

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

**Report of Audit**

**For the Fiscal Year Ended June 30, 2018**

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## *FINANCIAL SECTION*

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## Independent Auditor's Report

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

### Report on the Financial Statements

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

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

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

#### *Auditor's Responsibility*

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

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

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

## ***Opinions***

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

## ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of North Topsail Beach, North Carolina. The individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates 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 by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund statements, 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 August 29, 2018 on our consideration of the Town of North Topsail Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Topsail Beach's internal control over financial reporting and compliance.

***W Greene PLLC***

Whiteville, North Carolina  
August 29, 2018

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

### Financial Highlights

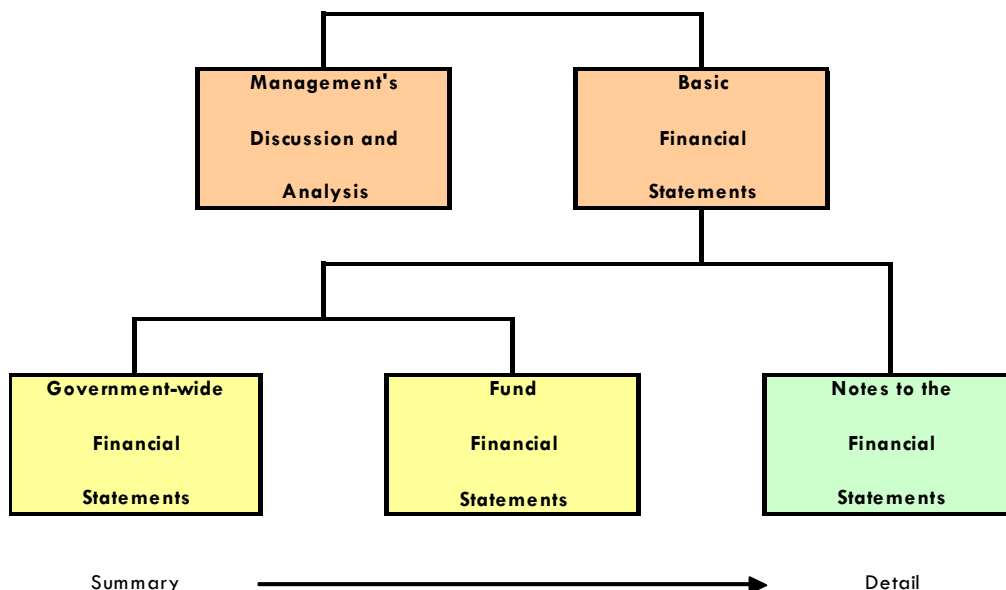
- The assets and deferred outflows of resources of the Town of North Topsail Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,927,613 (net position).
- The government's total net position increased \$1,498,037.
- As of the close of the current fiscal year, the Town of North Topsail Beach's governmental funds reported combined ending fund balances of \$7,393,194, with an increase of \$1,954,368 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,512,275 or 37.67 percent of total general fund expenditures for the fiscal year.

### Overview of the Financial Statements

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

**Required Components of Annual Financial Report**

**Figure 1**



### Basic Financial Statements

The first two statements (pages 18 through 21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 22 through 27) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

### Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as administration, streets and highways, and public safety. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. The Town of North Topsail Beach does not currently provide services that are considered business-type activities.

The government-wide financial statements are on pages 18 through 21 of this report.

### Fund Financial Statements

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

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

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

**Proprietary Funds** – The Town of North Topsail Beach currently has no proprietary funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28 through 54 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of North Topsail Beach's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

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

## Government-Wide Financial Analysis

**The Town of North Topsail Beach's Net Position**  
**Figure 2**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 7,897,231	\$ 7,870,222
Capital assets	29,846,817	31,061,503
Deferred outflows of resources	335,982	503,739
Total assets and deferred outflows of resources	38,080,030	39,435,464
Long-term liabilities outstanding	16,401,931	16,788,778
Other liabilities	702,025	2,702,970
Deferred inflows of resources	48,461	64,140
Total liabilities and deferred inflows of resources	17,152,417	19,555,888
Net position:		
Net investment in capital assets	13,764,739	12,582,352
Restricted	5,524,130	3,603,206
Unrestricted	1,638,744	3,694,018
Total net position	\$ 20,927,613	\$ 19,879,576

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of North Topsail Beach exceeded liabilities and deferred inflows by \$20,927,613 as of June 30, 2018. The Town's net position increased by \$1,498,037 for the fiscal year ended June 30, 2018. However, the largest portion (65.77%) 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 North Topsail Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of North Topsail Beach's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of North Topsail Beach's net position \$5,524,130 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$1,638,744 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.09%

### The Town of North Topsail Beach's Changes in Net Position

Figure 3

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 642,268	\$ 460,534
Operating grants and contributions	274,807	166,671
Capital grants and contributions	-	256,686
General Revenues		
Property taxes	3,248,759	3,245,080
Other taxes	3,182,343	3,032,359
Investment earnings	69,017	22,180
Miscellaneous	183,359	550,111
Total revenues	7,600,553	7,733,621
Expenses:		
General Government	1,407,701	1,340,869
Public Safety	1,879,424	1,810,896
Sanitation	433,463	-
Environmental Protection	1,764,457	2,443,069
Street Department	49,611	90,102
Community Development	31,778	2,035
Cultural and Recreation	-	100,553
Beach and Strand	12	-
Interest on long-term debt	536,070	552,084
Total expenses	6,102,516	6,339,608
Increase(Decrease) in net position before transfers	1,498,037	1,394,013
Settlement on sandbag revetment receivable	-	(688,405)
Transfers	-	-
Change in net position	1,498,037	705,608
Net position, beginning	19,879,576	19,457,140
Net Position, beginning, restated	19,429,576	19,173,968
Net position, June 30	\$ 20,927,613	\$ 19,879,576

**Governmental activities.** Governmental activities increased the Town's net position by \$1,498,037. Key element of this increase is as follows:

- Decrease in operating expenses during the year.

**Business-type Activities.** There were no business-type activities in the current year.

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

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

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

The general fund is the chief operating fund of the Town of North Topsail Beach. At the end of the current fiscal year, Town of North Topsail Beach's fund balance available in the General Fund was \$1,512,275, while total fund balance reached \$1,846,428. The Town currently has an available fund balance of 37.67 percent of total General Fund expenditures, while total fund balance represents 46.00 percent of the same amount.

At June 30, 2018, the governmental funds of Town of North Topsail Beach reported a combined fund balance of \$7,393,194, with a net increase in fund balance of \$1,954,368. Included in this change in fund balance are increases in fund balance in the General Fund.

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

Revenues were more than the budgeted amounts primarily because the Town received some unrestricted intergovernmental funds that were not anticipated. Overall, expenditures were less than budgeted amounts.

**Proprietary Funds.** The Town of North Topsail Beach had no proprietary funds in the current year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of North Topsail Beach's investment in capital assets for its governmental activities as of June 30, 2018, totals \$29,846,817 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Construction in progress for the environmental protection department of \$130,609
- Vehicles for the police and fire departments of \$267,103
- Playground equipment for the community development department of \$61,270
- Equipment purchases for the street department of \$25,764

**The Town of North Topsail Beach's Capital Assets  
(Net of depreciation)**

**Figure 4**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Land	\$ 1,082,341	\$ 1,082,341
Construction in Progress	521,705	391,096
Buildings	468,645	502,758
Vehicles and Equipment	770,553	598,571
Infrastructure	27,003,573	28,486,737
<b>Total</b>	<b>\$ 29,846,817</b>	<b>\$ 31,061,503</b>

Additional information on the Town's capital assets can be found on page 37 in the Notes to the Financial Statements.

**Long-term Debt.** As of June 30, 2018, the Town of North Topsail Beach had total debt outstanding of \$16,917,703. Of this, \$15,724,000 is debt backed by the full faith and credit of the Town of North Topsail Beach.

**Outstanding Debt**

**Figure 5**

**Town of North Topsail Beach's Outstanding Debt**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Installment Purchases	\$ 358,078	\$ 264,974
Special Obligation Bonds	15,724,000	16,668,000
Compensated Absences	104,633	119,821
Net Pension Liability (LGRS)	394,305	554,354
Total Pension Liability (LEO)	336,687	299,382
<b>Total</b>	<b>\$ 16,917,703</b>	<b>\$ 17,906,531</b>

The Town of North Topsail Beach's total debt decreased by \$988,828 during the fiscal year.

## Management's Discussion and Analysis (Continued)

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North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of North Topsail Beach is \$66,234,043.

Additional information regarding the Town of North Topsail Beach's long-term debt can be found beginning on page 51 in the Notes to the Financial Statements.

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

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

**Population growth** – The Town's permanent population has grown slightly from previous years as more secondary homeowners become permanent residents and due to the rise of long-term renters. Based on the Town's Accommodations Tax collection for FY17-18, we anticipate our seasonal population to increase by 10% during the 18-19 Fiscal Year.

The Town will continue monitoring the balances of each fund and make every effort to stay within the realm of the adopted Budget. The Town did approve to continue moving forward with ongoing Shoreline and Beach related projects in progress, which include the Harden Structure and Hurricane Matthew Replenishment Projects.

### **Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Activities.** Property tax rates were reduced to a revenue neutral tax rate based on the assessments provided by the County this year. The upcoming budget includes the hiring three new fulltime fire fighters, updating computer hardware, upgrading Accounting Software and two new Police vehicles for the Police Department.

**Business-type Activities.** Residential Garbage and Recycling services rates increased by \$0.28 per month or, \$212.11 this fiscal year. The rate increase was due to the rising cost for recycling services provided by Sonco. The Town does not own or operate any Electrical, Water or Sewer facilities.

### **Requests for Information**

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

Bryan Chadwick, MPA  
Town Manager  
Town of North Topsail Beach  
2008 Loggerhead Court  
North Topsail Beach, NC 28460

## *Basic Financial Statements*

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

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	2,897,513
Receivables (net):	
Ad Valorem Taxes	69,669
Interest	12,573
Assessments	279,428
Accounts	308,628
Due from Other Governments	386,620
Prepaid Items	27,000
Restricted Cash and Cash Equivalents	<u>3,915,800</u>
Total Current Assets	<u>7,897,231</u>
Noncurrent Assets:	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	1,604,046
Other Capital Assets, Net of Depreciation	<u>28,242,771</u>
Total Capital Assets	<u>29,846,817</u>
<b>Total Assets</b>	<u>37,744,048</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Deferrals	<u>335,982</u>
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 335,982</u></u>

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

## Statement of Net Position (Continued)

June 30, 2018

	<b>Primary Government Governmental Activities</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	186,253
Customer Deposits	-
Current Portion of Long-Term Liabilities	<u>515,772</u>
Total Current Liabilities	<u>702,025</u>
Long-Term Liabilities:	
Net Pension Liability	394,305
Total Pension Liability	336,687
Due in More Than One year	<u>15,670,939</u>
Total Long-Term Liabilities	<u>16,401,931</u>
<b>Total Liabilities</b>	<u>17,103,956</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid Taxes	-
Pension Deferrals	<u>48,461</u>
<b>Total Deferred Inflows of Resources</b>	<u>48,461</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	13,764,739
Restricted for:	
Transportation	-
Stabilization by State Statute	1,608,330
Environmental Protection	3,915,800
Unrestricted	<u>1,638,744</u>
<b>Total Net Position</b>	<u><u>\$ 20,927,613</u></u>

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,407,701	\$ 167,136	\$ -	\$ -
Public Safety	1,879,424	-	-	-
Sanitation	433,463	475,132	-	-
Environmental Protection	1,764,457	-	248,315	-
Street Department	49,611	-	26,492	-
Community Development	31,778	-	-	-
Beach and Strand	12	-	-	-
Interest on long-term debt	536,070	-	-	-
Total Governmental Activities	6,102,516	642,268	274,807	-
Total Primary Government	\$ 6,102,516	\$ 642,268	\$ 274,807	\$ -

# TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

## Statement of Activities (Continued)

For the Year Ended June 30, 2018

	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
Functions/Programs		Total Governmental Activities
<b>Primary Government:</b>		
<b>Governmental Activities:</b>		
General Government	\$	(1,240,565)
Public Safety		(1,879,424)
Sanitation		41,669
Environmental Protection		(1,516,142)
Street Department		(23,119)
Community Development		(31,778)
Beach and Strand		(12)
Interest on long-term debt		(536,070)
<b>Total Governmental Activities</b>		<b>(5,185,441)</b>
<b>Total Primary Government</b>		<b>(5,185,441)</b>
<b>General Revenues:</b>		
Property Taxes, Levied for General Purpose		3,248,759
Other Taxes and Licenses		3,182,343
Investment Earnings		69,017
Miscellaneous		183,359
<b>Transfers</b>		<b>-</b>
<b>Total General Revenues and Transfers</b>		<b>6,683,478</b>
<b>Change in Net Position</b>		<b>1,498,037</b>
<b>Net Position - Beginning of Year</b>		<b>19,879,576</b>
Restatement		(450,000)
<b>Net Position - Beginning of Year, Restated</b>		<b>19,429,576</b>
<b>Net Position - End of Year</b>	<b>\$</b>	<b>20,927,613</b>

# TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2018

	Major Funds			Total
	General	Beach Nourishment	Shoreline Protection Project	Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	1,620,646	-	1,276,867	\$ 2,897,513
Restricted Cash	-	1,957,900	1,957,900	3,915,800
Receivables (net):				
Ad Valorem Taxes	69,669	-	-	69,669
Accounts	85,485	887	222,256	308,628
Assessment	-	279,428	-	279,428
Prepaid Items	-	27,000	-	27,000
Due from Other Funds	-	-	913,082	913,082
Due from Other Governments	248,668	94,085	43,867	386,620
<b>Total Assets</b>	<b>2,024,468</b>	<b>2,359,300</b>	<b>4,413,972</b>	<b>8,797,740</b>
<b>LIABILITIES</b>				
Accounts Payable and				
Accrued Liabilities	108,371	168	33,828	142,367
Due to Other Funds	-	913,082	-	913,082
<b>Total Liabilities</b>	<b>108,371</b>	<b>913,250</b>	<b>33,828</b>	<b>1,055,449</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes Receivable	69,669	-	-	69,669
Assessment Receivable	-	279,428	-	279,428
Prepaid Taxes	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>69,669</b>	<b>279,428</b>	<b>-</b>	<b>349,097</b>
<b>FUND BALANCES</b>				
Restricted				
Stabilization by State Statute	334,153	94,972	1,179,205	1,608,330
Streets	-	-	-	-
Environmental Protection	-	1,957,900	1,957,900	3,915,800
Nonspendable				
Prepaid Items	-	27,000	-	27,000
Committed				
Beach Nourishment	-	-	1,243,039	1,243,039
Unassigned	1,512,275	(913,250)	-	599,025
<b>Total Fund Balances</b>	<b>1,846,428</b>	<b>1,166,622</b>	<b>4,380,144</b>	<b>7,393,194</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,024,468</b>	<b>\$ 2,359,300</b>	<b>\$ 4,413,972</b>	<b>\$ 8,797,740</b>

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

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Balance Sheet (Continued)

Governmental Funds

June 30, 2018

		<b>Total Governmental Funds</b>
<hr/>		
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance		\$ 7,393,194
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	38,475,422	
Accumulated depreciation	<u>(8,628,605)</u>	29,846,817
Deferred outflows of resources related to pensions are not reported in the funds	<u>335,982</u>	335,982
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes	<u>12,573</u>	12,573
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Assessments	279,428	
Ad valorem taxes	<u>69,669</u>	349,097
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment purchases and Special Obligation Bonds	(16,082,078)	
Total pension liability	(336,687)	
Compensated absences	(104,633)	
Net Pension Liability	<u>(394,305)</u>	(16,917,703)
Deferred inflows of resources related to pensions are not reported in the funds		(48,461)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest	<u>(43,886)</u>	(43,886)
 <b>Net position of governmental activities.</b>		 <b><u><u>\$ 20,927,613</u></u></b>

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

	Major Funds			Total
	General Fund	Beach Nourishment	Shoreline Protection Project	Governmental Funds
<b>Revenues</b>				
Ad Valorem Taxes	\$ 1,969,314	\$ -	\$ 1,305,943	\$ 3,275,257
Other Taxes and Licenses	-	-	1,122,633	1,122,633
Unrestricted Intergovernmental	1,268,445	625,000	165,741	2,059,186
Restricted Intergovernmental	60,016	72,120	143,195	275,331
Permits and Fees	95,837	-	-	95,837
Sales and Services	546,431	-	-	546,431
Investment Earnings	43,025	17,558	8,434	69,017
Miscellaneous	7,015	60,075	-	67,090
<b>Total Revenues</b>	<b>3,990,083</b>	<b>774,753</b>	<b>2,745,946</b>	<b>7,510,782</b>
<b>Expenditures</b>				
Current				
General Government	1,313,627	-	-	1,313,627
Public Safety	1,695,940	-	-	1,695,940
Sanitation	433,463	-	-	433,463
Environmental Protection	-	166,489	161,948	328,437
Street Department	49,611	-	-	49,611
Community Development	31,778	-	-	31,778
Beach and Strand	12	-	-	12
Debt Service				
Principal	124,896	-	944,000	1,068,896
Interest and Other charges	10,558	-	533,133	543,691
Capital Outlay				
General Government	21,500	-	-	21,500
Public Safety	245,603	-	-	245,603
Environmental Protection	-	-	130,609	130,609
Street Department	25,764	-	-	25,764
Community Development	61,270	-	-	61,270
<b>Total Expenditures</b>	<b>4,014,022</b>	<b>166,489</b>	<b>1,769,690</b>	<b>5,950,201</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(23,939)</b>	<b>608,264</b>	<b>976,256</b>	<b>1,560,581</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	-	-	59,416	59,416
Transfers to Other Funds	-	(59,416)	-	(59,416)
Sale of Capital Assets	175,787	-	-	175,787
Installment Purchase Obligations Issued	218,000	-	-	218,000
<b>Total Other Financing Sources (Uses)</b>	<b>393,787</b>	<b>(59,416)</b>	<b>59,416</b>	<b>393,787</b>
<b>Net Change in Fund Balance</b>	<b>369,848</b>	<b>548,848</b>	<b>1,035,672</b>	<b>1,954,368</b>
<b>Fund Balance - Beginning of Year</b>	<b>1,476,580</b>	<b>617,774</b>	<b>3,344,472</b>	<b>5,438,826</b>
<b>Fund Balance - End of Year</b>	<b>\$ 1,846,428</b>	<b>\$ 1,166,622</b>	<b>\$ 4,380,144</b>	<b>\$ 7,393,194</b>

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds		\$ 1,954,368
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	484,746	
Depreciation expense	<u>(1,699,432)</u>	(1,214,686)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		122,528
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		-
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Change in unavailable revenue for tax revenues	(18,827)	
Change in unavailable revenue for special assessments	(59,516)	
Interest earned on ad valorem taxes	<u>(7,671)</u>	(86,014)

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

Debt issuance	(218,000)	
Debt retirement	1,068,896	
Accrued Interest Payable	<u>7,621</u>	858,517

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:

Pension Expense	(151,864)	
Compensated absences	<u>15,188</u>	(136,676)

Total changes in net position of governmental activities		<u><u>\$ 1,498,037</u></u>
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**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Ad Valorem Taxes	\$ 2,007,141	\$ 2,022,141	\$ 1,969,314	\$ (52,827)
Unrestricted Intergovernmental	1,259,343	1,204,200	1,268,445	64,245
Restricted Intergovernmental	27,500	27,500	60,016	32,516
Permits and Fees	87,700	87,700	95,837	8,137
Sales and Services	451,346	569,546	546,431	(23,115)
Investment Earnings	25,000	25,000	43,025	18,025
Miscellaneous	35,165	29,598	7,015	(22,583)
<b>Total Revenues</b>	<b>3,893,195</b>	<b>3,965,685</b>	<b>3,990,083</b>	<b>24,398</b>
<b>Expenditures</b>				
General Government	1,276,323	1,446,238	1,335,127	111,111
Public Safety	2,226,231	2,106,901	1,941,543	165,358
Sanitation	451,346	451,346	433,463	17,883
Street Department	129,360	129,360	75,375	53,985
Community Development	120,500	120,500	93,048	27,452
Beach and Strand		500	12	488
Contingency	4,925	-	-	-
Debt Service	-	119,330	135,454	(16,124)
<b>Total Expenditures</b>	<b>4,208,685</b>	<b>4,374,175</b>	<b>4,014,022</b>	<b>360,153</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(315,490)</b>	<b>(408,490)</b>	<b>(23,939)</b>	<b>384,551</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Sale of Assets	97,490	97,490	175,787	78,297
Installment Loan Proceeds	218,000	218,000	218,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>315,490</b>	<b>315,490</b>	<b>393,787</b>	<b>78,297</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>-</b>	<b>(93,000)</b>	<b>369,848</b>	<b>462,848</b>
<b>Appropriated Fund Balance</b>	<b>-</b>	<b>93,000</b>	<b>-</b>	<b>(93,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>369,848</b>	<b>\$ 369,848</b>
<b>Fund Balance - Beginning of Year</b>			<b>1,476,580</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 1,846,428</b>	

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**  
**Beach Nourishment Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<b>Beach Nourishment Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Unrestricted Intergovernmental	530,000	530,000	625,000	95,000
Restricted Intergovernmental	160,000	160,000	72,120	(87,880)
Permits and Fees	-	-	-	-
Sales and Services	1,700	1,700	-	(1,700)
Investment Earnings	1,000	1,000	17,558	16,558
Miscellaneous	200	200	60,075	59,875
<b>Total Revenues</b>	<b>692,900</b>	<b>692,900</b>	<b>774,753</b>	<b>81,853</b>
<b>Expenditures</b>				
Environmental Protection	692,900	692,900	166,489	526,411
<b>Total Expenditures</b>	<b>692,900</b>	<b>692,900</b>	<b>166,489</b>	<b>526,411</b>
<b>Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>608,264</b>	<b>608,264</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	(59,416)	(59,416)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(59,416)</b>	<b>(59,416)</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>-</b>	<b>-</b>	<b>548,848</b>	<b>548,848</b>
<b>Appropriated Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>548,848</b>	<b>\$ 548,848</b>
<b>Fund Balance - Beginning of Year</b>			<b>617,774</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 1,166,622</b>	

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

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

### B. Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements report the *governmental activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. The Town currently maintains only one fund category – *governmental*. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

**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, general government, street maintenance and construction, and sanitation services.

**Beach Nourishment Fund** – This is a special revenue fund that uses tax money for beach nourishment.

**Shoreline Protection Project Fund** – This is a capital project fund used to account for phase two of a beach nourishment project.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, 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 Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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.

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting (Continued)**

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

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and Beach Nourishment Fund. All annual appropriations lapse at the fiscal year end. Project length ordinances are utilized in capital project funds whereby appropriations lapse at project completion. 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. The finance officer is authorized by the budget ordinance to transfer appropriations between departmental areas within a fund up to \$2,500; however, any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$2,500 must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S.159-31]. The Town 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 Super-NOW accounts, money market accounts, and certificates of deposits.

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****1. Deposits and Investments (Continued)**

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

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

The USDA requires that three years of debt service payments be restricted per the loan agreement for the Series 2014 bond issued. Also, the Town must deposit into a restricted special savings account ten percent of the annual payment with each payment.

**Restricted Cash****Governmental Activities****Beach Nourishment Fund**

Pursuant to Loan Requirements \$ 1,957,900

**Shoreline Protection Project**

Pursuant to Loan Requirements 1,957,900

Total Governmental Activities 3,915,800

Total Restricted Cash \$ 3,915,800

# TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2018

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S.105-347 and G.S.159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

#### 5. Allowances for Doubtful Accounts

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

#### 6. Prepaid Items

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

#### 7. 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 for all assets are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	40
Vehicles and Equipment	5-10

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**8. Deferred Outflows/Inflows of Resources**

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

**9. Long-Term Obligations**

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

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

**10. Compensated Absences**

The vacation policies of the Town provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide statements, 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 Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**11. Net Position/Fund Balances**

Net Position

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

**Prepaid Expense** – portion of fund balance that is not an available resource because it represents the year-end balance of expense prepaid for future use, which are not spendable resources.

**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 Environmental Protection** – portion of the fund balance that is restricted by the USDA for future debt service.

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

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

**Committed for Beach Nourishment** – portion of fund balance assigned by the Board for beach nourishment.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**11. Net Position/Fund Balances (Continued)**

Assigned fund balance – portion of fund balance that the Town of North Topsail Beach intends to use for special purposes.

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

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

**12. Defined Benefit Cost-Sharing Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government 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 North Topsail Beach's employer contributions are recognized when due and the Town of North Topsail Beach 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 NORTH TOPSAIL BEACH, NORTH CAROLINA

### Notes to Financial Statements (Continued)

June 30, 2018

## II. DETAIL NOTES ON ALL FUNDS

### A. Assets

#### 1. Deposits

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

At June 30, 2018, the Town's deposits had a carrying amount of \$2,382,943 and a bank balance of \$2,408,130. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town's petty cash fund totaled \$200.

#### 2. Investments

At June 30, 2018, the Town of North Topsail Beach had \$4,430,170 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

#### 3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 are net of the following allowances for doubtful accounts:

Fund	06/30/2018
General Fund	
Property Taxes	\$ 8,000
Total	\$ 8,000

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**4. Capital Assets**

**Primary Government**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,082,341	\$ -	\$ -	\$ 1,082,341
Construction in Progress	391,096	130,609	-	521,705
Total capital assets not being depreciated	<u>1,473,437</u>	<u>130,609</u>	<u>-</u>	<u>1,604,046</u>
<b>Capital assets being depreciated:</b>				
Buildings	1,364,535	-	-	1,364,535
Vehicles and Equipment	3,013,208	354,137	120,093	3,247,252
Infrastructure	32,259,589	-	-	32,259,589
Total capital assets being depreciated	<u>36,637,332</u>	<u>354,137</u>	<u>120,093</u>	<u>36,871,376</u>
<b>Less accumulated depreciation for:</b>				
Buildings	861,777	34,113	-	895,890
Vehicles and Equipment	2,414,637	182,155	120,093	2,476,699
Infrastructure	3,772,852	1,483,164	-	5,256,016
Total accumulated depreciation	<u>7,049,266</u>	<u>\$ 1,699,432</u>	<u>\$ 120,093</u>	<u>8,628,605</u>
Total capital assets being depreciated, net	<u>29,588,066</u>			<u>28,242,771</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 31,061,503</u>			<u>\$ 29,846,817</u>

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

	<u>Depreciation</u>
Administration	\$ 58,401
Public Works	37,977
Police Department	78,960
Inspections and Zoning	54,971
Fire Department	33,103
Environmental Protection	<u>1,436,020</u>
Total	<u>\$ 1,699,432</u>

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities

#### 1. Pension Plan Obligations

##### a. Local Governmental Employees' Retirement System

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

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of North Topsail Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of North Topsail Beach's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of North Topsail Beach were \$122,528 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Town reported a liability of \$394,305 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.02581%, which was a decrease of 0.00031% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$132,144. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,716	\$ 11,162
Changes of assumptions	56,312	-
Net difference between projected and actual earnings on pension plan investments	95,737	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,810	31,380
Town contributions subsequent to the measurement date	122,528	-
Total	<u>\$ 308,103</u>	<u>\$ 42,542</u>

\$122,528 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2019	\$ 20,131
2020	103,282
2021	50,091
2022	(30,471)
2023	-
Thereafter	-
	<u>\$ 143,033</u>

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

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.20 percent, net of pension plan investment expense, including inflation

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 1. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Continued)

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields 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, 2017 are summarized in the following table:

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

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

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

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

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

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,183,713	\$ 394,305	\$ (264,601)

**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.

## TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2018

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### II. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

##### b. Law Enforcement Officers Special Separation Allowance

###### 1. Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>10</u>
Total	<u><u>10</u></u>

###### 2. Summary of Significant Accounting Policies

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

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

## TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2018

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### II. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

##### b. Law Enforcement Officers Special Separation Allowance (Continued)

##### 3. Actuarial Assumptions

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

Inflation	3.0 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Investment Rate of Return	3.16 percent

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

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

##### 4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The town did not pay any benefits for the reporting period.

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance (Continued)****4. Contributions (Continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the Town reported a total pension liability of \$336,687. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$29,190.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,323	\$ -
Changes of assumptions	19,556	5,919
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 27,879</u>	<u>\$ 5,919</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2019	\$ 4,121
2020	4,121
2021	4,121
2022	4,121
2023	4,147
Thereafter	1,329
	<u>\$ 21,960</u>

\$-0- paid as benefits came due and \$-0- of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**b. Law Enforcement Officers Special Separation Allowance (Continued)**

**4. Contributions (Continued)**

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.16 percent) or 1-percentage point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 368,936	\$ 336,687	\$ 306,962

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

	2018
Beginning balance	\$ 299,382
Service Cost	13,560
Interest on the total pension liability	11,159
Changes of benefit terms	-
Differences between expected and actual experience in the Measurement of the total pension liability	9,908
Changes of assumptions or other inputs	23,281
Benefit payments	(20,603)
Other changes	-
Ending balance of the total pension liability	<u>\$ 336,687</u>

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

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

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 132,144	\$ 29,190	\$ 161,334
Pension Liability	394,305	336,687	730,992
Proportionate share of the net pension liability	0.02581%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	22,716	8,323	31,039
Changes of assumptions	56,312	19,556	75,868
Net difference between projected and actual earnings on plan investments	95,737	-	95,737
Changes in proportion and differences between contributions and proportionate share of contributions	10,810	-	10,810
Benefit payments and administrative costs paid subsequent to the measurement date	122,528	-	122,528
Deferred Inflows of Resources			
Differences between expected and actual experience	11,162	-	11,162
Changes of assumptions	-	5,919	5,919
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	31,380	-	31,380

## TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2018

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### II. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

##### c. Supplemental Retirement Income Plan for Law Enforcement Officers

**Plan Description.** The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the 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 that the Town contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$32,577, which consisted of \$26,577 from the Town and \$6,000 from the law enforcement officers. No amounts were forfeited.

##### All Other Employees

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

**Funding Policy.** The Town contributes 2.5 percent of employee's monthly compensation to the plan, and the employees may make voluntary contributions. For the year ended June 30, 2018, total contributions to the plan equaled \$56,784, which consisted of \$31,613 from the Town, and \$25,171 from the employees.

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****2. Other Employment Benefits**

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

**3. Deferred Outflows and Inflows of Resources**

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

Contributions to Pension Plan In Current Fiscal Year	\$	122,528
Differences between expected and actual experience		31,039
Changes of assumptions		75,868
Net difference between projected and actual		95,737
Changes in proportion and differences between employer contributions and proportionate share of contributions		10,810
Charge on refunding		-
Total	\$	<u>335,982</u>

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****3. Deferred Outflows and Inflows of Resources (Continued)**

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

	Statement of Net Position	General Fund Balance Sheet	Beach Nourishment Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -	\$ -
Taxes receivable (General Fund)	-	69,669	-
Assessments Receivable (Beach Nourishment)			279,428
Changes in assumptions	5,919	-	-
Differences between expected and actual experience	11,162	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,380	-	-
Total	\$ 48,461	\$ 69,669	\$ 279,428

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon percentage of the total insurance values.

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 bond for \$1,000,000.

The Town has a VFIS policy with American Alternative Insurance Corporation covering certain fire department equipment and property. The Town also has a flood insurance policy with Lloyd's of London.

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

## Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****5. Claims, Judgments and Contingent Liabilities**

At June 30, 2018, the Town did not have any litigation pending.

**6. Long-Term Obligations****a. Installment Purchases**

In March 2013, the Town entered into a loan to finance the purchase of a fire truck. The financing contract requires principal payments beginning in 2013 with an interest rate of 1.79%. The outstanding principal balance at June 30, 2018 was \$163,649.

In February 2017, the Town entered into a loan to finance the purchase of a backhoe. The financing contract requires principal payments beginning in 2017 with an interest rate of 3.21%. The outstanding principal balance at June 30, 2018 was \$47,393.

In June 2017, the Town entered into a loan to finance the purchase of Police and Fire vehicles. The financing contract requires principal payments beginning in 2018 with an interest rate of 2.38%. The outstanding principal balance at June 30, 2018 was \$147,036.

Annual debt service payments of the installment purchases as of June 30, 2018, including \$15,818 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 127,772	\$ 7,988
2020	130,716	5,044
2021	57,577	2,030
2022	42,013	756
2023	-	-
2024-2028	-	-
2029-2033	-	-
2034-2038	-	-
2039-2043	-	-
2044-2048	-	-
Total	\$ 358,078	\$ 15,818

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****6. Long-Term Obligations (Continued)****b. Special Obligation Indebtedness**

The Town's special obligation bonds serviced by the governmental funds were issued for the purpose of beach renourishment. The special obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2018 are comprised of the following individual issue:

Serviced by the Beach Nourishment Fund:

\$16,815,000 Special Obligation, Series 2015 USDA  
bonds issued on November 6, 2015, and due on June  
1<sup>st</sup> in various installments plus interest through June 1,  
2045; interest at 3.25% \$ 15,724,000

Year Ending June 30	<b>Governmental Activities</b>	
	Principal	Interest
2019	\$ 388,000	\$ 511,030
2020	401,000	498,420
2021	414,000	485,388
2022	427,000	471,932
2023	441,000	458,055
2024-2028	2,428,000	2,065,830
2029-2033	2,850,000	1,644,728
2034-2038	3,344,000	1,150,500
2039-2043	3,924,000	570,700
2044-2048	1,107,000	43,907
Total	<u>\$ 15,724,000</u>	<u>\$ 7,900,490</u>

**c. Long-Term Obligation Activity**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Governmental activities:</b>					
Installment Purchases	\$ 264,974	\$ 218,000	\$ 124,896	\$ 358,078	\$ 127,772
Special Obligation Bonds	16,668,000	-	944,000	15,724,000	388,000
Compensated Absences	119,821	-	15,188	104,633	-
Net Pension Liability (LGERS)	554,354	-	160,049	394,305	-
Total Pension Liability (LEO)	299,382	37,305	-	336,687	-
Total governmental activities	<u>\$ 17,906,531</u>	<u>\$ 255,305</u>	<u>\$ 1,244,133</u>	<u>\$ 16,917,703</u>	<u>\$ 515,772</u>

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****6. Long-Term Obligations (Continued)****c. Long-Term Obligation Activity (Continued)**

Compensated absences for governmental activities typically have been liquidated in the General Fund.

**C. Interfund Balances and Activity**

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

Due to the Shoreline Protection Project Fund for the allocation of costs from the:

Beach Nourishment Fund	<u>\$ 913,082</u>
------------------------	-------------------

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

From the Beach Nourishment Fund to the Shoreline Protection Project Fund	<u>\$ 59,416</u>
Total	<u>\$ 59,416</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

**D. Net Investment in Capital Assets**

	<u>Governmental</u>
Capital Assets	\$ 29,846,817
less: long-term debt	16,082,078
add: unexpended debt proceeds	-
Net investment in capital asset	<u>\$ 13,764,739</u>

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2018

**II. DETAIL NOTES ON ALL FUNDS (Continued)****E. Fund Balance**

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

<i>Total fund balance – General Fund</i>	\$	1,846,428
Less:		
Stabilization by State Statute		334,153
Streets – Powell Bill		-
Remaining Fund Balance		1,512,275

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

<i>Encumbrances</i>	General Fund	Non-Major Funds
\$ -	\$ -	\$ -

**III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES****A. Federal and State Assisted Programs**

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

**IV. PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended June 30, 2018, the Town determined that estimates related to the settlement of sandbag revetment assessment receivable in the prior year was overstated. Therefore, an adjustment to beginning net position has been recorded to account for the overstatement, the net effect of which decreased beginning net position by \$450,000.

**V. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 29, 2018, which is the date the financial statements were available to be issued.

**VI. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2018, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the debt service department by \$16,124. This over-expenditure occurred because of unplanned debt service payments. Management and the Board will more closely review the budget reports to ensure compliance in future years.

*Required Supplementary*

*Financial Data*

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**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**  
Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Five Fiscal Years\*

Local Government Employees' Retirement System					
	2018	2017	2016	2015	2014
North Topsail Beach's proportion of the net pension liability (asset) (%)	0.02581%	0.02612%	0.03091%	0.03100%	0.02480%
North Topsail Beach's proportion of the net pension liability (asset) (\$)	\$ 394,305	\$ 554,354	\$ 138,722	\$ (182,821)	\$ 298,935
North Topsail Beach's covered-employee payroll	\$ 1,627,781	\$ 1,604,908	\$ 1,599,383	\$ 1,510,668	\$ 1,253,500
North Topsail Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.22%	34.54%	8.67%	-12.10%	23.85%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Town of North Topsail Beach's Contributions

Required Supplementary Information

Last Five Fiscal Years

**Local Government Employees' Retirement System**

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 122,528	\$ 117,456	\$ 104,513	\$ 113,221	\$ 103,790
Contributions in relation to the contractually required contribution	122,528	117,456	104,513	113,221	103,790
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
North Topsail Beach's covered employee payroll	\$ 1,616,324	\$ 1,627,781	\$ 1,604,908	\$ 1,599,383	\$ 1,510,668
Contributions as a percentage of covered-employee payroll	7.58%	7.22%	6.51%	7.08%	6.87%

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

## Schedule of Changes in Total Pension Liability

June 30, 2018

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<b>Law Enforcement Officers' Special Separation Allowance</b>		
	2018	2017
<b>Beginning balance</b>	<b>\$ 299,382</b>	<b>\$ 283,172</b>
Service cost	13,560	14,398
Interest on the total pension liability	11,159	10,109
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	9,908	-
Changes of assumptions or other inputs	23,281	(8,297)
Benefit payments	(20,603)	-
Other changes	-	-
<b>Ending balance of the total pension liability</b>	<b>\$ 336,687</b>	<b>\$ 299,382</b>

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

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**  
Schedule of Total Pension Liability as a Percentage of Covered Payroll  
June 30, 2018

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**Law Enforcement Officers' Special Separation Allowance**

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 336,687	\$ 299,382
Covered payroll	497,026	498,295
Total pension liability as a percentage of covered payroll	<u>67.74%</u>	<u>60.08%</u>

Notes to the schedules:

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

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*Major Governmental Funds*

*General Fund*

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

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		\$ 1,959,190	
Penalties and Interest		10,124	
<b>Total Ad Valorem Taxes</b>	<b>\$ 2,022,141</b>	<b>1,969,314</b>	<b>\$ (52,827)</b>
 <b>Unrestricted Intergovernmental</b>			
Local Option Sales Tax		891,686	
Utility Sales Tax		373,433	
Beer and Wine Tax		3,326	
<b>Total Unrestricted Intergovernmental</b>	<b>1,204,200</b>	<b>1,268,445</b>	<b>64,245</b>
 <b>Restricted Intergovernmental</b>			
Powell Bill Allocation		26,492	
Solid Waste Disposal Tax		33,524	
<b>Total Restricted Intergovernmental</b>	<b>27,500</b>	<b>60,016</b>	<b>32,516</b>
 <b>Permits and Fees</b>			
Inspection Fees		95,837	
<b>Total Permits and Fees</b>	<b>87,700</b>	<b>95,837</b>	<b>8,137</b>
 <b>Sales and Services</b>			
Solid Waste		475,132	
Rents		36,457	
Fines and Penalties		10,079	
Miscellaneous		24,763	
<b>Total Sales and Services</b>	<b>569,546</b>	<b>546,431</b>	<b>(23,115)</b>
 <b>Investment Earnings</b>			
General		43,025	
<b>Total Investment Earnings</b>	<b>25,000</b>	<b>43,025</b>	<b>18,025</b>
 <b>Miscellaneous</b>			
Other		7,015	
<b>Total Miscellaneous</b>	<b>29,598</b>	<b>7,015</b>	<b>(22,583)</b>
 <b>Total Revenues</b>	<b>3,965,685</b>	<b>3,990,083</b>	<b>24,398</b>

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>			
<b>General Government</b>			
<b>Governing Body</b>			
Salaries, Wages and Employee Benefits		\$ 11,303	
Other Expenditures		147,351	
<b>Total Governing Body</b>	166,678	158,654	\$ 8,024
<b>Administration</b>			
Salaries, Wages, and Employee Benefits		347,008	
Other Expenditures		76,108	
Capital Outlay		21,500	
<b>Total Administration</b>	501,706	444,616	57,090
<b>Planning and Zoning</b>			
Salaries, Wages and Employee Benefits		104,293	
Other Expenditures		3,865	
<b>Total Planning and Zoning</b>	114,817	108,158	6,659
<b>Elections</b>			
Other Expenditures		2,669	
<b>Total Elections</b>	4,413	2,669	1,744
<b>Insurance</b>			
Other Expenditures		150,567	
<b>Total Insurance</b>	152,000	150,567	1,433
<b>Public Works</b>			
Salaries, Wages and Employee Benefits		214,015	
Other Expenditures		43,264	
<b>Total Public Works</b>	278,424	257,279	21,145
<b>Public Buildings</b>			
Other Expenditures		213,184	
<b>Total Public Buildings</b>	228,200	213,184	15,016
<b>Total General Government</b>	1,446,238	1,335,127	111,111
<b>Public Safety</b>			
<b>Police Department</b>			
Salaries, Wages and Employee Benefits		769,697	
Other Expenditures		107,943	
Capital Outlay		163,381	
<b>Total Police Department</b>	1,175,478	1,041,021	134,457
<b>Fire Department</b>			
Salaries, Wages and Employee Benefits		620,684	
Other Expenditures		50,363	
Capital Outlay		82,222	
<b>Total Fire Department</b>	782,172	753,269	28,903

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Inspections and Zoning</b>			
Salaries, Wages and Employee Benefits		142,726	
Other Expenditures		4,527	
<b>Total Inspections and Zoning</b>	<b>149,251</b>	<b>147,253</b>	<b>1,998</b>
<b>Total Public Safety</b>	<b>2,106,901</b>	<b>1,941,543</b>	<b>165,358</b>
<b>Sanitation</b>			
Other Expenditures		433,463	
<b>Total Sanitation</b>	<b>451,346</b>	<b>433,463</b>	<b>17,883</b>
<b>Street Department</b>			
Other Expenditures		49,611	
Capital Outlay		25,764	
<b>Total Street Department</b>	<b>129,360</b>	<b>75,375</b>	<b>53,985</b>
<b>Community Development</b>			
Other Expenditures		31,778	
Capital Outlay		61,270	
<b>Total Community Development</b>	<b>120,500</b>	<b>93,048</b>	<b>27,452</b>
<b>Beach and Strand</b>			
Other Expenditures		12	
<b>Total Beach and Strand</b>	<b>500</b>	<b>12</b>	<b>488</b>
<b>Debt Service</b>			
Principal Retirement		124,896	
Interest and Other Charges		10,558	
<b>Total Debt Service</b>	<b>119,330</b>	<b>135,454</b>	<b>(16,124)</b>
<b>Total Expenditures</b>	<b>4,374,175</b>	<b>4,014,022</b>	<b>360,153</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ (408,490)</b>	<b>\$ (23,939)</b>	<b>\$ 384,551</b>
<b>Other Financing Sources (Uses)</b>			
Transfers Out:			
Municipal Building Reserve Fund	-	-	-
Capital Improvement Fund	-	-	-
Sale of Assets	97,490	175,787	78,297
Installment Loan Proceeds	218,000	218,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>315,490</b>	<b>393,787</b>	<b>78,297</b>
<b>Fund Balance Appropriated</b>	<b>93,000</b>	<b>-</b>	<b>(93,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>369,848</b>	<b>\$ 369,848</b>
<b>Fund Balance - Beginning of Year</b>		<b>1,476,580</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 1,846,428</b>	

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

Beach Nourishment Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Unrestricted Intergovernmental	\$ 530,000	\$ 625,000	\$ 95,000
Restricted Intergovernmental	160,000	72,120	(87,880)
Sales and Services	1,700	-	(1,700)
Investment Earnings	1,000	17,558	16,558
Miscellaneous	200	60,075	59,875
<b>Total Revenues</b>	<b>692,900</b>	<b>774,753</b>	<b>81,853</b>
<b>Expenditures</b>			
<b>Environmental Protection</b>			
Operating Expenditures		166,489	
<b>Total Expenditures</b>	<b>692,900</b>	<b>166,489</b>	<b>526,411</b>
<b>Other Financing Sources</b>			
Transfers Out:			
Shoreline Protection Project Fund	-	(59,416)	(59,416)
<b>Total Other Financing Sources</b>	<b>-</b>	<b>(59,416)</b>	<b>(59,416)</b>
<b>Appropriated Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>548,848</b>	<b>\$ 548,848</b>
<b>Fund Balance - Beginning of Year</b>		<b>617,774</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 1,166,622</b>	

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**  
Shoreline Protection Project Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Ad Valorem Taxes	\$ 1,290,000	\$ 1,305,943	\$ 15,943
Accommodations Tax	1,286,333	1,122,633	(163,700)
Unrestricted Intergovernmental	240,800	165,741	(75,059)
Restricted Intergovernmental	8,278,000	143,195	(8,134,805)
Investment Earnings	10,000	8,434	(1,566)
<b>Total Revenues</b>	<b>11,105,133</b>	<b>2,745,946</b>	<b>(8,359,187)</b>
<b>Expenditures</b>			
<b>Environmental Protection</b>			
Operating Expenditures		161,948	
Capital Outlay		130,609	
Debt Service			
Principal Retirement		944,000	
Interest and Other Charges		533,133	
<b>Total Expenditures</b>	<b>11,105,133</b>	<b>1,769,690</b>	<b>9,335,443</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>976,256</b>	<b>976,256</b>
<b>Other Financing Sources</b>			
Transfers in:			
Beach Nourishment Fund	-	59,416	59,416
<b>Total Other Financing Sources</b>	<b>-</b>	<b>59,416</b>	<b>59,416</b>
<b>Appropriated Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>1,035,672</b>	<b>\$ 1,035,672</b>
<b>Fund Balance - Beginning of Year</b>		<b>3,344,472</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 4,380,144</b>	

## *Other Schedules*

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**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

General Fund and Shoreline Protection Project

Schedule of Ad Valorem Taxes Receivable

June 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balance 7-1-17</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6-30-18</u>
2017-18	\$ -	\$ 3,257,486	\$ 3,227,974	\$ 29,512
2016-17	41,508	-	32,905	8,603
2015-16	12,275	-	3,402	8,873
2014-15	6,299	-	389	5,910
2013-14	7,650	-	333	7,317
2012-13	4,597	-	24	4,573
2011-12	4,411	-	18	4,393
2010-11	2,788	-	42	2,746
2009-10	3,055	-	7	3,048
2008-09	2,733	-	39	2,694
2007-08	3,179	-	3,179	-
	<u>\$ 88,495</u>	<u>\$ 3,257,486</u>	<u>\$ 3,268,312</u>	<u>77,669</u>

Less: Allowance for Uncollectible Accounts:

General Fund

8,000

Ad Valorem Taxes Receivable - Net

\$ 69,669Reconciliation with Revenues

Ad Valorem Taxes - General Fund	\$ 1,969,314
Ad Valorem Taxes - Beach Renourishment Fund	-
Ad Valorem Taxes - Shoreline Protection Project	1,305,943
Reconciling Items:	
Interest and Penalties Collected	(10,124)
Taxes Released	-
Taxes Written Off	<u>3,179</u>
Total Collections and Credits	<u><u>\$ 3,268,312</u></u>

# TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA

## Analysis of Current Tax Levy

### Town-Wide Levy

June 30, 2018

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property Taxed at					
Current Year's Rate	\$ 828,381,081	0.393	\$ 3,257,195	\$ 3,205,085	\$ 52,110
Penalties	-		2,082	2,082	-
	<u>828,381,081</u>		<u>3,259,277</u>	<u>3,207,167</u>	<u>52,110</u>
<b>Discoveries:</b>					
Current Year Taxes	-	0.393	-	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Abatements:</b>					
Property Taxes -					
Current Year's Rate	(455,547)	0.393	\$ (1,791)	(1,791)	-
	<u>(455,547)</u>		<u>(1,791)</u>	<u>(1,791)</u>	<u>-</u>
<b>Total Property Valuations</b>	<u><u>\$ 827,925,534</u></u>				
<b>Net Levy</b>			3,257,486	3,205,376	52,110
<b>Uncollected Taxes at June 30, 2018</b>			29,512	29,512	-
<b>Current Year's Taxes Collected</b>			<u><u>\$ 3,227,974</u></u>	<u><u>\$ 3,175,864</u></u>	<u><u>\$ 52,110</u></u>
<b>Current Levy Collection Percentage</b>			<u><u>99.09%</u></u>	<u><u>99.08%</u></u>	<u><u>100.00%</u></u>

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## *Compliance Section*

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

**Independent Auditor's Report**

To the Honorable Mayor  
And Members of Board of Aldermen  
Town of North Topsail Beach, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Topsail Beach, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Town of North Topsail Beach's basic financial statements, and have issued our report thereon dated August 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of North Topsail Beach, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Topsail Beach, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Topsail Beach, North Carolina'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 the 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 of North Topsail Beach, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2018-1.

## **Town of North Topsail Beach's Response to Findings**

The Town of North Topsail Beach's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of North Topsail Beach's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

## **Purpose of this Report**

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

***W Greene PLLC***

Whiteville, North Carolina  
August 29, 2018

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

**Schedule of Findings and Responses**

**For the Fiscal Year Ended June 30, 2018**

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<b>SECTION I. SUMMARY OF AUDITOR'S RESULTS</b>
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**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

           Yes        X   No

Significant deficiency(s)

           Yes        X   None Reported

Noncompliance material to financial statements noted

  X   Yes                 No

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

**Schedule of Findings and Responses (Continued)**

**For the Fiscal Year Ended June 30, 2018**

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<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
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***Finding: 2018-1***

**MATERIAL NONCOMPLIANCE**

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Town of North Topsail Beach expended \$16,124 (General Fund - Debt Service) more than appropriated for in the annual budget ordinance.

Effect: Moneys were spent that had not been appropriated.

Cause: The Town expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when expenditures are made that exceed the estimated expenditures in the budget ordinance.

**Views of Responsible Officials and Planned Corrective Actions:**

The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts

# *Town of North Topsail Beach*

Daniel Tuman, Mayor  
Joann M. McDermon, Mayor Pro Tem  
Aldermen:  
Mike Benson  
Tom Leonard  
Richard Peters  
Jeremy Grove



Bryan R. Chadwick, MPA  
Town Manager

Laura Oxley, JD, MPA  
Town Clerk

*Nature's Tranquil Beauty*

## Corrective Action Plan For the Fiscal Year Ended June 30, 2018

### SECTION II. FINANCIAL STATEMENT FINDINGS

#### **Finding: 2018-1**

Name of Contact Person: Bryan Chadwick, Town Manager

Corrective Action: The Board members will review a budget-to-actual report prepared by the finance officer at each monthly board meeting. Budget amendments will be made, as necessary.

Proposed Completion Date: Immediately.

**TOWN OF NORTH TOPSAIL BEACH, NORTH CAROLINA**

**Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended June 30, 2018**

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***Finding: 17-1***

Status: Corrected

***Finding: 17-2***

Status: Corrected

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