation bonds	46,000	-	46,000	-	-
Revolving loans	1,818,527	-	154,227	1,664,300	154,228
Net LGERS pension liability	150,275	-	150,275	-	-
OPEB	397,888	10,406	-	408,294	-
Total business-type long-term liabilities	<u>\$ 16,922,348</u>	<u>\$ 10,406</u>	<u>\$ 3,868,300</u>	<u>\$ 13,064,454</u>	<u>\$ 1,209,728</u>

The LGERS pension plan had a net pension plan asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year. Compensated absences, net pension obligation, and other post-employment benefits are typically liquidated in the General Fund. Compensated absences are accounted for on a first-in, first-out basis.

Interfund Activity

Transfers to/from other funds at June 30, 2015, consist of the following:

Transfers to	Transfers from	Amount
Fire Station Renovation (Non Major)	General Fund	\$ 266,850
MOTSU Project (Non Major)	General Fund	80,000
Annie Drive Paving and Drainage (Non Major)	General Fund	198,255
Boardwalk Improvements (Non Major)	General Fund	742,060
Island Greenway Improvements (Non Major)	General Fund	146,508
		<u>\$ 1,433,673</u>
General Fund	Utility Fund	\$ 1,695,619
Governmental Activity (Capital assets, net of related debt)	Utility Fund	311,385
		<u>\$ 2,007,004</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Carolina Beach, North Carolina employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERs Board of Trustees. The Town of Carolina Beach, North Carolina's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Carolina Beach, North Carolina were \$322,344 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Town reported an asset of \$454,753 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.077%, which was a decrease of 0.00% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense reduction of \$296,173. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>\$</u>	<u>\$</u>
Differences between expected and actual experience	-	49,690
Net difference between projected and actual earnings on pension plan investments	-	1,058,656
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	9,338
Town contributions subsequent to the measurement date	322,344	-
	<u>\$ 322,344</u>	<u>\$ 1,117,684</u>

\$322,344 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows: 2016; (\$279,458), 2017; (\$279,458), 2018; (\$279,458), and 2019; \$43,034, respectively.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Not applicable
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
	100%	

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town' proportionate share of the net pension liability (asset)	\$ 1,543,629	\$ (454,753)	\$ (2,137,327)

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

b. Law Enforcement Officers Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing benefits to plan members.
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25-7.85% per year. Both (a) and (b) included an inflation component of 3.0%. 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, 2014, 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:

Annual required contributions	\$ 42,497
Interest on net OPEB obligation	4,439
Adjustment to annual required contribution	(7,773)
Annual OPEB cost	39,163
Contributions made	33,925
Increase in net pension obligation	5,238
Net OPEB obligation, beginning of year	97,636
Net pension obligation, end of year	\$ 102,874

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Three Year Trend Information			
Year Ended June 30	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2015	\$ 39,163	86.6%	\$ 102,874
2014	39,163	78.8%	97,636
2013	36,859	65.9%	89,313

Funded Status and Funding Progress

As of December 31, 2011, 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 \$950,123, and the ratios of the UAAL to the covered payroll was 43.5%.

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.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$89,612, which consisted of \$61,219 from the Town and \$28,393 from the law enforcement officers.

d. Other Post-Employment Benefits

Plan Description: The Town (by local ordinance) administers a single-employer defined benefit plan and provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and meet the following criteria. The retiree must have at least five years of creditable service with the Town, and the retirement must be due to a medical condition, which is subject to review by the North Carolina Medical Review Board. In addition, the Town pays the full cost of coverage for these benefits for retirees with a minimum of 20 years of 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

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

the Town. The entire cost of this insurance is borne by the retirees. The Town maintains healthcare coverage through 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, 2014, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	26
Active plan members	98
	<u>124</u>

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 20 years of service, or that retire with approved disability retirement, the Town pays 100% of the cost for pre-65 group healthcare coverage for the retiree and 100% of the cost of Medicare supplement coverage at age 65. Years of service are considered years of creditable service with the Local Governmental Employees' Retirement System. 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 (ARC) rate is 9.66% of annual covered payroll. For the current year, the Town contributed \$104,103 or 2.31% of annual covered payroll. The Town's contributions totaled \$104,103 in Fiscal year 2015. Contributions by employees for the fiscal year 2015 were \$39,987. 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:

Employer annual required contribution	\$ 352,584
Interest on net OPEB obligation	58,006
Adjustment to annual required contribution	<u>(55,414)</u>
Annual pension cost	355,176
Employer contributions made	<u>104,103</u>
Increase in net pension obligation	251,073
Net pension obligation, beginning of year	<u>1,450,151</u>
Net pension obligation, end of year	<u><u>\$1,701,224</u></u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 355,176	11.3%	\$ 1,701,224
2014	351,343	19.9%	1,450,151
2013	351,343	18.7%	1,168,808

As of December 31, 2014, 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 \$4,900,731. The covered payroll (annual payroll of active employees covered by the plan) was \$4,273,513, and the ratio of the UAAL to the covered payroll was 114.7%. 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 of 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, 2014, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4% investment rate of return, which included an inflation component of 3% and (b) a 9.5-5% 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.

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.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

The Town's deferred outflow of resources at June 30, 2015 consisted of contributions to a pension plan made during the current year in the amount of \$322,344 and will be applied to future pension obligations.

The Town's deferred inflows of resources at June 30, 2015 consisted of taxes receivables, assessments receivables and pension plan deferrals in the amount of \$160,006, \$824,277 and \$1,117,684, respectively.

Risk Management

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

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

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.

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$486,485 and \$150,275, respectively.

NOTE 5 – CONDUIT DEBT OBLIGATIONS

The Town assisted a local not-for-profit organization to obtain a loan from a financial institution to provide financial assistance to develop local properties for the benefit of the residents of Carolina Beach. This debt is secured by properties owned by the not-for-profit and are payable solely from the payments received from the not-for-profit. The Town is not obligated in any manner for the repayment of this debt and accordingly, is not reported as a liability in the accompanying financial statements. The Town contributes to the not-for-profit an annual amount to help in making the debt service payments of this debt. At year end, the amount outstanding is approximately \$2,071,000.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress
Year Ended June 30, 2015

Exhibit 11

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Project Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Dec. 31, 2014	\$ -	\$ 413,025	\$ 413,025	0.0%	\$ 950,123	43.5%
Dec. 31, 2013	-	413,025	413,025	0.0%	1,166,849	35.4%
Dec. 31, 2012	-	413,025	413,025	0.0%	1,143,733	36.1%
Dec. 31, 2011	-	289,045	289,045	0.0%	1,181,224	24.5%
Dec. 31, 2010	-	318,181	318,181	0.0%	1,255,618	25.3%
Dec. 31, 2009	-	320,427	320,427	0.0%	1,332,567	24.0%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2015	\$ 42,497	79.8%
2014	42,497	72.6%
2013	41,187	56.5%
2012	44,720	60.6%

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 the latest actuarial valuation follows.

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 year
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
Schedule of Funding Progress
Year Ended June 30, 2015

Exhibit 12

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Project Unit Credit (b)					
Dec. 31, 2014	\$ -	\$4,900,731		\$4,900,731	0.0%	\$4,273,513	114.7%
Dec. 31, 2011	-	3,087,723		3,087,723	0.0%	3,604,502	85.7%
Dec. 31, 2009	-	2,943,234		2,943,234	0.0%	4,273,355	68.9%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2015	\$ 352,584	11.3%
2014	348,083	17.8%
2013	348,083	20.1%

Notes to the Required Schedules:

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

Valuation date	12/31/2014
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
Local Government Employees' Retirement System
Required Supplementary Information
Last Two Fiscal Years

Exhibit 13

Proportionate Share of Net Pension Liability:

	<u>2015</u>	<u>2014</u>
Proportionate of the net pension liability (asset)	0.077%	0.077%
Proportionate of the net pension liability (asset)	\$ (454,753)	\$ 932,967
Covered-employee payroll	4,520,737	3,777,410
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	-10.06%	24.70%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

Contributions:

Contractually required contribution	\$ 269,615	\$ 211,078
Contributions in relation to the contractually required contribution	<u>269,615</u>	<u>211,078</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,520,737	\$ 3,777,410
Contribution as a percentage of covered-employee payroll	5.96%	5.59%

SUPPLEMENTAL STATEMENTS

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

Schedule 1
Page 1 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 3,893,603	
Penalties and interest		12,891	
Total ad valorem taxes	<u>\$ 3,892,435</u>	<u>3,906,494</u>	<u>\$ 14,059</u>
Other taxes and licenses:			
Auto licenses		38,549	
Privilege licenses		13,949	
Total other taxes and licenses	<u>77,100</u>	<u>52,498</u>	<u>(24,602)</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,400,562	
Utility sales tax		549,026	
ABC distribution		361,527	
Beer and wine tax		28,034	
Other taxes		451,226	
Cable franchise tax		140,961	
Total unrestricted intergovernmental	<u>2,438,200</u>	<u>2,931,336</u>	<u>493,136</u>
Restricted intergovernmental:			
Powell Bill allocation		187,754	
Other grants		81,032	
Total restricted intergovernmental	<u>216,325</u>	<u>268,786</u>	<u>52,461</u>
Permits and fees:			
Building permits		260,607	
Assessments		844,021	
Inspection fees		44,237	
Total permits and fees	<u>540,500</u>	<u>1,148,865</u>	<u>608,365</u>
Sales and services:			
Rents		283,241	
Recreation fees		1,386,593	
Court fees		18,563	
Parking		599,073	
Refuse fees		1,512,679	
Total sales and services	<u>3,446,170</u>	<u>3,800,149</u>	<u>353,979</u>
Investment earnings	<u>4,300</u>	<u>4,870</u>	<u>570</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2015

Schedule 1
Page 2 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues (Continued):			
Miscellaneous	\$ 218,000	\$ 176,307	\$ (41,693)
Total Revenues	<u>10,833,030</u>	<u>12,289,305</u>	<u>1,456,275</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		68,004	
Other operating expenses		248,674	
Total	<u>322,887</u>	<u>316,678</u>	<u>6,209</u>
Administration:			
Salaries and employee benefits		238,297	
Other operating expense		393,099	
Capital outlay		56,986	
Total	<u>770,585</u>	<u>688,382</u>	<u>82,203</u>
Clerk:			
Salaries and employee benefits		116,815	
Other operating expenses		51,001	
Total	<u>183,216</u>	<u>167,816</u>	<u>15,400</u>
Finance:			
Salaries and employee benefits		152,117	
Other operating expenses		100,134	
Total	<u>256,991</u>	<u>252,251</u>	<u>4,740</u>
Human Resources:			
Salaries and employee benefits		268,669	
Other operating expenses		125,943	
Total	<u>399,366</u>	<u>394,612</u>	<u>4,754</u>
Public Works Administration:			
Salaries and employee benefits		40,221	
Other operating expense		37,749	
Total	<u>122,855</u>	<u>77,970</u>	<u>44,885</u>
Planning:			
Salaries and employee benefits		498,517	
Other operating expense		22,370	
Capital outlay		74,958	
Total	<u>613,264</u>	<u>595,845</u>	<u>17,419</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2015

Schedule 1
Page 3 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Parking:			
Other operating expense		\$ 511,975	
Capital outlay		376,290	
Total	<u>\$ 888,472</u>	<u>888,265</u>	<u>\$ 207</u>
Beach Maintenance:			
Salaries and benefits		435,582	
Other operating expenses		135,219	
Capital outlay		69,901	
Total	<u>1,040,102</u>	<u>640,702</u>	<u>399,400</u>
Marina:			
Salaries and benefits		79,281	
Other operating expenses		32,493	
Total	<u>114,071</u>	<u>111,774</u>	<u>2,297</u>
Total general government	<u>4,711,809</u>	<u>4,134,295</u>	<u>577,514</u>
Public Safety:			
Police:			
Salaries and employee benefits		1,585,200	
Other operating expenses		141,064	
Capital outlay		181,697	
Total	<u>1,953,801</u>	<u>1,907,961</u>	<u>45,840</u>
Fire:			
Salaries and employee benefits		656,876	
Other operating expenses		128,985	
Capital outlay		86,386	
Total	<u>909,622</u>	<u>872,247</u>	<u>37,375</u>
Lifeguard:			
Salaries and employee benefits		309,331	
Other operating expenses		37,511	
Capital outlay		13,210	
Total	<u>381,016</u>	<u>360,052</u>	<u>20,964</u>
Total public safety	<u>3,244,439</u>	<u>3,140,260</u>	<u>104,179</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Transportation:			
Street and Highways:			
Street maintenance		\$ 136,057	
Total transportation	\$ 213,364	<u>136,057</u>	\$ 77,307
Fleet Maintenance:			
Other operating expenses		219,837	
Total fleet maintenance	<u>223,507</u>	<u>219,837</u>	<u>3,670</u>
Environmental Protection:			
Solid Waste:			
Salaries and employee benefits		462,631	
Other operating expenses		2,181,907	
Capital outlay		699,343	
Total environmental protection	<u>3,345,352</u>	<u>3,343,881</u>	<u>1,471</u>
Cultural and Recreation:			
Parks and Recreation:			
Salaries and employee benefits		355,741	
Other operating expenses		121,785	
Capital outlay		80,951	
Total cultural and recreation	<u>564,996</u>	<u>558,477</u>	<u>6,519</u>
Non-Departmental:			
Other operating expenses		396,429	
Total non-departmental	<u>398,562</u>	<u>396,429</u>	<u>2,133</u>
Debt service:			
Principal retirement	906,873	906,873	-
Interest and other charges	187,729	146,794	40,935
Total debt service	<u>1,094,602</u>	<u>1,053,667</u>	<u>40,935</u>
Total expenditures	<u>13,796,631</u>	<u>12,982,903</u>	<u>813,728</u>
Revenue over (under) expenditures	<u>(2,963,601)</u>	<u>(693,598)</u>	<u>2,270,003</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2015

Schedule 1
Page 5 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources (uses):			
Transfers in	\$ 600,000	\$ 1,695,619	\$ 1,095,619
Transfers out	(1,433,673)	(1,433,673)	-
Long-term debt issued	163,280	1,012,954	849,674
Total other financing sources (uses)	<u>(670,393)</u>	<u>1,274,900</u>	<u>1,945,293</u>
Fund balance appropriated	<u>3,633,994</u>	<u>-</u>	<u>(3,633,994)</u>
Net change in fund balance	<u>\$ -</u>	581,302	<u>\$ 581,302</u>
Fund balances, beginning		<u>8,815,013</u>	
Fund balances, ending		<u>\$ 9,396,315</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Fire Station Renovation Fund	MOTSU Project Fund	Annie Drive Paving and Drainage Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 2,844	\$ 174,202
Due from other governments	2,499	-	-
Restricted cash and cash equivalents	108,951	-	-
Total assets	<u>\$ 111,450</u>	<u>\$ 2,844</u>	<u>\$ 174,202</u>
 Liabilities and Fund Balance			
Liabilities:			
Accounts payable and other current liabilities	\$ -	\$ -	\$ 1,097
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,097</u>
 Fund Balances:			
Assigned:			
Capital projects	111,450	2,844	173,105
Total fund balances	<u>111,450</u>	<u>2,844</u>	<u>173,105</u>
 Total liabilities and fund balances	<u>\$ 111,450</u>	<u>\$ 2,844</u>	<u>\$ 174,202</u>

Schedule 2

Operations Center Fund	Boardwalk Improvement Fund	Island Greenway Improvement Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 66,567	\$ 243,613
5,387	300,418	-	308,304
399,049	-	-	508,000
<u>\$ 404,436</u>	<u>\$ 300,418</u>	<u>\$ 66,567</u>	<u>\$ 1,059,917</u>
\$ 145,884	\$ 47,805	\$ 8,230	\$ 203,016
-	252,556	-	252,556
<u>145,884</u>	<u>300,361</u>	<u>8,230</u>	<u>455,572</u>
258,552	57	58,337	604,345
<u>258,552</u>	<u>57</u>	<u>58,337</u>	<u>604,345</u>
<u>\$ 404,436</u>	<u>\$ 300,418</u>	<u>\$ 66,567</u>	<u>\$ 1,059,917</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

	Fire Station Renovation Fund	MOTSU Project Fund	Annie Drive Paving and Drainage Fund
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ -
Investment earnings	135	-	-
Miscellaneous	-	-	-
Total revenues	<u>135</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
General government	-	52,378	-
Public safety	613,510	-	-
Environmental protection	-	-	25,150
Total expenditures	<u>613,510</u>	<u>52,378</u>	<u>25,150</u>
Revenues over (under) expenditures	<u>(613,375)</u>	<u>(52,378)</u>	<u>(25,150)</u>
Other Financing Sources (Uses):			
Transfers from (to) other funds	266,850	80,000	198,255
Long-term debt issued	-	-	-
Total other financing sources	<u>266,850</u>	<u>80,000</u>	<u>198,255</u>
Net change in fund balances	<u>(346,525)</u>	<u>27,622</u>	<u>173,105</u>
Fund balances, beginning	<u>457,975</u>	<u>(24,778)</u>	<u>-</u>
Fund balances, ending	<u>\$ 111,450</u>	<u>\$ 2,844</u>	<u>\$ 173,105</u>

Schedule 3

Operations Center Fund	Boardwalk Improvements Fund	Island Greenway Improvement Fund	Total Nonmajor Governmental Funds
\$ -	\$ 530,500	\$ -	\$ 530,500
1	-	-	136
-	65,151	-	65,151
<u>1</u>	<u>595,651</u>	<u>-</u>	<u>595,787</u>
207,659	1,337,654	88,171	1,685,862
-	-	-	613,510
-	-	-	25,150
<u>207,659</u>	<u>1,337,654</u>	<u>88,171</u>	<u>2,324,522</u>
<u>(207,658)</u>	<u>(742,003)</u>	<u>(88,171)</u>	<u>(1,728,735)</u>
-	742,060	146,508	1,433,673
466,210	-	-	466,210
<u>466,210</u>	<u>742,060</u>	<u>146,508</u>	<u>1,899,883</u>
<u>258,552</u>	<u>57</u>	<u>58,337</u>	<u>171,148</u>
-	-	-	433,197
<u>\$ 258,552</u>	<u>\$ 57</u>	<u>\$ 58,337</u>	<u>\$ 604,345</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 4

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

Fire Station Renovation

From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment income	\$ -	\$ 829	\$ 135	\$ 964
Total revenues	<u>-</u>	<u>829</u>	<u>135</u>	<u>964</u>
Expenditures:				
Renovations	1,466,850	742,854	613,510	1,356,364
Total expenditures	<u>1,466,850</u>	<u>742,854</u>	<u>613,510</u>	<u>1,356,364</u>
Revenues over (under) expenditures	<u>(1,466,850)</u>	<u>(742,025)</u>	<u>(613,375)</u>	<u>(1,355,400)</u>
Other financing sources (uses):				
Transfers from general fund	266,850	-	266,850	266,850
Long-term borrowing issued	1,200,000	1,200,000	-	1,200,000
Total other financing sources	<u>1,466,850</u>	<u>1,200,000</u>	<u>266,850</u>	<u>1,466,850</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 457,975</u>	<u>(346,525)</u>	<u>\$ 111,450</u>
Fund balances, beginning			<u>457,975</u>	
Fund balances, ending			<u>\$ 111,450</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 5

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

MOTSU Project Fund

From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Expenditures:				
Professional services	\$ 80,000	\$ 24,778	\$ 52,378	\$ 77,156
Total expenditures	<u>80,000</u>	<u>24,778</u>	<u>52,378</u>	<u>77,156</u>
Other financing sources (uses):				
Transfers from general fund	80,000	-	80,000	80,000
Total other financing sources	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>80,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (24,778)</u>	27,622	<u>\$ 2,844</u>
Fund balances, beginning			<u>(24,778)</u>	
Fund balances, ending			<u>\$ 2,844</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 6

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

Annie Drive Paving and Drainage Fund

From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Expenditures:				
Paving and drainage	\$ 198,255	\$ -	\$ 25,150	\$ 25,150
Total expenditures	<u>198,255</u>	<u>-</u>	<u>25,150</u>	<u>25,150</u>
Other financing sources (uses):				
Transfers from general fund	198,255	-	198,255	198,255
Total other financing sources	<u>198,255</u>	<u>-</u>	<u>198,255</u>	<u>198,255</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	173,105	<u>\$ 173,105</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ 173,105</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 7

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

Operations Center Fund

From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment income	\$ -	\$ -	\$ 1	\$ 1
Total revenues	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Expenditures:				
Construction	466,210	-	207,659	207,659
Total expenditures	<u>466,210</u>	<u>-</u>	<u>207,659</u>	<u>207,659</u>
Revenues over (under) expenditures	<u>(466,210)</u>	<u>-</u>	<u>(207,658)</u>	<u>(207,658)</u>
Other financing sources (uses):				
Long-term borrowing issued	466,210	-	466,210	466,210
Total other financing sources	<u>466,210</u>	<u>-</u>	<u>466,210</u>	<u>466,210</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	258,552	<u>\$ 258,552</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ 258,552</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 8

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

Boardwalk Improvement Fund

From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 852,890	\$ -	\$ 530,500	\$ 530,500
Miscellaneous	-	-	65,151	65,151
Total revenues	<u>852,890</u>	<u>-</u>	<u>595,651</u>	<u>595,651</u>
Expenditures:				
Construction	1,594,950	-	1,337,654	1,337,654
Total expenditures	<u>1,594,950</u>	<u>-</u>	<u>1,337,654</u>	<u>1,337,654</u>
Revenues over (under) expenditures	<u>(742,060)</u>	<u>-</u>	<u>(742,003)</u>	<u>(742,003)</u>
Other financing sources (uses):				
Transfers from general fund	742,060	-	742,060	742,060
Total other financing sources	<u>742,060</u>	<u>-</u>	<u>742,060</u>	<u>742,060</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	57	<u>\$ 57</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ 57</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA

Schedule 9

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

Island Greenway Improvement Fund

From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 586,031	\$ -	\$ -	\$ -
Total revenues	<u>586,031</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Construction	732,539	-	88,171	88,171
Total expenditures	<u>732,539</u>	<u>-</u>	<u>88,171</u>	<u>88,171</u>
Revenues over (under) expenditures	<u>(146,508)</u>	<u>-</u>	<u>(88,171)</u>	<u>(88,171)</u>
Other financing sources (uses):				
Transfers from general fund	146,508	-	146,508	146,508
Total other financing sources	<u>146,508</u>	<u>-</u>	<u>146,508</u>	<u>146,508</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	58,337	<u>\$ 58,337</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ 58,337</u>	

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Utility Fund
Year Ended June 30, 2015

Schedule 10
Page 1 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Customer charges:			
Water and sewer		\$ 3,749,730	
User fees		752,393	
Other municipals		253,615	
Stormwater fees		824,173	
Total customer charges	<u>\$ 4,839,070</u>	<u>5,579,911</u>	<u>\$ 740,841</u>
Other Operating Revenues:			
Water and sewer taps	70,000	190,900	120,900
Other operating revenues	65,000	138,137	73,137
Total other operating revenues	<u>135,000</u>	<u>329,037</u>	<u>194,037</u>
Non-Operating Revenues:			
Interest	200	585	385
Miscellaneous	-	1,073,890	1,073,890
Total non-operating revenues	<u>200</u>	<u>1,074,475</u>	<u>1,074,275</u>
Total revenues	<u>4,974,270</u>	<u>6,983,423</u>	<u>2,009,153</u>
Expenditures:			
Water and Sewer Administration:			
Salaries and employee benefits		386,750	
Other operating expenditures		308,360	
Total water and sewer administration	<u>461,621</u>	<u>695,110</u>	<u>(233,489)</u>
Facilities and Equipment:			
Salaries and employee benefits		-	
Other operating expenditures		71,803	
Total facilities and equipment	<u>80,403</u>	<u>71,803</u>	<u>8,600</u>
Water Treatment:			
Salaries and employee benefits		270,637	
Chemicals		36,466	
Utilities		127,002	
Other operating expenditures		213,677	
Total water treatment	<u>712,322</u>	<u>647,782</u>	<u>64,540</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Utility Fund
Year Ended June 30, 2015

Schedule 10
Page 2 of 3

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Water Distribution:			
Salaries and employee benefits		\$ 105,189	
Utilities		8,826	
Other operating expenditures		200,157	
Total water distribution	<u>\$ 532,993</u>	<u>314,172</u>	<u>\$ 218,821</u>
Waste Collection and Treatment:			
Sewer Collection System:			
Salaries and employee benefits		506,439	
Other operating expenditures		342,260	
Total water collection and treatment	<u>939,093</u>	<u>848,699</u>	<u>90,394</u>
Stormwater Drainage:			
Salaries and employee benefits		315,799	
Other operating expenditures		158,076	
Total stormwater drainage	<u>528,752</u>	<u>473,875</u>	<u>54,877</u>
Repairs and Maintenance	<u>662,343</u>	<u>496,262</u>	<u>166,081</u>
Total operating expenditures	<u>3,917,527</u>	<u>3,547,703</u>	<u>369,824</u>
Debt service:			
Interest and fees		394,875	
Principal retirement		1,234,983	
Total debt service	<u>1,558,240</u>	<u>1,629,858</u>	<u>(71,618)</u>
Capital Outlay:			
System improvements	<u>907,223</u>	<u>582,299</u>	<u>324,924</u>
Total expenditures	<u>6,382,990</u>	<u>5,759,860</u>	<u>623,130</u>
Revenues over expenditures	<u>(1,408,720)</u>	<u>1,223,563</u>	<u>2,632,283</u>
Other financing sources (uses):			
Appropriated fund balance	2,632,689	-	(2,632,689)
Transfer to other funds	<u>(1,223,969)</u>	<u>(2,605,836)</u>	<u>(1,381,867)</u>
Total other financing sources	<u>1,408,720</u>	<u>(2,605,836)</u>	<u>(4,014,556)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,382,273)</u>	<u>\$ (1,382,273)</u>

(Continued)

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Utility Fund
Year Ended June 30, 2015

Schedule 10
Page 3 of 3

Reconciliation from budgetary basis (modified accrual) to full accrual:

Capital project fund - interest	\$ 498
Principal retirement	1,234,983
Capital outlay	556,266
Capital project fund - transfer from other funds	598,832
Depreciation	<u>(927,946)</u>
Total reconciling items	<u>1,462,633</u>
Change in net position	<u><u>\$ 80,360</u></u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Water Project
From Inception and Year Ended June 30, 2015

Schedule 11

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Interest income	\$ -	\$ 104	\$ 498	\$ 602
Total revenues	-	104	498	602
Expenditures:				
Cormix Project:				
Professional services	60,000	24,380	27,270	51,650
	60,000	24,380	27,270	51,650
Lake Park Intersection Project:				
Replacement and repair	1,006,044	885,625	116,359	1,001,984
Pipe replacement	108,560	109,810	(1,250)	108,560
	1,114,604	995,435	115,109	1,110,544
AMI Project:				
Water meter replacement	1,674,616	1,261,689	59,872	1,321,561
Phase 1A Project:				
Infrastructure	6,163,529	404,843	5,960,143	6,364,986
Streetscape	1,043,511	4,878	77,783	82,661
	7,207,040	409,721	6,037,926	6,447,647
Total expenditures	10,056,260	2,691,225	6,240,177	8,931,402
Revenues over expenditures	(10,056,260)	(2,691,121)	(6,239,679)	(8,930,800)
Other financing sources (uses):				
Long-term borrowing issued	9,742,616	9,742,616	(441,765)	9,300,851
Transfers in (out)	313,644	-	313,643	313,643
Total other financing sources	10,056,260	9,742,616	(128,122)	9,614,494
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 7,051,495	\$ (6,367,801)	\$ 683,694

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Stormwater Improvement
From Inception and Year Ended June 30, 2015

Schedule 12

	Project Authorization	Prior Years	Actual Current Year	Total
Expenditures:				
Stormwater improvements	\$ 570,189	\$ -	\$ -	\$ -
Total expenditures	<u>570,189</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Capital contributions	285,000	-	285,189	285,189
Transfers in	285,189	-	-	-
Total other financing sources	<u>570,189</u>	<u>-</u>	<u>285,189</u>	<u>285,189</u>
Other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,189</u>	<u>\$ 285,189</u>

OTHER SCHEDULES

TOWN OF CAROLINA BEACH, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

Schedule 1

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections, and Credits	Uncollected Balance June 30, 2015
2013-2014	\$ -	\$ 3,916,963	\$ 3,862,091	\$ 54,872
2012-2013	61,411	-	33,030	28,381
2011-2012	23,688	-	5,108	18,580
2010-2011	13,993	-	1,796	12,197
2009-2010	8,331	-	601	7,730
2008-2009	7,018	-	583	6,435
2007-2008	6,303	-	77	6,226
2006-2007	8,006	-	337	7,669
2005-2006	9,865	-	36	9,829
2004-2005	8,174	-	86	8,088
2003-2004	7,677	-	7,677	-
Total	<u>\$ 154,466</u>	<u>\$ 3,916,963</u>	<u>\$ 3,911,422</u>	<u>160,007</u>
Less: allowance for uncollectible ad valorem taxes receivable				-
Ad valorem taxes receivable - net				<u>\$ 160,007</u>
<u>Reconciliation of collections and credits with revenues:</u>				
Ad valorem taxes - general fund				3,917,035
Reconciling items:				
Releases and refunds and other adjustments				(385)
Amounts written off for tax years per statute of limitations				7,663
Interest and penalties collected				(12,891)
Total collections and credits				<u>\$ 3,911,422</u>

TOWN OF CAROLINA BEACH, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2015

Schedule 2

	Property Valuation (in Thousand)	Rate	Amount of Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year rate	\$ 1,615,696	0.2350	\$ 3,796,885	\$ 3,796,885	\$ -
Registered motor vehicles at prior year rates	59,881	0.2350	140,724	-	140,724
Penalties	-		4,363	4,363	-
Total	<u>1,675,577</u>		<u>3,941,972</u>	<u>3,801,248</u>	<u>140,724</u>
Discoveries:					
Current year taxes	-	-	1,358	1,358	-
Abatements:					
Current year taxes	(11,019)	-	(26,367)	(26,367)	-
Total property value	<u>\$ 1,664,558</u>				
Net levy			<u>3,916,963</u>	<u>3,776,239</u>	<u>140,724</u>
Uncollected taxes at June 30, 2015			<u>54,872</u>	<u>54,760</u>	<u>112</u>
Current year's taxes collected			<u>\$ 3,862,091</u>	<u>\$ 3,721,479</u>	<u>\$ 140,612</u>
Current levy collection percentage			<u>98.60%</u>	<u>98.55%</u>	<u>99.92%</u>

OTHER REPORTING

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregated remaining fund information of the Town of Carolina Beach, North Carolina (the "Town") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 5, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
October 5, 2015