

**TOWN OF CALABASH
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

MARTIN  STARNES

& ASSOCIATES, CPAs, P.A.

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

TOWN OF CALABASH, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Calabash, North Carolina, as of and for the year ended June 30, 2019, 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 did not audit the financial statements of the Calabash ABC Board. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Calabash ABC Board, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Calabash ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Calabash, North Carolina, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Calabash, North Carolina's, basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of the Town of Calabash, North Carolina's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Calabash's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Calabash's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 30, 2019

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Management's Discussion and Analysis

As management of the Town of Calabash, we offer readers of the Town of Calabash's financial statements this narrative overview and analysis of the financial activities of the Town of Calabash for the fiscal year ended June 30, 2019. 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

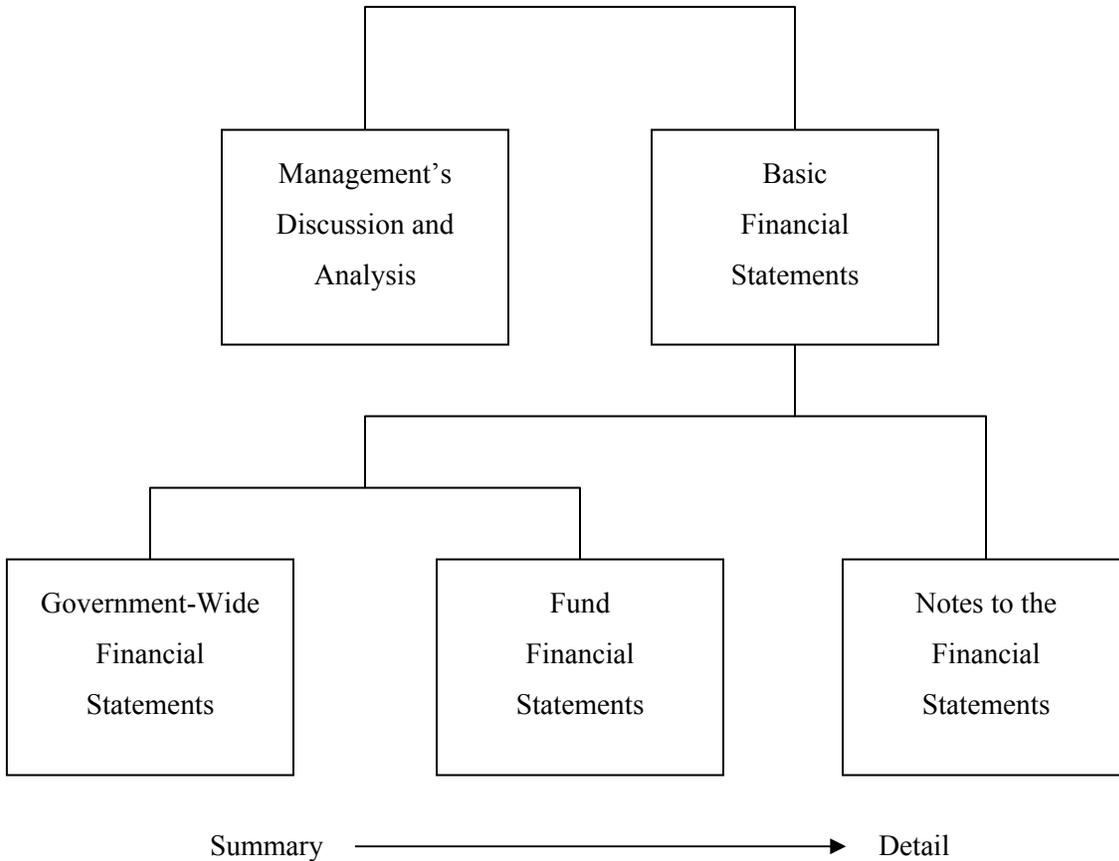
- The assets and deferred outflows of the Town of Calabash exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,050,549. (*net position*).
- As of the close of the current fiscal year, the Town of Calabash's governmental funds reported combined ending fund balances of \$1,868,224, an increase of \$394,087 in comparison with the prior year. Approximately 71% of this total amount, or \$1,323,639, is unassigned.
- At the end of the current fiscal year, available fund balance for the General Fund was \$1,525,725, or 129%, of total General Fund expenditures and transfers out for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Calabash'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 Calabash.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through F) 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. Following the notes is the **Required Supplementary Information**. This section contains funding information about the Town's pension plan.

Supplemental Information is provided to show details about the Town's individual governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) component units. The governmental activities include most of the Town's basic services, such as administration, streets and highways, and inspections. Property taxes and federal and state grant funds finance most of these activities. The final category is the component unit. Although legally separate from the Town, the Calabash ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town. The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements 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 Calabash, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Calabash 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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Calabash 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.

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 start after Exhibit F 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’s pension plan.

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.

Government-Wide Financial Analysis

Town of Calabash’s Net Position

Figure 2

	<u>2019</u>	<u>2018</u>
Assets:		
Current and other assets	\$ 2,146,887	\$ 1,590,348
Capital assets	<u>1,225,141</u>	<u>1,229,158</u>
Total assets	<u>3,372,028</u>	<u>2,819,506</u>
Deferred Outflows of Resources	<u>112,320</u>	<u>83,276</u>
Liabilities:		
Long-term liabilities outstanding	149,226	111,899
Other liabilities	<u>276,947</u>	<u>119,224</u>
Total liabilities	<u>426,173</u>	<u>231,123</u>
Deferred Inflows of Resources	<u>7,626</u>	<u>3,327</u>
Net Position:		
Net investment in capital assets	1,225,141	1,229,158
Restricted	246,926	189,937
Unrestricted	<u>1,578,482</u>	<u>1,249,237</u>
Total net position	<u>\$ 3,050,549</u>	<u>\$ 2,668,332</u>

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 Calabash exceeded liabilities and deferred inflows by \$3,050,549 as of June 30, 2019. The Town's net position increased by \$382,217 for the fiscal year ended June 30, 2019. One of the largest portions of net position reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Calabash uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Calabash's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Calabash's net position of \$246,926 represents resources that are subject to external restrictions on how they may be used. The remaining balance (52%), or \$1,578,482, is unrestricted.

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

- The Town received a Parks and Recreation Trust Fund Grant for reimbursement of one half of the costs to acquire the waterfront park property.
- The Town received FEMA Reimbursement for costs associated for preparations and response to Hurricane Florence.
- The Town was able to budget conservatively. Revenues exceeded budgeted projections, and the Town spent less than what was budgeted in most departments.
- Continued consistent growth in sales tax and development fees.

Town of Calabash's Changes in Net Position

Figure 3

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 148,198	\$ 141,918
Operating grants and contributions	153,569	61,496
Capital grants and contributions	151,960	-
General revenues:		
Property taxes	256,271	247,450
Local option sales taxes	568,363	530,870
Other taxes	150,515	150,487
ABC profit distribution	135,198	94,065
Other	10,845	825
Total revenues	1,574,919	1,227,111
Expenses:		
General government	454,409	445,960
Public safety	145,924	107,107
Transportation	444,259	420,833
Environmental protection	42,430	32,898
Economic development	6,471	3,888
Culture and recreation	99,209	103,975
Total expenses	1,192,702	1,114,661
Change in net position	382,217	112,450
Net Position:		
Beginning of year - July 1	2,668,332	2,555,882
End of year - June 30	\$ 3,050,549	\$ 2,668,332

Governmental Activities. Governmental activities increased the Town's net position by \$382,217. Key elements of this increase are:

- Parks and Recreation Trust Fund Grant that reimbursed the Town for the purchase and closing costs associated with the proposed waterfront park property.
- FEMA Grant that reimbursed the Town for costs associated with preparations and actions during Hurricane Florence.
- Continued growth in revenues such as ad valorem taxes, sales tax and development fees.
- With the reimbursements, the Town did not have to utilize budgeted fund balance.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Calabash'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 Calabash's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Calabash. At the end of the current fiscal year, available fund balance of the General Fund was \$1,525,725, while total fund balance was \$1,772,651. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 129% of total General Fund expenditures and transfers out, while total fund balance represents 150% of that same amount.

At June 30, 2019, the governmental funds of the Town of Calabash reported a combined fund balance of \$1,868,224. Included in the change in fund balance are increases and decreases in fund balance in the General Fund, capital project funds, and special revenue funds.

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.

During the 2018/2019 budget year, the Town revised the budget one time. The budget amendment in April received the Parks and Recreation Trust Fund Grant and the FEMA Reimbursement and decreased the amount of fund balance appropriated, as well as decreased expenditures in several departments associated with Hurricane Florence.

Capital Asset and Debt Administration

Capital Assets. The Town of Calabash's capital assets for its governmental activities as of June 30, 2019 total \$1,225,141 (net of accumulated depreciation). These assets include buildings, land, and equipment.

The Town purchased property and equipment in the 2018/2019 budget year.

1. The Town purchased a crew cab four-wheel drive long bed pickup truck for Town services.
2. The Town purchased an extended cab two-wheel drive pickup truck for inspections.
3. The Town purchased a new zero turn lawnmower for Town Services.

Town of Calabash's Capital Assets

Figure 4

	Governmental Activities	
	2019	2018
Land	\$ 675,827	\$ 675,827
Buildings	270,616	278,096
Improvements	116,917	123,070
Vehicles	49,527	-
Equipment	112,254	152,165
Total	<u>\$ 1,225,141</u>	<u>\$ 1,229,158</u>

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

Long-Term Debt. As of June 30, 2019, the Town of Calabash had no installment debt outstanding.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Calabash is approximately \$22,954,606.

Readers may read more detailed information regarding the Town's outstanding long-term liabilities in the liabilities section of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The Town of Calabash is continuing to experience significant growth. Population has increased slightly, and there are several areas with utilities in place ready for new construction. If the economy continues to improve, look for construction starts to continue and property taxes start to grow (ex. Kingfish Bay and Thistle).
- The Board of Commissioners has not changed the tax rate for 2019/20.
- Tourism has stayed strong as evidenced with consistent increases each year in sales tax revenue.

Budget Highlights for the Fiscal Year Ended June 30, 2020

Governmental Activities. It is projected that ad valorem taxes and State shared revenues will continue to increase gradually based upon economic indicators. The Town feels that tourism is remaining strong as well as other economic indicators, but we also know that this is subject to change. The Town will continue to monitor the economy and will tweak the budget as needed.

The 2019/2020 budget includes a slight increase for health insurance, merit increases up to 4% based upon job performance, substantial amounts for street paving projects, a large donation to the Calabash Fire Department, and setting aside reserves for future projects including sidewalks/dredging. Also the Town is planning on purchasing a new dump truck for Town Services as well as replace more mowers in our aging fleet.

Requests for Information

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

Chuck Nance
Town Administrator
P.O. Box 4967
882 Persimmon Road
Calabash, NC 28467
Telephone: (910) 579-6747
Fax: (910) 579-5494
Email: towncalabash@atmc.net

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TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Calabash ABC Board</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,652,086	\$ 454,280
Receivables (net):		
Ad valorem taxes	7,588	-
Due from component unit	98,553	-
Due from other governments	153,001	-
Accounts receivable	-	1,220
Inventory	-	207,255
Restricted cash and cash equivalents	235,659	-
Total current assets	<u>2,146,887</u>	<u>662,755</u>
Non-current assets:		
Capital assets:		
Land, non-depreciable improvements, and construction in progress	675,827	119,763
Other capital assets, net of depreciation	549,314	95,117
Total capital assets	<u>1,225,141</u>	<u>214,880</u>
Total assets	<u>3,372,028</u>	<u>877,635</u>
Deferred Outflows of Resources:		
Contributions to pension plan in current fiscal year	31,981	5,939
Pension deferrals	80,339	16,117
Total deferred outflows of resources	<u>112,320</u>	<u>22,056</u>
Liabilities:		
Current liabilities:		
Accounts payable	20,102	-
Accrued liabilities	10,686	54,655
Liabilities paid from restricted assets		
Development deposits	235,659	-
Distributions payable	-	131,197
Current portion of long-term liabilities	10,500	-
Total current liabilities	<u>276,947</u>	<u>185,852</u>
Long-term liabilities:		
Net pension liability	139,256	20,164
Due in more than one year	9,970	-
Total long-term liabilities	<u>149,226</u>	<u>20,164</u>
Total liabilities	<u>426,173</u>	<u>206,016</u>
Deferred Inflows of Resources:		
Pension deferrals	7,626	104
Net Position:		
Net investment in capital assets	1,225,141	214,880
Restricted for:		
Stabilization for state statute	246,926	-
Working capital	-	54,886
Unrestricted	1,578,482	423,805
Total net position	<u>\$ 3,050,549</u>	<u>\$ 693,571</u>

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

TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
Governing body	\$ 454,409	\$ 16,922	\$ -	\$ 151,960
Public safety	145,924	115,606	-	-
Transportation	444,259	3,723	61,064	-
Environmental protection	42,430	-	92,505	-
Economic and physical development	6,471	-	-	-
Culture and recreation	99,209	11,947	-	-
Total governmental activities	<u>1,192,702</u>	<u>148,198</u>	<u>153,569</u>	<u>151,960</u>
Total primary government	<u>\$ 1,192,702</u>	<u>\$ 148,198</u>	<u>\$ 153,569</u>	<u>\$ 151,960</u>
Component Unit:				
Calabash ABC Board	<u>\$ 1,379,135</u>	<u>\$ 1,427,148</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Component Unit
	Governmental Activities	Total	Calabash ABC Board
Functions/Programs			
Primary Government:			
Governmental Activities:			
Governing body	\$ (285,527)	\$ (285,527)	\$ -
Public safety	(30,318)	(30,318)	-
Transportation	(379,472)	(379,472)	-
Environmental protection	50,075	50,075	-
Economic and physical development	(6,471)	(6,471)	-
Culture and recreation	(87,262)	(87,262)	-
Total governmental activities	<u>(738,975)</u>	<u>(738,975)</u>	<u>-</u>
Total primary government	<u>(738,975)</u>	<u>(738,975)</u>	<u>-</u>
Component Unit:			
Calabash ABC Board			<u>48,013</u>
General Revenues:			
Property taxes	256,271	256,271	-
Local option sales tax	568,363	568,363	-
Utility franchise tax	114,176	114,176	-
Telecommunications tax	18,637	18,637	-
Video franchise fee	6,469	6,469	-
Beer and wine tax	8,616	8,616	-
Other taxes and licenses	2,617	2,617	-
ABC profit distribution	135,198	135,198	-
Unrestricted investment earnings	10,845	10,845	1,174
Total general revenues	<u>1,121,192</u>	<u>1,121,192</u>	<u>1,174</u>
Change in net position	382,217	382,217	49,187
Net Position:			
Beginning of year - July 1	<u>2,668,332</u>	<u>2,668,332</u>	<u>619,712</u>
End of year - June 30	<u>\$ 3,050,549</u>	<u>\$ 3,050,549</u>	<u>\$ 693,571</u>

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

TOWN OF CALABASH, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Other</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Funds</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Assets:			
Cash and investments	\$ 1,556,513	\$ 95,573	\$ 1,652,086
Receivables (net):			
Ad valorem taxes	7,588	-	7,588
Due from component unit	98,553	-	98,553
Due from other governments	153,001	-	153,001
Restricted cash and investments	235,659	-	235,659
Total assets	<u>\$ 2,051,314</u>	<u>\$ 95,573</u>	<u>\$ 2,146,887</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 20,102	\$ -	\$ 20,102
Accrued liabilities	10,686	-	10,686
Liabilities payable from restricted assets:			
Development deposits	235,659	-	235,659
Total liabilities	<u>266,447</u>	<u>-</u>	<u>266,447</u>
Deferred Inflows of Resources:			
Grant receivable	4,628	-	4,628
Property taxes receivable	7,588	-	7,588
Total deferred inflows of resources	<u>12,216</u>	<u>-</u>	<u>12,216</u>
Fund Balances:			
Restricted:			
Stabilization for state statute	246,926	-	246,926
Committed:			
Environmental protection	-	33,073	33,073
Capital improvements	21,145	-	21,145
Streets and sidewalks	52,000	-	52,000
Assigned:			
Subsequent year's expenditures	128,941	-	128,941
Environmental protection	-	62,500	62,500
Unassigned	1,323,639	-	1,323,639
Total fund balances	<u>1,772,651</u>	<u>95,573</u>	<u>1,868,224</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,051,314</u>	<u>\$ 95,573</u>	2,146,887
Amounts reported for governmental activities in the Statements of Net Position (Exhibit A) are different because:			
Gross capital assets at historical costs less accumulated depreciation			1,225,141
Net pension liability			(139,256)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			31,981
Liabilities for earned but considered deferred inflows of resources in fund statements:			
Ad valorem taxes			7,588
Grant receivable			4,628
Pension related deferrals			72,713
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Compensated absences			<u>(20,470)</u>
Net position of governmental activities			<u>\$ 3,050,549</u>

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

TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 258,170	\$ -	\$ 258,170
Other taxes and licenses	855	-	855
Unrestricted intergovernmental revenues	853,221	-	853,221
Restricted intergovernmental revenues	300,901	-	300,901
Permits and fees	115,606	-	115,606
Investment earnings	10,845	-	10,845
Miscellaneous	32,594	-	32,594
Total revenues	<u>1,572,192</u>	<u>-</u>	<u>1,572,192</u>
Expenditures:			
Current:			
General government	441,901	-	441,901
Public safety	144,518	-	144,518
Transportation	449,729	-	449,729
Environmental protection	39,672	2,758	42,430
Economic and physical development	6,471	-	6,471
Culture and recreation	93,056	-	93,056
Total expenditures	<u>1,175,347</u>	<u>2,758</u>	<u>1,178,105</u>
Revenues over (under) expenditures	<u>396,845</u>	<u>(2,758)</u>	<u>394,087</u>
Other Financing Sources (Uses):			
Transfers in	12,500	34,063	46,563
Transfers out	<u>(3,500)</u>	<u>(43,063)</u>	<u>(46,563)</u>
Total other financing sources (uses)	<u>9,000</u>	<u>(9,000)</u>	<u>-</u>
Net change in fund balances	405,845	(11,758)	394,087
Fund Balances:			
Beginning of year - July 1	<u>1,366,806</u>	<u>107,331</u>	<u>1,474,137</u>
End of year - June 30	<u>\$ 1,772,651</u>	<u>\$ 95,573</u>	<u>\$ 1,868,224</u>

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

TOWN OF CALABASH, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 394,087
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures, which were capitalized	53,065
Depreciation expense	(57,082)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	4,628
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	31,981
Change in unavailable revenue for ad valorem tax revenues	(1,899)
Expenses related to pensions that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(39,399)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	<u>(3,164)</u>
Total changes in net position of governmental activities	<u>\$ 382,217</u>

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

TOWN OF CALABASH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
Revenues:				
Ad valorem taxes	\$ 255,450	\$ 255,450	\$ 258,170	\$ 2,720
Other taxes and licenses	650	650	855	205
Unrestricted intergovernmental revenues	795,000	795,000	853,221	58,221
Restricted intergovernmental revenues	61,496	305,959	300,901	(5,058)
Permits and fees	89,700	89,700	115,606	25,906
Investment earnings	350	350	10,845	10,495
Miscellaneous	13,901	13,901	32,594	18,693
Total revenues	<u>1,216,547</u>	<u>1,461,010</u>	<u>1,572,192</u>	<u>111,182</u>
Expenditures:				
Current:				
General government	436,300	525,494	441,901	83,593
Public safety	211,800	211,911	144,518	67,393
Transportation	435,896	509,503	449,729	59,774
Environmental protection	41,500	60,178	39,672	20,506
Economic and physical development	11,800	11,800	6,471	5,329
Culture and recreation	103,150	103,150	93,056	10,094
Contingency	35,474	35,474	-	35,474
Total expenditures	<u>1,275,920</u>	<u>1,457,510</u>	<u>1,175,347</u>	<u>282,163</u>
Revenues over (under) expenditures	<u>(59,373)</u>	<u>3,500</u>	<u>396,845</u>	<u>393,345</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	(3,500)	(3,500)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(62,873)	-	393,345	393,345
Appropriated fund balance	<u>62,873</u>	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>393,345</u>	<u>\$ 393,345</u>
Fund Balance:				
Beginning of year - July 1			<u>1,306,161</u>	
End of year - June 30			1,699,506	
A legally budgeted Streets and Sidewalks Fund is consolidated into the General Fund for reporting purposes.				
Fund balance			39,500	
Transfer in			12,500	
A legally budgeted Capital Improvement Fund is consolidated into the General Fund for reporting purposes.				
Fund balance			<u>21,145</u>	
Fund balance - end of year (consolidated)			<u>\$ 1,772,651</u>	

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

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TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Calabash (the “Town”) and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Town of Calabash is a municipal corporation, which is governed by an elected Mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town’s financial statements in order to emphasize that it is legally separate from the Town.

Town of Calabash ABC Board

The members of the ABC Board’s governing board are appointed by the Town. In addition, the ABC Board is required by state statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at the Town of Calabash ABC Board, 10223 Beach Road, Calabash, North Carolina 28467.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. 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. Interfund services provided and used are not eliminated in the process of consolidation. 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.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state funds, and various other taxes and licenses. The primary expenditures are for inspections, street maintenance and construction, and general administration. Additionally, the Town has a legally adopted Streets and Sidewalks Fund, and Capital Improvement Fund. Under GASB 54 guidance, the Streets and Sidewalks Fund and Capital Improvement Fund are consolidated in the General Fund. The budgetary comparisons for the Streets and Sidewalks Fund and Capital Improvement Fund have been included in the supplemental information.

The Town reports the following nonmajor governmental funds:

Saltaire Village Stormwater Capital Project Fund. This fund is used to account for funds held for stormwater improvements in Saltaire Village.

Dredging Capital Project Fund. This fund is used to account for funds held for dredging expenditures.

River Road Capital Project Fund. This fund is used to account for funds held for paving on River Road.

Land Acquisition Capital Project Fund. This fund is used to account for funds held for future land acquisition.

C. Measurement Focus and Basis of Accounting

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

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

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. Long-term debt issued and acquisitions under capital leases are reported as other financing sources. 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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 shared revenue for the Town of Calabash because the tax is levied by Brunswick 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

E. 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, Capital Improvement Fund, Dredging Capital Project Fund, Land Acquisition Capital Project Fund, and Streets and Sidewalks Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the River Road Capital Project Fund, and Saltaire Village Stormwater Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Budget Officer is authorized to transfer appropriations within a department; however, such changes should not result in increased recurring obligations, such as salaries, and may transfer amounts up to \$1,000 between departments within the same fund. A budget amendment must be made for all such transfers at the next regular Board meeting. No amounts may be transferred between funds except as approved by the governing board in the budget ordinance. All amendments to the original budget were necessary. During the year, amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

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

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Cash and Cash Equivalents

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

Restricted Assets

\$235,659 of development deposits are restricted in the General Fund because they are held by the Town until development is complete. They are restricted for the purpose for which the deposit was collected.

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

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.

Inventory

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: equipment, \$5,000; buildings, \$20,000; and infrastructure, \$100,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, are not recorded. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives, are not capitalized.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Infrastructure	25 years
Buildings	50 years
Improvements	25 years
Vehicles	5 years
Furniture and fixtures	10 years
Equipment	5 years
Computer equipment	3 years
Software	3 years

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Furniture and fixtures	10 years
Store equipment	5-7 years
Office equipment	3-10 years
Land Improvements	20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criteria, contributions to the pension plan in current year and pension deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meets this criteria – property taxes receivable, grant receivable and pension deferrals.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to three weeks (120 hours) earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first in, first out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in the government-wide financial statements is 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, laws or regulations of other governments, or imposed by law through state statutes.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Stabilization for State Statute – portion of fund balance that is not an available resource for appropriation in accordance with state law [G.S. 159-8(a)].

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's 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 Capital Improvements – portion of fund balance committed by the Board for capital improvements.

Committed for Environmental Protection – portion of fund balance committed by the Board for stormwater improvements.

Committed for Streets and Sidewalks – portion of fund balance that has been committed by the Board for street and sidewalk improvements.

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the Town of Calabash intends to use for specific 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. The governing body approves the appropriation.

Environmental Protection – portion of fund balance that is budgeted by the Board for dredging projects.

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

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

The Town has not adopted a formal fund balance policy.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Fund Balance Available for Appropriation

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

Total fund balance - General Fund	\$ 1,772,651
Less:	
Restricted:	
Stabilization for state statute	246,926
Available fund balance	<u>\$ 1,525,725</u>

G. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Calabash's employer contributions are recognized when due and the Town of Calabash 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.

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 and the ABC Board have 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, 2019, the Town's deposits had a carrying amount of \$1,887,495 and a bank balance of \$1,902,962. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of the deposits for the ABC Board was \$452,480 and the bank balance was \$518,407. Of the bank balance, all was covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$250 and the ABC Board was \$1,800.

Receivables – Allowances for Doubtful Accounts

The allowance for doubtful accounts at June 30, 2019 was as follows:

Fund:

General Fund:

Ad valorem taxes receivable	\$ <u>12,000</u>
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Due from other governments at June 30, 2019 was as follows:

Sales tax	\$ 102,326
Franchise tax	29,535
Video tax	1,626
Telecommunications tax	4,749
Miscellaneous intergovernmental taxes	<u>14,765</u>
Total	<u>\$ 153,001</u>

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2019 was as follows:

	July 1, 2018	Additions	Retirements	June 30, 2019
By Asset Type:				
Non-Depreciable Capital Assets:				
Land	\$ 675,827	\$ -	\$ -	\$ 675,827
Total non-depreciable capital assets	675,827	-	-	675,827
Depreciable Capital Assets:				
Buildings	381,352	-	-	381,352
Improvements	153,835	-	-	153,835
Equipment	326,781	-	21,028	305,753
Vehicles	110,181	53,065	16,300	146,946
Total depreciable capital assets	972,149	53,065	37,328	987,886
Less Accumulated Depreciation:				
Buildings	103,256	7,480	-	110,736
Improvements	30,765	6,153	-	36,918
Equipment	174,616	39,911	21,028	193,499
Vehicles	110,181	3,538	16,300	97,419
Total accumulated depreciation	418,818	\$ 57,082	\$ 37,328	438,572
Total capital assets being				
Total depreciable capital assets	553,331			549,314
Governmental activity capital assets, net	\$ 1,229,158			\$ 1,225,141

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

Governmental Activities:	
General government	\$ 7,480
Transportation	43,449
Culture and recreation	6,153
Total depreciation expense	\$ 57,082

TOWN OF CALABASH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>
By Asset Type:				
Non-Depreciable Capital Assets:				
Land	\$ 119,763	\$ -	\$ -	\$ 119,763
Depreciable Capital Assets:				
Land improvements	1,438	4,207	-	5,645
Buildings	248,775	-	-	248,775
Furniture and fixtures	16,479	-	-	16,479
Equipment	63,811	-	-	80,097
Total depreciable capital assets	<u>450,266</u>	<u>4,207</u>	<u>-</u>	<u>470,759</u>
Less Accumulated Depreciation:				
Land improvements	1,438	88	-	1,526
Buildings	167,872	7,913	-	175,785
Furniture and fixtures	16,479	-	-	16,479
Equipment	57,954	4,135	-	62,089
Total accumulated depreciation	<u>243,743</u>	<u>\$ 12,136</u>	<u>\$ -</u>	<u>255,879</u>
ABC capital assets, net	<u>\$ 206,523</u>			<u>\$ 214,880</u>

B. Liabilities

Pension Plan and Post-Employment Obligations

Local Government Employees' Retirement System

Plan Description. The Town of Calabash is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Calabash employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Calabash's contractually required contribution rate for the year ended June 30, 2019 was 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Calabash were \$31,981 for the year ended June 30, 2019.

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

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the Town reported a liability of \$139,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.00587%, which was a decrease of 0.00114% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$39,397. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,484	\$ 721
Changes of assumptions	36,953	-
Net difference between projected and actual earnings on pension plan investments	19,115	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,787	6,905
Town contributions subsequent to the measurement date	31,981	-
Total	<u>\$ 112,320</u>	<u>\$ 7,626</u>

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

\$31,981 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 37,414
2021	22,791
2022	3,089
2023	9,419
2024	-
Thereafter	-
Total	<u>\$ 72,713</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 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.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. 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.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1%	Discount	1%
	Decrease	Rate (7.00%)	Increase
	(6.00%)	Rate (7.00%)	(8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 334,506	\$ 139,256	\$ (23,897)

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.

Deferred Outflows and Inflows of Resources

The Town has two deferred outflow of resources: \$31,981 of contributions to pension plan in the current fiscal year and \$80,339 of pension deferrals.

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

Taxes receivable (General Fund)	\$ 7,588
Grant receivable	4,628
Pension deferrals	7,626

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 coverage of \$2 million per occurrence; auto, public officials and employment practices, workers' compensation, and employee benefits liability coverage of \$1 million per occurrence; property coverage up to the total insurance value of the property; and health insurance for Town employees. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 and Tax Collector are individually bonded for \$50,000 each.

There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the NCLM-Interlocal Risk Financing Fund of North Carolina. Because the Town is in an area of the state that has been mapped and designated as an "X" (an area outside the one-percent annual chance floodplain) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$5,000,00 per structure through the NCLM-Interlocal Risk Financing Fund of North Carolina.

Long-Term Obligations

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
Governmental Activities:					
Net pension liability LGERS	\$ 107,093	\$ 32,163	\$ -	\$ 139,256	\$ -
Compensated absences	<u>17,306</u>	<u>13,864</u>	<u>10,700</u>	<u>20,470</u>	<u>10,500</u>
Governmental activity long-term liabilities	<u>\$ 124,399</u>	<u>\$ 46,027</u>	<u>\$ 10,700</u>	<u>\$ 159,726</u>	<u>\$ 10,500</u>

Compensated absences typically have been liquidated in the General Fund. Compensated absences are accounted for on an FIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2019, the Town had a legal debt margin of approximately \$22,954,606.

TOWN OF CALABASH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019 consist of the following:

From the Land Acquisition Capital Project Fund to the Streets and Sidewalks Fund to provide funds for sidewalks	\$ 12,500
From the General Fund to the Saltaire Village Stormwater Capital Project Fund to provide funds for stormwater	\$ 3,500
From the Land Acquisition Fund to the Dredging Capital Project Fund to provide funds for dredging	\$ 12,500
From the River Road Capital Project Fund to the Saltaire Village Stormwater Capital Project Fund to provide funds for stormwater	\$ 18,063

3. Summary Disclosures of Significant Contingencies

Federal and State-Assisted Programs

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

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TOWN OF CALABASH, NORTH CAROLINA

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

	Local Government Employees' Retirement System					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.00587%	0.00701%	0.00684%	0.00708%	0.00580%	0.00005%
Town's proportion of the net pension liability (asset) (\$)	\$ 139,256	\$ 107,093	\$ 145,168	\$ 31,775	\$ (34,205)	\$ 60,269
Town's covered payroll	\$ 376,084	\$ 449,135	\$ 439,366	\$ 393,026	\$ 353,680	\$ 255,505
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.03%	23.84%	33.04%	8.08%	(9.67%)	23.59%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	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 ended June 30.

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

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

TOWN OF CALABASH, NORTH CAROLINA**CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

Local Government Employees' Retirement System						
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 31,981	\$ 28,206	\$ 32,562	\$ 29,306	\$ 27,787	\$ 25,116
Contributions in relation to the contractually required contribution	31,981	28,206	32,562	29,306	27,787	25,116
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 412,656	\$ 376,084	\$ 449,135	\$ 439,366	\$ 393,026	\$ 353,680
Contributions as a percentage of covered payroll	7.75%	7.50%	7.25%	6.67%	7.07%	7.10%

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

TOWN OF CALABASH, NORTH CAROLINA

GENERAL FUND - CONSOLIDATED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Streets and Sidewalks Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Revenues:				
Ad valorem taxes	\$ 258,170	\$ -	\$ -	\$ 258,170
Other taxes and licenses	855	-	-	855
Unrestricted intergovernmental revenues	853,221	-	-	853,221
Restricted intergovernmental revenues	300,901	-	-	300,901
Permits and fees	115,606	-	-	115,606
Investment earnings	10,845	-	-	10,845
Miscellaneous	32,594	-	-	32,594
Total revenues	<u>1,572,192</u>	<u>-</u>	<u>-</u>	<u>1,572,192</u>
Expenditures:				
General government:				
Governing body	17,503	-	-	17,503
Administrative	413,676	-	-	413,676
Public buildings	10,722	-	-	10,722
Total general government	<u>441,901</u>	<u>-</u>	<u>-</u>	<u>441,901</u>
Public safety:				
Public safety	30,616	-	-	30,616
Inspections	113,902	-	-	113,902
Total public safety	<u>144,518</u>	<u>-</u>	<u>-</u>	<u>144,518</u>
Transportation:				
Town services	388,665	-	-	388,665
Powell Bill	61,064	-	-	61,064
Total transportation	<u>449,729</u>	<u>-</u>	<u>-</u>	<u>449,729</u>
Environmental protection:				
Sanitation	25,009	-	-	25,009
Drainage and watershed	14,663	-	-	14,663
Total environmental protection	<u>39,672</u>	<u>-</u>	<u>-</u>	<u>39,672</u>
Economic and physical development:				
Planning and zoning	6,471	-	-	6,471
Total economic and physical development	<u>6,471</u>	<u>-</u>	<u>-</u>	<u>6,471</u>
Culture and recreation:				
Town beautification	74,904	-	-	74,904
Community services	13,820	-	-	13,820
Community park	4,332	-	-	4,332
Total culture and recreation	<u>93,056</u>	<u>-</u>	<u>-</u>	<u>93,056</u>
Total expenditures	<u>1,175,347</u>	<u>-</u>	<u>-</u>	<u>1,175,347</u>
Revenues over (under) expenditures	<u>396,845</u>	<u>-</u>	<u>-</u>	<u>396,845</u>

TOWN OF CALABASH, NORTH CAROLINA

**GENERAL FUND - CONSOLIDATED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Streets and Sidewalks Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Other Financing Sources (Uses):				
Transfers out:				
Saltaire Village Stormwater Capital Project Fund	(3,500)	-	-	(3,500)
Transfers in:				
Land Aquisition Fund	-	12,500	-	12,500
Total other financing sources (uses)	<u>(3,500)</u>	<u>12,500</u>	<u>-</u>	<u>9,000</u>
Net change in fund balances	<u>\$ 393,345</u>	<u>\$ 12,500</u>	<u>\$ -</u>	405,845
Fund Balances:				
Beginning of year - July 1				<u>1,366,806</u>
End of year - June 30				<u>\$ 1,772,651</u>

TOWN OF CALABASH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018**

	2019		Variance Over/Under	2018
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 252,450	\$ 254,821		\$ 242,962
Penalties and interest	3,000	3,349		4,267
Total ad valorem taxes	<u>255,450</u>	<u>258,170</u>	\$ 2,720	<u>247,229</u>
Other Taxes:				
Privilege licenses	650	855		960
Total other taxes	<u>650</u>	<u>855</u>	205	<u>960</u>
Unrestricted Intergovernmental Revenues:				
Local option sales tax	550,000	568,363		530,870
Utility franchise tax	115,000	114,176		112,993
Telecommunications tax	19,650	18,637		19,925
Video franchise fee	6,000	6,469		6,726
Beer and wine tax	8,100	8,616		8,541
Solid waste disposal tax	1,250	1,762		1,342
ABC profit distribution	95,000	135,198		94,065
Total unrestricted intergovernmental revenues	<u>795,000</u>	<u>853,221</u>	58,221	<u>774,462</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	61,496	61,064		61,496
FEMA Grant	97,131	92,505		-
CAMA Grant	147,332	147,332		-
Total restricted intergovernmental revenues	<u>305,959</u>	<u>300,901</u>	(5,058)	<u>61,496</u>
Permits and Fees:				
Inspection fees	28,200	40,191		40,115
Building permits	61,500	75,415		67,413
Total permits and fees	<u>89,700</u>	<u>115,606</u>	25,906	<u>107,528</u>
Investment Earnings:				
General	350	10,845		825
Total investment earnings	<u>350</u>	<u>10,845</u>	10,495	<u>825</u>
Miscellaneous:				
Other	13,901	32,594	18,693	34,390
Total revenues	<u>1,461,010</u>	<u>1,572,192</u>	111,182	<u>1,226,890</u>

TOWN OF CALABASH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018**

	2019		Variance Over/Under	2018
	Budget	Actual		Actual
Expenditures:				
General Government:				
Governing Body:				
Board fees	12,400	12,272		12,595
Other operating expenditures	10,300	5,231		4,351
Total governing body	22,700	17,503	5,197	16,946
Administrative:				
Salaries, wages, and employee benefits	289,575	282,441		284,249
Professional services	47,000	72,580		43,151
Capital outlay	85,959	-		298,362
Other operating expenditures	62,010	58,655		58,025
Total administrative	484,544	413,676	70,868	683,787
Elections				
Other operating expenditures	-	-	-	1,785
Public Buildings:				
Other operating expenditures	15,750	9,319		10,911
Capital outlay	2,500	1,403		745
Total public buildings	18,250	10,722	7,528	11,656
Total general government	525,494	441,901	83,593	714,174
Public Safety:				
Fire and Rescue:				
Other operating expenditures	35,411	30,600		32,396
EMS contract	4,000	16		-
Total fire and rescue	39,411	30,616	8,795	32,396
Inspections:				
Salaries, wages, and employee benefits	134,400	79,307		66,856
Capital outlay	24,000	23,626		-
Other operating expenditures	14,100	10,969		6,022
Total inspections	172,500	113,902	58,598	72,878
Total public safety	211,911	144,518	67,393	105,274

TOWN OF CALABASH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018**

	2019		Variance Over/Under	2018
	Budget	Actual		Actual
Transportation:				
Town Services:				
Salaries, wages, and employee benefits	293,783	233,261		244,380
Other operating expenditures	124,224	125,676		82,645
Capital outlay	30,000	29,728		(261)
Total Town services	448,007	388,665	59,342	326,764
Powell Bill:				
Contracted services	51,496	51,496		51,496
Capital outlay	10,000	9,568		10,000
Total Powell Bill	61,496	61,064	432	61,496
Total transportation	509,503	449,729	59,774	388,260
Environmental Protection:				
Sanitation:				
Contracted services	27,678	25,009		7,491
Total sanitation	27,678	25,009	2,669	7,491
Drainage and Watershed:				
Professional services	5,000	586		420
Drainage ditches	25,000	12,330		22,254
Capital outlay	2,500	1,747		87,463
Total drainage and watershed	32,500	14,663	17,837	110,137
Total environmental protection	60,178	39,672	20,506	117,628
Economic and Physical Development:				
Planning and Zoning:				
Salaries and benefits	4,250	1,669		1,722
Other operating expenditures	2,550	2,500		82
Total planning and zoning	6,800	4,169	2,631	1,804
Local Economic Development:				
Other operating expenditures	5,000	2,302		2,084
Total economic and physical development	11,800	6,471	2,631	3,888

TOWN OF CALABASH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018

	2019		Variance Over/Under	2018
	Budget	Actual		Actual
Culture and Recreation:				
Town Beautification:				
Contracted services	2,500	-		534
Other operating expenditures - street lighting	71,500	74,904		71,144
Total town beautification	<u>74,000</u>	<u>74,904</u>	(904)	<u>71,678</u>
Community Services:				
Other operating expenditures	<u>21,400</u>	<u>13,820</u>	7,580	<u>19,256</u>
Community Park:				
Other operating expenditures	7,250	4,332		6,688
Capital outlay	500	-		200
Total community park	<u>7,750</u>	<u>4,332</u>	3,418	<u>6,888</u>
Total culture and recreation	<u>103,150</u>	<u>93,056</u>	10,094	<u>97,822</u>
Contingency	<u>35,474</u>	-	35,474	-
Total expenditures	<u>1,457,510</u>	<u>1,175,347</u>	279,465	<u>1,427,046</u>
Revenues over (under) expenditures	<u>3,500</u>	<u>396,845</u>	393,345	<u>(200,156)</u>
Other Financing Sources (Uses):				
Transfers in from Park Grant Project Fund	-	-		175
Transfers out:				
Saltaire Village Stormwater Capital Project Fund	(3,500)	(3,500)		-
Dredging Capital Project Fund	-	-		(10,000)
Land Acquisition Capital Project Fund	-	-		(15,000)
Streets and Sidewalks Fund	-	-		(10,000)
Total other financing sources (uses)	<u>(3,500)</u>	<u>(3,500)</u>	-	<u>(34,825)</u>
Net change in fund balance	<u>\$ -</u>	393,345	<u>\$ 393,345</u>	(234,981)
Fund Balance:				
Beginning of year - July 1		<u>1,306,161</u>		<u>1,541,142</u>
End of year - June 30		<u>\$ 1,699,506</u>		<u>\$ 1,306,161</u>

TOWN OF CALABASH, NORTH CAROLINA

STREETS AND SIDEWALKS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Contracted services	\$ 12,500	\$ -	\$ 12,500
Revenues over (under) expenditures	(12,500)	-	(12,500)
Other Financing Sources (Uses):			
Transfers in:			
Transfer from Land Aquisition Fund	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	12,500	<u>\$ 12,500</u>
Fund Balance:			
Beginning of year - July 1		<u>39,500</u>	
End of year - June 30		<u>\$ 52,000</u>	

TOWN OF CALABASH, NORTH CAROLINA

**CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	\$ -	\$ -
Fund Balance:			
Beginning of year - July 1		<u>21,145</u>	
End of year - June 30		<u>\$ 21,145</u>	

TOWN OF CALABASH, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Land Acquisition Capital Project Fund</u>	<u>Dredging Capital Project Fund</u>	<u>River Road Capital Project Fund</u>	<u>Saltaire Village Stormwater Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ -	\$ 62,500	\$ -	\$ 33,073	\$ 95,573
Liabilities, Deferred Inflows of Resources, and Fund Balance:					
Committed:					
Environmental protection	\$ -	\$ -	\$ -	\$ 33,073	\$ 33,073
Assigned:					
Environmental protection	-	62,500	-	-	62,500
Total fund balance	<u>\$ -</u>	<u>\$ 62,500</u>	<u>\$ -</u>	<u>\$ 33,073</u>	<u>\$ 95,573</u>

TOWN OF CALABASH, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Land Acquisition Capital Project Fund</u>	<u>Dredging Capital Project Fund</u>	<u>River Road Capital Project Fund</u>	<u>Saltaire Village Stormwater Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Expenditures:					
Contracted services	\$ -	\$ -	\$ -	\$ 2,758	\$ 2,758
Revenues over (under) expenditures	-	-	-	(2,758)	(2,758)
Other Financing Sources (Uses):					
Transfers to other funds	(25,000)	-	(18,063)	-	(43,063)
Transfers from other funds	-	12,500	-	21,563	34,063
Total other financing sources (uses)	(25,000)	12,500	(18,063)	21,563	(9,000)
Net change in fund balances	(25,000)	12,500	(18,063)	18,805	(11,758)
Fund Balances:					
Beginning of year - July 1	25,000	50,000	18,063	14,268	107,331
End of year - June 30	<u>\$ -</u>	<u>\$ 62,500</u>	<u>\$ -</u>	<u>\$ 33,073</u>	<u>\$ 95,573</u>

TOWN OF CALABASH, NORTH CAROLINA

**LAND ACQUISITION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfer to Dredging Capital Project Fund	\$ (12,500)	\$ (12,500)	\$ -
Transfer to Streets and Sidewalks Fund	(12,500)	(12,500)	-
Appropriated fund balance	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total other financing sources (uses)	<u>-</u>	<u>(25,000)</u>	<u>25,000</u>
Net change in fund balance	<u>\$ -</u>	(25,000)	<u>\$ (25,000)</u>
Fund Balance:			
Beginning of year - July 1		<u>25,000</u>	
End of year - June 30		<u>\$ -</u>	

TOWN OF CALABASH, NORTH CAROLINA

DREDGING CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Contracted services	\$ 12,500	\$ -	\$ 12,500
Revenues over (under) expenditures	(12,500)	-	(12,500)
Other Financing Sources (Uses):			
Transfer from Land Aquisition Fund	12,500	12,500	-
Net change in fund balance	<u>\$ -</u>	12,500	<u>\$ 12,500</u>
Fund Balance:			
Beginning of year - July 1		<u>50,000</u>	
End of year - June 30		<u>\$ 62,500</u>	

TOWN OF CALABASH, NORTH CAROLINA

RIVER ROAD CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Prior Year Totals</u>	<u>Current Activity</u>	<u>Project To Date Totals</u>
Expenditures:				
Town beautification:				
Contracted services	\$ 77,500	\$ 59,437	\$ -	\$ 59,437
Revenues over (under) expenditures	<u>(77,500)</u>	<u>(59,437)</u>	<u>-</u>	<u>(59,437)</u>
Other Financing Sources (Uses):				
Transfer to Saltaire Village Stormwater Capital Project Fund	(18,063)	-	(18,063)	(18,063)
Transfer from General Fund	77,500	77,500	-	77,500
Appropriated fund balance	<u>18,063</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>77,500</u>	<u>77,500</u>	<u>(18,063)</u>	<u>59,437</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 18,063</u>	(18,063)	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>18,063</u>	
End of year - June 30			<u>\$ -</u>	

TOWN OF CALABASH, NORTH CAROLINA

**SALTAIRE VILLAGE STORMWATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Project Authorization</u>	<u>Prior Year Totals</u>	<u>Current Activity</u>	<u>Project To Date Totals</u>
Expenditures:				
Town beautification:				
Contracted services	\$ 83,063	\$ 47,232	\$ 2,758	\$ 49,990
Revenues over (under) expenditures	<u>(83,063)</u>	<u>(47,232)</u>	<u>(2,758)</u>	<u>(49,990)</u>
Other Financing Sources (Uses):				
Transfer From River Road Capital Project Fund	18,063	-	18,063	18,063
Transfer from General Fund	<u>65,000</u>	<u>61,500</u>	<u>3,500</u>	<u>65,000</u>
Total other financing sources (uses)	<u>83,063</u>	<u>61,500</u>	<u>21,563</u>	<u>83,063</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 14,268</u>	18,805	<u>\$ 33,073</u>
Fund Balance:				
Beginning of year - July 1			<u>14,268</u>	
End of year - June 30			<u>\$ 33,073</u>	

TOWN OF CALABASH, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018 - 2019	\$ -	\$ 251,066	\$ 242,702	\$ 8,364
2017 - 2018	8,128	-	3,793	4,335
2016 - 2017	7,153	-	5,942	1,211
2015 - 2016	3,077	-	2,034	1,043
2014 - 2015	1,545	-	1,046	499
2013 - 2014	1,116	-	238	878
2012 - 2013	1,407	-	138	1,269
2011 - 2012	1,280	-	286	994
2010 - 2011	811	-	220	591
2009 - 2010	139	-	14	125
2008 - 2009	279	-	-	279
2007 - 2008	352	-	352	-
Total	\$ 25,287	\$ 251,066	\$ 256,765	19,588
Less: Allowance for uncollectible accounts				(12,000)
Ad valorem taxes receivable, net				\$ 7,588
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes:				
General Fund				\$ 258,170
Reconciling items:				
Penalties and interest collected				(3,349)
Miscellaneous adjustments				(330)
Taxes written off				2,274
Total collections and credits				\$ 256,765

TOWN OF CALABASH, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 286,390,857	\$ 0.0875	\$ 250,592	\$ 234,141	\$ 16,451
Discoveries:					
Current year taxes	541,714	0.0875	474	474	-
Penalties			-		
Abatements:					
Property taxes-current year rate	-	0.0875	-	-	-
Total property valuation	<u>\$ 286,932,571</u>				
Net Levy			251,066	234,615	16,451
Uncollected taxes at June 30, 2019			<u>8,364</u>	<u>8,364</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 242,702</u>	<u>\$ 226,251</u>	<u>\$ 16,451</u>
Current Levy Collection Percentage			<u>96.67%</u>	<u>96.44%</u>	<u>100.00%</u>

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Calabash, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report, thereon, dated October 30, 2019. Our report includes a reference to other auditors who audited the financial statements of the Calabash ABC Board, as described in our report on the Town of Calabash, North Carolina's, financial statements. The financial statements of the Calabash ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Calabash'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 Calabash's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Calabash's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Town of Calabash's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 30, 2019

TOWN OF CALABASH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

Non-compliance material to financial statements noted?

Yes No

TOWN OF CALABASH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

2. Findings Related to the Audit of the Basic Financial Statements

Finding 2019-001:

Significant Deficiency

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

Condition: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules. Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and Governmental Accounting Standards Board requires a level of technical expertise not possessed by the Town's personnel with regards to drafting full accrual, full disclosure financial statements. Although management of the Town does not possess expertise to draft full accrual, full disclosure financial statements, they do have the skills and knowledge to adequately oversee and perform a detail review of the drafted full accrual, full disclosure financial statements and reconcile the financial statements to the records of the Town.

Effect: Errors in financial reporting could occur.

Cause: There are limited Town resources as it relates to the preparation of full accrual, full disclosure year-end financial statements.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit 2018-001.

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

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

TOWN OF CALABASH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

2. Findings Related to the Audit of the Basic Financial Statements (continued):

Finding 2019-002:

Significant Deficiency

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: Due to the limited number of personnel in the Town office, there are inherent limitations to segregation of duties among Town personnel. Presently, a single individual prepares checks, reconciles bank accounts, performs all payroll duties, and maintains the general ledger. Town employees in the Finance Department and the Town Administrator have full access to make adjustments in the general ledger system. The Town Administrator and a Town Commissioner provide some review and oversight

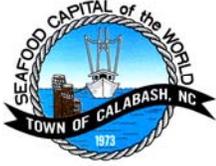
Effect: Adjustments could be made without oversight.

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

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit 2018-002.

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

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.



TOWN OF CALABASH, NORTH CAROLINA

882 Persimmon Road * Calabash, NC 28467

Administration: (910) 579-6747 * Building Inspector: (910) 579-0500* Fax (910) 579-5495

Web Address: www.townofcalabash.net * Email: towncalabash@atmc.net

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019

Significant Deficiencies

Finding 2019-001:

Name of Contact Person: Chuck Nance

Corrective Action: Management has evaluated the cost benefit and has chosen to engage the external auditor to perform this function. The Town exercises due care in reviewing the financial statements drafted by the external auditor and reconciles the statements to the Town's financial records. The Town is responsible for the accuracy of the audited financial statements

Proposed Completion Date: Immediately

Finding 2019-002:

Name of Contact Person: Chuck Nance

Corrective Action: The Town has segregated duties as much as possible with our limited staff capabilities. We will continue to seek alternative controls to address this finding.

Proposed Completion Date: Immediately

TOWN OF CALABASH, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Significant Deficiency

Finding 2018-001:

Status: Repeated as Finding 2019-001. Management has evaluated the cost benefit and has chosen to engage the external auditor to perform this function.

Significant Deficiency

Finding 2018-002:

Status: Repeated as Finding 2019-002. Duties are being separated as much as possible and alternative controls have been implemented to the extent possible to compensate for lack of separation.

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